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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

**EXECUTION OF THE JIAOLING ENTIRE COUNTY DOMESTIC
WASTEWATER TREATMENT FACILITIES BUNDLE PPP
PROJECT AGREEMENT**

The Board is pleased to announce that on 1 June 2017, the Water Department of Jiaoling County* (蕉嶺縣水務局), Kangda Group and Hunan Provincial Architectural Design Institute (湖南省建築設計院), after a competitive negotiation process, entered into the PPP Project Agreement in respect of the PPP Project for the domestic wastewater treatment in Jiaoling County, Meizhou City, Guandong 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 19 May 2017 in relation to the successful competitive negotiation and entering into public notice period of the PPP Project.

The Board is pleased to announce that on 1 June 2017, the Water Department of Jiaoling County* (蕉嶺縣水務局), Kangda Group and Hunan Provincial Architectural Design Institute (湖南省建築設計院), after a competitive negotiation process, entered into the PPP Project Agreement in respect of the PPP Project for the domestic wastewater treatment in Jiaoling County, Meizhou City, Guandong 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.

PPP PROJECT AGREEMENT

Date:

1 June 2017

Parties:

- (1) Water Department of Jiaoling County* (蕉嶺縣水務局);
- (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) Hunan Provincial Architectural Design Institute (湖南省建築設計院).

Principal Terms

Pursuant to the PPP Project Agreement, within the Operation Period, the Project Company is entitled to be exclusively responsible for the design, construction, financing, investment, operation, management and maintenance of the PPP Project and to charge the project service fee based on the effect of environmental quality improvement and wastewater treatment. Upon expiration of the Operation Period, the Project Company shall transfer the PPP Project to Water Department of Jiaoling County* (蕉嶺縣水務局) or any other designated entity of the local government for nil consideration.

INFORMATION ABOUT THE PPP PROJECT

The PPP project, with an estimated total investment amount of RMB187 million and located in Jiaoling County, Meizhou City, Guangdong Province, the PRC, comprises of 6 sub-projects, which are the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Guangfu Town (廣福鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Lanfang Town (藍坊鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Nanqi Town (南礫鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Sanzhen Town (三圳鎮污水處理設施及配套管網建設項目), the Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project in Wenfu Town (文福鎮污水處理設施及配套管網建設項目), and the Village Wastewater Treatment Facilities and Ancillary Pipeline Network Construction Project (村級污水處理設施及配套管網建設項目) in 200 villages in Jiaoling County.

The PPP Project will be carried out by using the project model of design-build-finance-operate-transfer.

INFORMATION ABOUT THE WATER DEPARTMENT OF JIAOLING COUNTY* (蕉嶺縣水務局), HUNAN PROVINCIAL ARCHITECTURAL DESIGN INSTITUTE (湖南省建築設計院) AND THE GROUP

The Water Department of Jiaoling County* (蕉嶺縣水務局) is a local governmental authority in the PRC, which is authorized by the People's Government of Jiaoling County, Guangdong Province* (廣東省蕉嶺縣人民政府) to enter into the PPP Project Agreement.

Hunan Provincial Architectural Design Institute (湖南省建築設計院) is an enterprise owned by the whole people* (全民所有制企業) established on 23 March 1990 and is wholly owned by the State-owned Assets Supervision and Administration Commission of Hunan Provincial Government.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Water Department of Jiaoling County* (蕉嶺縣水務局) and Hunan Provincial Architectural Design Institute (湖南省建築設計院) 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 PPP PROJECT AGREEMENT

The Directors believe that entering into the PPP Project Agreement is consistent with the business strategy of the Company to explore business opportunities in the area of water resource management and infrastructure development 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 PPP Project 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
“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
“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
“Operation Period”	the 22-year period commencing from the date when the PPP Project Agreement becomes effective and excluding the construction period
“PPP Project”	the entire county domestic wastewater treatment facilities bundle PPP project* (生活污水處理設施全縣捆綁PPP項目) in Jiaoling County, Meizhou City, Guangdong Province, the PRC
“PPP Project Agreement”	the public-private partnership project agreement entered into between the Water Department of Jiaoling County* (蕉嶺縣水務局), Kangda Group and Hunan Provincial Architectural Design Institute (湖南省建築設計院) on 1 June 2017
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Project Company”	a legal entity to be established and held by Kangda Group and Hunan Provincial Architectural Design Institute (湖南省建築設計院) as to 97% and 3% respectively, for the purposes to carry out the design, construction, financing, investment, operation, management and maintenance of the PPP Project

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

Hong Kong, 1 June 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