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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**

#### **LAIYANG MUNICIPAL SECOND WASTEWATER TREATMENT PLANT\***

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.

The Board is pleased to announce that on 22 December 2014, Laiyang Kangda and Laiyang Construction Bureau entered into the Assets Transfer Agreement and the Concession Agreement, after the completion of a public tender process, pursuant to which Laiyang Construction Bureau agreed to transfer the Target Assets to Laiyang Kangda and to grant Laiyang Kangda a concession on the exclusive operation and maintenance of the Target Plant during the Concession Period.

#### **ASSETS TRANSFER AGREEMENT**

**Date:**

22 December 2014

**Parties:**

- (1) Laiyang Construction Bureau; and
- (2) Laiyang Kangda.

**Principal Terms**

Pursuant to the Assets Transfer Agreement, Laiyang Construction Bureau agreed to transfer and Laiyang Kangda agreed to acquire the Target Assets at a consideration of RMB100,000,000. The consideration was determined after arm's length negotiation with reference to the value of the Target Assets. Upon the expiration of the Concession Period, Laiyang Kangda is required to transfer the Plant Facilities to Laiyang Construction Bureau or its designated entity for nil consideration.

## CONCESSION AGREEMENT

### Date:

22 December 2014

### Parties:

- (1) Laiyang Construction Bureau; and
- (2) Laiyang Kangda.

### Principal Terms

Pursuant to the Concession Agreement, Laiyang Construction Bureau shall grant a concession to Laiyang Kangda on the exclusive operation and maintenance of the Target Plant during the Concession Period. Upon the expiration of the Concession Period, Laiyang Kangda is required to transfer the Target Plant to Laiyang Construction Bureau or its designated entity for nil consideration in accordance with the terms of the Concession Agreement.

### INFORMATION ABOUT THE TARGET PLANT

The details of the Target Plant are set out below:

<b>Plant Name</b>	<b>Location</b>	<b>Project Model</b>	<b>Daily Treatment Capacity</b> <i>(tonnes/day)</i>	<b>Concession Period</b>
Laiyang Municipal Second Wastewater Treatment Plant* (萊陽市第二污水處理廠)	Laiyang Municipality, Shandong Province, China	TOT	20,000	30 years commencing from 22 December 2014 and ending on 21 December 2044

### REASONS AND BENEFITS OF ENTERING INTO THE ASSETS TRANSFER AGREEMENT AND THE CONCESSION AGREEMENT

The Directors believe that entering into the Assets Transfer Agreement and the Concession Agreement is consistent with the strategy of the Company to continue to secure additional BOT and TOT projects in cities where the Group has existing projects and in nearby cities, leveraging the Group's familiarity with the region, the participants in the local market and the Company's brand recognition. The Target Plant will further expand the asset base of the Company and consolidate the Company's leading position in the industry.

Accordingly, the Directors consider that the terms of the Assets Transfer Agreement and 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:

“Assets Transfer Agreement”	the assets transfer agreement entered into between Laiyang Kangda and Laiyang Construction Bureau on 22 December 2014
“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
“Company”	Kangda International Environmental Company Limited (康達國際環保有限公司), a company incorporated in the 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 Laiyang Kangda and Laiyang Construction Bureau on 22 December 2014
“Concession Period”	the period of 30 years commencing from 22 December 2014 and terminating on 21 December 2044
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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, which is indirectly held as to 100% by the Company
“Laiyang Construction Bureau”	Laiyang Municipal Administrative Bureau of Housing and Construction Planning* (萊陽市住房和規劃建設管理局), designee of Laiyang Municipal People’s Government

“Laiyang Kangda”	Laiyang Kangda Water Co., Ltd.* (萊陽康達水務有限公司), a limited liability established in the PRC on 1 December 2014 and a wholly-owned subsidiary of Kangda Group
“Plant Facilities”	the wastewater treatment facilities of the Target Plant and other facilities necessary for wastewater treatment
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Target Assets”	the existing wastewater treatment facilities and inventory within the plant area of the Target Plant which are free from any encumbrances, excluding the ancillary pipe network, facilities outside the approved land use area and certain assets which are not transferrable
“Target Plant”	Laiyang Municipal Second Wastewater Treatment Plant* (萊陽市第二污水處理廠)
“TOT”	Transfer, Operate and Transfer, a project format in which the proprietor transfers the rights to operate a water or wastewater treatment facility to an enterprise for a consideration pursuant to 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

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

Hong Kong, 22 December 2014

*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 and Mr. WANG Litong as executive Directors; Mr. ZHUANG Ping as non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. YUAN Shaoli and Mr. SONG Qianwu as independent non-executive Directors.*

\* for identification purpose only