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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**

#### **JIAOZUO CITY INDUSTRIAL PARK WANFANG WASTEWATER TREATMENT PLANT PHASE I UPGRADE AND PHASE II EXPANSION PROJECT**

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 15 December 2014, Kangda Environmental and the Jiaozuo Government entered into the Supplemental Concession Agreement in relation to the upgrade of Phase I and a Phase II expansion of the Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant (the “**Jiaozuo Industrial Park Upgrade and Expansion Project**”).

#### **BACKGROUND**

On 19 May 2008, Kangda Environmental and the Jiaozuo Government entered into the Concession Agreement in relation to the investment, construction, operation and maintenance of the Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant. The Jiaozuo Government issued a final completion certificate to Kangda Environmental in respect of the construction of Phase I on 30 November 2009.

On 15 December 2014, Kangda Environmental and the Jiaozuo Government entered into the Supplemental Concession Agreement in respect of the Jiaozuo Industrial Park Upgrade and Expansion Project.

#### **SUPPLEMENTAL CONCESSION AGREEMENT**

**Date:**

15 December 2014

**Parties:**

- (1) the Jiaozuo Government; and
- (2) Kangda Environmental.

**Principal Terms**

Under the Jiaozuo Industrial Park Upgrade and Expansion Project, Kangda Environmental will (i) upgrade the water quality of treated water from Class 1 Standard B to Class 1 Standard A for Phase I which has a designed daily treatment capacity of 25,000 tonnes; and (ii) construct Phase II with a designed daily treatment capacity of 25,000 tonnes, which together with Phase I, will enable the Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant to have a total designed daily treatment capacity of 50,000 tonnes.

The Jiaozuo Government shall grant a concession to Kangda Environmental on the operation of Phase II for 26 years commencing from the date after the issuance of the final completion certificate by the Jiaozuo Government to Kangda Environmental in respect of the Phase II expansion of the Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant. Upon the expiration of the concession period, Kangda Environmental is required to transfer the Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant to the Jiaozuo Government or its designated entity for nil consideration in accordance with the terms of the Concession Agreement and the Supplemental Concession Agreement.

The total amount of investment for Jiaozuo Industrial Park Upgrade and Expansion Project will be approximately RMB196,548,300.

**REASONS AND BENEFITS OF THE JIAOZUO INDUSTRIAL PARK UPGRADE AND EXPANSION PROJECT**

The Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant is located in Jiaozuo city, Henan province, PRC.

The Directors believe that the Jiaozuo Industrial Park Upgrade and Expansion Project is consistent with the strategy of the Group 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 Jiaozuo Industrial Park Upgrade and Expansion Project will further expand the asset base of the Group and consolidate the Group's leading position in the industry.

Accordingly, the Directors consider that the terms of the Supplemental Concession Agreement and the transaction 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 pursuant to a 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 Kangda Environmental and the Jiaozuo Government on 19 May 2008
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiaozuo Government”	The People’s Government of Jiaozuo city, Henan province, PRC
“Kangda Environmental”	Kangda Environmental Protection Water Co., Ltd.* (康達環保水務有限公司), a limited liability company established in the PRC on 16 May 2006 and an indirect wholly-owned subsidiary of the Company
“Phase I”	Phase I of the Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant
“Phase II”	Phase II of the Jiaozuo City Industrial Park Wanfang Wastewater Treatment Plant
“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
“Supplemental Concession Agreement”	the supplemental concession agreement entered into between Kangda Environmental and the Jiaozuo Government on 15 December 2014
“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 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

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

Hong Kong, 15 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 purposes only*