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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

LIAONING PROVINCE SHENYANG CITY COASTAL ECONOMIC ZONE WASTEWATER TREATMENT PLANT PPP PROJECT

The Board is pleased to announce that on 23 December 2016, the Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) and Kangda Group, after the competitive negotiation process, entered into the Concession Agreement, pursuant to which Kangda Group shall be exclusively responsible for the operation and maintenance of the Target Project and Kangda Group shall be entitled to charge wastewater treatment fees based on the service provided.

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

The Board is pleased to announce that on 23 December 2016, the Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) and Kangda Group, after the competitive negotiation process, entered into the Concession Agreement in respect of the Target Project.

The Target 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.

CONCESSION AGREEMENT

Date:

23 December 2016

Parties:

- (1) the Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局); and
- (2) Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司).

Principal Terms

Pursuant to the Concession Agreement, Kangda Group shall be exclusively responsible for the operation and maintenance of the Target Project and be entitled to charge wastewater treatment fees for a concession period of 30 years commencing from the commercial operation date of the Target Project. Upon the expiration of the concession period of the Target Project, Kangda Group shall transfer the Target Project to the Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) or its designated entity for nil consideration.

The consideration for the transfer of concession right under the Concession Agreement was RMB110 million, which was negotiated by the Parties on arm's length basis. Pursuant to the Concession Agreement, Kangda Group shall pay the consideration within one business day after the Concession Agreement becomes effective.

Kangda Group shall establish a project company within 20 business days after the execution of the Concession Agreement, and the project company, upon its establishment, shall assume all the rights and obligations of Kangda Group under the Concession Agreement. The Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) is entitled to designate a legal entity, on behalf of the government, to make a capital contribution to the project company in cash and owns as to not more than 5% equity interests of the project company in the future.

INFORMATION ABOUT THE TARGET PROJECT

Plant name	Location	Project model	Designed total daily treatment capacity (tonnes)	Concession period
Shenyang Coastal Economic Zone Wastewater Treatment Plant* (瀋陽近海經濟區污水處理廠)	the coastal economic zone, Shenyang City, Liaoning Province, the PRC	TOT	60,000	30 years (commencing from the commercial operation date of the Target Project)

INFORMATION ABOUT THE ADMINISTRATION OF HOUSING AND URBAN AND RURAL CONSTRUCTION OF LIAOZHONG DISTRICT, SHENYANG CITY* (瀋陽市遼中區住房和城鄉建設管理局)

The Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) is a local governmental authority in the PRC, which is authorized by the People's Government of Liaozhong District, Shenyang City* (瀋陽市遼中區人民政府) to enter into the Concession Agreement with Kangda Group.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) 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).

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONCESSION AGREEMENT

The Directors believe that entering into the Concession Agreement is consistent with the strategy of the Company to continue to use the brand influence of its existing projects in nearby areas to further expand additional projects, which would enhance the Group's familiarity with the region and the participants in the local market and the Company's brand recognition. The Target Project will further enhance the Group's capacity in wastewater treatment and consolidate the Group's leading position in the industry.

Accordingly, the 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
“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 the Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) and Kangda Group on 23 December 2016 in relation to the operation and maintenance of the Target Project
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region
“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 and an indirectly wholly-owned subsidiary of the Company
“Parties”	the parties of the Concession Agreement, being the Administration of Housing and Urban and Rural Construction of Liaozhong District, Shenyang City* (瀋陽市遼中區住房和城鄉建設管理局) and Kangda Group
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Target Project”	the Shenyang Coastal Economic Zone Wastewater Treatment Plant PPP Project* (瀋陽近海經濟區污水處理廠PPP項目)
“TOT”	transfer, Operate and Transfer, a project model 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, 23 December 2016

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 a non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. PENG Yongzhen and Mr. CHANG Qing as independent non-executive Directors.

* *for identification purposes only*