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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**

#### **SHANDONG PROVINCE FEICHENG CITY BIANYUAN WASTEWATER TREATMENT PLANT TOT PROJECT**

The Board is pleased to announce that on 28 September 2016, the People's Government of Bianyuan County\* (邊院鎮人民政府) and Kangda Group 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.

#### **CONCESSION AGREEMENT**

**Date:**

28 September 2016

**Parties:**

- (1) the People's Government of Bianyuan County\* (邊院鎮人民政府); 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 based on the service provided 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 People's Government of Bianyuan County\* (邊院鎮人民政府) or its designated entity for nil consideration.

The consideration for the transfer of concession right under the Concession Agreement was RMB30 million, which was negotiated by the Parties on arm's length basis. Pursuant to the Concession Agreement, Kangda Group shall pay the consideration in the following manners:

- (1) 30% of the consideration, i.e. RMB9 million, shall be paid within five (5) business days after the execution of the Concession Agreement;
- (2) 50% of the consideration, i.e. RMB15 million, shall be paid within five (5) business days after the completion of: (i) the People's Government of Bianyuan County\* (邊院鎮人民政府) has transferred the Target Project to Kangda Group and the Parties have duly signed the memorandum for completion of such transfer; (ii) the project company for the operation and maintenance of the Target Project has been established; and (iii) the Parties have confirmed in writing that the effluent has satisfied relevant standards set out in the Concession Agreement for consecutive fifteen (15) days after debugging; and
- (3) 20% of the consideration, i.e. RMB6 million, shall be paid within five (5) business days after the People's Government of Bianyuan County\* (邊院鎮人民政府) completes and transfers to Kangda Group relevant legal documents necessary for the Target Project, including but not limited to the land use right certificate, the land use agreement, the approval of environment assessment, the project approval, the preliminary design and its approval, the construction land use permit certificate, the construction project planning permit certificate, the construction permit certificate, the project completion and acceptance filing form and the approval of environmental acceptance.

## INFORMATION ABOUT THE TARGET PROJECT

<b>Plant name</b>	<b>Location</b>	<b>Project model</b>	<b>Designed total daily treatment capacity (tonnes)</b>	<b>Concession period</b>
Shandong Province Feicheng City Bianyuan Wastewater Treatment Plant* (山東省肥城市邊院污水處理廠)	Bianyuan County, Feicheng City, Shandong Province, the PRC	TOT	20,000*	30 years from the commercial operation date

\* of which 10,000 tonnes for Phase I of the Target Project has completed construction, and 10,000 tonnes for Phase II of the Target Project will be constructed by Kangda Group by BOT project model based on actual conditions when necessary.

## **INFORMATION ABOUT THE PEOPLE’S GOVERNMENT OF BIANYUAN COUNTY\* (邊院鎮人民政府)**

The People’s Government of Bianyuan County\* (邊院鎮人民政府) is a local government in the PRC.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the People’s Government of Bianyuan County\* (邊院鎮人民政府) 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 secure additional wastewater treatment projects in cities where the Group has existing projects and in nearby cities, which would leverage the Group’s familiarity with the region, 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 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
“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 People’s Government of Bianyuan County* (邊院鎮人民政府) and Kangda Group on 28 September 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 People’s Government of Bianyuan County* (邊院鎮人民政府) 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 Shandong Province Feicheng City Bianyuan Wastewater Treatment Plant TOT Project* (山東省肥城市邊院污水處理廠TOT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, 28 September 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