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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 DONGSHENG TOWN WASTEWATER TREATMENT PLANT AND NETWORK INTEGRATION PPP PROJECT

The Board is pleased to announce that on 23 August 2017, the Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) 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 wastewater treatment plant and network integration PPP project in Dongsheng Town, Zhongshan 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 9 August 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 23 August 2017, the Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) and the Project Company entered into the Concession Agreement and the Wastewater Treatment Service Agreement in respect of the wastewater treatment plant and network integration PPP project in Dongsheng Town, Zhongshan 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:

23 August 2017

Parties:

- (1) Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局); and
- (2) Zhongshan Kangda Water Co., Ltd.* (中山康達水務有限公司).

Principal Terms

Pursuant to the Concession Agreement, the Project Company shall be exclusively responsible for the management, operation, maintenance, update and reform of the Dongsheng Wastewater Treatment Plant and shall be entitled to charge the wastewater treatment service fee monthly within a concession period of 30 years commencing from the Commercial Operation Date. The Project Company shall also be responsible for the construction of the proposed pipe network. The expected total investment for the PPP Project is approximately RMB376 million.

Upon the expiration of the Concession Period, the Project Company shall transfer the Project Assets to the Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) for nil consideration.

INFORMATION ABOUT THE PPP PROJECT

The PPP Project, which is located at Dongsheng Town, Zhongshan City, Guangdong Province, the PRC, comprises of (i) the 30-year concession rights of the Dongsheng Wastewater Treatment Plant and the built wastewater pipe network, including the operation, maintenance and the right of use of the Dongsheng Wastewater Treatment Plant; and (ii) the financing, investment, construction, transfer and use of the proposed pipe network with the project wastewater pipe of 7,991 meters in total.

THE WASTEWATER TREATMENT SERVICE AGREEMENT

Date:

23 August 2017

Parties:

- (3) Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局); and
- (4) Zhongshan Kangda Water Co., Ltd.* (中山康達水務有限公司).

Principal Terms

Pursuant to the Wastewater Treatment Service Agreement, the Project Company shall provide the wastewater treatment service by operating the Dongsheng Wastewater Treatment Plant according to the wastewater output quality standard as set out in the Wastewater Treatment Service Agreement and charge the wastewater treatment service fee within the concession period of 30 years commencing from the Commercial Operation Date.

The Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) shall inform the Project Company of the Commercial Operation Date by written notice.

INFORMATION ABOUT THE DONGSHENG WASTEWATER TREATMENT PLANT

Plant name	Location	Project model	Daily treatment capacity (tonnes)	Concession period
Dongsheng Wastewater Treatment Plant (東升鎮污水處理廠)	Dongsheng Town, Zhongshan City, Guangdong Province, the PRC	PPP	30,000	30 years (commencing from the Commercial Operation Date)

INFORMATION ABOUT THE HOUSING AND CONSTRUCTION DEPARTMENT OF DONGSHENG TOWN, ZHONGSHAN CITY* (中山市東升鎮住房和城鄉建設局) AND THE GROUP

The Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) is the competent industry administrative department authorised by the People's Government of Dongsheng Town, Zhongshan City, and is responsible for the authorisation and supervision of the concession rights of the Dongsheng Wastewater Treatment Plant.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) 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 CONCESSION AGREEMENT AND THE WASTEWATER TREATMENT SERVICE AGREEMENT

The Directors believe that entering into the Concession Agreement and the Wastewater Treatment Service Agreement is consistent with the business strategy of the Company to explore business opportunities in the area of the ecological environmental protection and comprehensive treatment 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 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.

Accordingly, the Directors consider that the terms of the Concession Agreement and the Wastewater Treatment Service 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
“Commercial Operation Date”	the day after the date when Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) and the Project Company entered into the Concession Agreement and the Project Assets are transferred to the Project 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
“Concession Agreement”	the concession agreement entered into between Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) and the Project Company on 23 August 2017

“Director(s)”	the director(s) of the Company
“Dongsheng Wastewater Treatment Plant”	the wastewater treatment plant (phase I) located in Dongsheng Town, Zhongshan City, Guangdong Province, the PRC
“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
“PPP Project”	the wastewater treatment plant and network integration PPP Project in Dongsheng Town, Zhongshan 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 Assets”	All wastewater treatment facilities and other assets of the Dongsheng Wastewater Treatment Plant
“Project Company”	Zhongshan Kangda Water Co., Ltd.* (中山康達水務有限公司), the project company under the Concession Agreement, which is wholly owned by Kangda Group
“Wastewater Treatment Service Agreement”	the wastewater treatment service agreement in relation to the PPP Project entered into between Housing and Construction Department of Dongsheng Town, Zhongshan City* (中山市東升鎮住房和城鄉建設局) and the Project Company on 23 August 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, 24 August 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