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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 AGREEMENTS IN RELATION TO MAAN DOMESTIC WASTEWATER TREATMENT PLANT PHASES I & II PPP PROJECT

The Board is pleased to announce that on 8 September 2017, the Environmental Protection Bureau of Huizhou City* (惠州市環境保護局), Kangda Group and the Project Company, after the completion of a public tender process, entered into the Concession Agreement and the Wastewater Treatment Service Agreement in respect of the domestic wastewater treatment plant phases I and II PPP project located in Maan Town, Huizhou City, Guangdong 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. Reference is made to the announcement of the Company dated 23 June 2017 in relation to the preliminary bidding results and entering into public notice period of the PPP Project.

INTRODUCTION

The Board is pleased to announce that on 8 September 2017, the Environmental Protection Bureau of Huizhou City* (惠州市環境保護局), Kangda Group and the Project Company, after the completion of a public tender process, entered into the Concession Agreement and the Wastewater Treatment Service Agreement in respect of the domestic wastewater treatment plant phases I and II PPP project located in Maan Town, Huizhou City, Guangdong 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 CONCESSION AGREEMENT

Date:

8 September 2017

Parties:

- (1) Environmental Protection Bureau of Huizhou City* (惠州市環境保護局);
- (2) Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司); and
- (3) Huizhou Kangda Sheng Water Co., Ltd.* (惠州康達晟水務有限公司).

Principal Terms

Pursuant to the Concession Agreement, the Project Company shall be exclusively responsible for the investment, design, construction, maintenance, operation and management of the Maan Domestic Wastewater Treatment Plant Phases I & II and shall be entitled to charge the wastewater treatment service fee within a Concession Period of 27 years (including the construction period of two years) commencing from the effective date of the Concession Agreement. The Project Company shall also be responsible for the construction of the ancillary pipe network and the acquisition of the Maan Town Wastewater Treatment Plant and shall be entitled to operate the Maan Town Wastewater Treatment Plant and charge wastewater treatment service fee within the Concession Period. The expected total investment for the PPP Project is approximately RMB808 million.

The construction of the PPP Project Phase I shall be commenced after the execution of the Concession Agreement and before 31 December 2017. It shall be completed and commence operation within two years. The construction of the PPP Project Phase II shall be commenced when the PPP Project Phase I reaches its 100% designed treatment capacity and in 2023 at latest. The Project Company shall commence the construction of the PPP Project Phase II within six months after receiving the written notice.

Upon the expiration of the Concession Period, the Project Company shall transfer all assets of Maan Domestic Wastewater Treatment Plant Phases I & II and Maan Town Wastewater Treatment Plant to the Environmental Protection Bureau of Huizhou City* (惠州市環境保護局) or its designated institution for nil consideration.

INFORMATION ABOUT THE PPP PROJECT

The PPP project, which is located in Maan Town, Huizhou City, Guangdong Province, the PRC, comprises of (i) the 27-year concession rights of the Maan Domestic Wastewater Treatment Plant Phases I & II, including investment, design, construction, maintenance,

operation, management, the right of use of the Maan Domestic Wastewater Treatment Plant Phases I & II; (ii) the construction of the ancillary pipe network; and (iii) the acquisition of the Maan Town Wastewater Treatment Plant (the "**PPP Project**").

THE WASTEWATER TREATMENT SERVICE AGREEMENT

Date:

8 September 2017

Parties:

- (1) Environmental Protection Bureau of Huizhou City* (惠州市環境保護局);
- (2) Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司); and
- (3) Huizhou Kangda Sheng Water Co., Ltd.* (惠州康達晟水務有限公司).

Principal Terms

Pursuant to the Wastewater Treatment Service Agreement, Environmental Protection Bureau of Huizhou City* (惠州市環境保護局) shall supply wastewater to the Project Company according to the incoming water quality standard as set out in the Wastewater Treatment Service Agreement and the Project Company shall provide the wastewater treatment service by operating the Maan Domestic Wastewater Treatment Plant Phases I & II and Maan Town Wastewater Treatment Plant according to the water output quality standard as set out in the Wastewater Treatment Service Agreement and charge wastewater treatment service fee within the Concession Period.

INFORMATION ABOUT THE MAAN DOMESTIC WASTEWATER TREATMENT PLANT PHASES I & II AND MAAN TOWN WASTEWATER TREATMENT PLANT

Plant name	Location	Project model	Daily treatment capacity (tonnes)	Concession period
Maan Domestic Wastewater Treatment Plant Phases I & II* (馬安生活污水處理廠一、二期)	Maan Town, Huizhou City, Guangdong Province, the PRC	BOT	200,000	27 years (including the construction period of Phase I: 100,000; two years and Phase II: commencing from the effective date of the Concession Agreement)
Maan Town Wastewater Treatment Plant* (馬安鎮污水處理廠)	Maan Town, Huizhou City, Guangdong Province, the PRC	TOT	10,000	27 years (commencing from the effective date of the Concession Agreement)

“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
“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 among Environmental Protection Bureau of Huizhou City* (惠州市環境保護局), Kangda Group and the Project Company on 8 September 2017
“Concession Period”	the concession period of 27 years including the construction period of two years and commencing from the effective date of the Concession Agreement as set out in the Concession Agreement
“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
“Maan Domestic Wastewater Treatment Plant Phases I & II”	the domestic wastewater treatment plant (phases I & II) located in Maan Town, Huizhou City, Guangdong Province, the PRC
“Maan Town Wastewater Treatment Plant”	the wastewater treatment plant located near the Maan Domestic Wastewater Treatment Plant Phases I & II and in Maan Town, Huizhou City, Guangdong 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”	Huizhou Kangda Sheng Water Co., Ltd.* (惠州康達晟水務有限公司), a limited liability company established in the PRC on 14 August 2017 and wholly owned by Kangda Group
“TOT”	transfer, operate and transfer, a project model in which the proprietor transfers the rights to operate a water or wastewater treatment facility to an enterprise for a consideration pursuant to a concession agreement, in return, the enterprise can charge users a fee during the concession period, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
“Wastewater Treatment Service Agreement”	the wastewater treatment service agreement in relation to the PPP Project entered into among Environmental Protection Bureau of Huizhou City* (惠州市環境保護局), Kangda Group and the Project Company on 8 September 2017, which is as an appendix of the Concession Agreement

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

Hong Kong, 8 September 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