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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**

#### **GUANGDONG PROVINCE HUIZHOU CITY FRESHWATER AND SEWAGE TREATMENT PLANT BOT PROJECT**

The Board is pleased to announce that on 6 July 2017, Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City\* (惠州市惠陽區人民政府淡水街道辦事處), Kangda Group and Huizhou Kangda, after the completion of a public tender process, entered into the Concession Agreement, pursuant to which Kangda Group shall be exclusively responsible for the investment, construction, operation and maintenance of the Target Project and be entitled to charge wastewater treatment fee within the concession period.

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 14 December 2016 in relation to the successful bidding of the Target Project.

#### **CONCESSION AGREEMENT**

**Date:**

6 July 2017

**Parties:**

- (1) Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City\* (惠州市惠陽區人民政府淡水街道辦事處); and
- (2) Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.\* (重慶康達環保產業(集團)有限公司) and Huizhou Kangda Yingzhihuang Water Co., Ltd.\* (惠州康達英之皇水務有限公司).

## Principal Terms

Pursuant to the Concession Agreement, Kangda Group shall be exclusively responsible for the investment, exploration, mapping, design, construction, supervision, procurement, operation and maintenance of the Target Project and be entitled to charge wastewater treatment fee within a concession period of 25 years commencing from the Commercial Operation Date and excluding the construction period and trial operation period of phase I of the Target Project. Upon the expiration of the concession period, Kangda Group is required to transfer the Project Assets to Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City\* (惠州市惠陽區人民政府淡水街道辦事處) or its designated entity for nil consideration.

Kangda Group and Huizhou Kangda shall also be responsible for the investment and construction of Guwu Water Treatment Project, and its management cost during the operation period of the Target Project.

Huizhou Kangda shall be responsible for the financing of the Target Project and the Guwu Water Treatment Project, and shall complete the financing within 90 days after the execution date of the Concession Agreement and provide written proof to Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City\* (惠州市惠陽區人民政府淡水街道辦事處).

## 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
Freshwater and Sewage Treatment Plant in Huiyang District, Huizhou City* (惠州市惠陽區淡水污水處理廠)	Huizhou City, Guangdong Province, the PRC	BOT	Phase I: 80,000; phase II: 100,000	25 years (commencing from the Commercial Operation Date)

## INFORMATION ABOUT DANSHUI SUB-DISTRICT OFFICE OF PEOPLE'S GOVERNMENT IN HUIYANG DISTRICT, HUIZHOU CITY\* (惠州市惠陽區人民政府淡水街道辦事處)

Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City\* (惠州市惠陽區人民政府淡水街道辦事處) is a local governmental service and administration authority designated by the People's Government of Huiyang District, Huizhou City\* (惠州市惠陽區人民政府) and other related departments to enter into the Concession Agreement with Kangda Group and Huizhou Kangda.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City\* (惠州市惠陽區人民政府淡水街道辦事處) 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 CONCESSION AGREEMENT**

The Directors believe that entering into the Concession 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 Target Project will further expand the asset base of the Company and consolidate the Company's leading position in the industry.

Accordingly, the Directors, including the independent non-executive Directors, consider that the terms of the 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:

“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
“Commercial Operation Date”	the date when the commercial operation of phase I of the Target Project commences, which will be the date when Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City* (惠州市惠陽區人民政府淡水街道辦事處) issues its written approval after receiving the environmental approval for phase I of the Target Project from the competent environmental authorities
“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 Danshui Sub-district Office of People's Government in Huiyang District, Huizhou City* (惠州市惠陽區人民政府淡水街道辦事處), Kangda Group and Huizhou Kangda on 6 July 2017

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guwu Water Treatment Project”	the treatment of Guwu Water river reach, which is from the area of the Target Project to the Freshwater River, and the daily management and maintenance during the operation period of the Target Project
“Huizhou Kangda”	Huizhou Kangda Yingzhihuang Water Co., Ltd.* (惠州康達英之皇水務有限公司), the project company under the Concession Agreement and a limited liability company established in the PRC on 30 March 2017, which is held as to 51% by Kangda Group
“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
“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”	tangible assets and intangible assets of the Target Project and Guwu Water Treatment Project
“RMB”	Renminbi, the lawful currency of the PRC
“Target Project”	Huizhou City Huiyang District Freshwater and Sewage Treatment Plant BOT Project* (惠州市惠陽區淡水污水處理廠BOT項目)

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

Hong Kong, 6 July 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