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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

HENAN PROVINCE HEBI CITY SHANCHENG DISTRICT TANG RIVER BASIN WATER ENVIRONMENTAL TREATMENT PROJECT

Reference is made to the announcement of the Company dated 7 September 2016 in relation to the successful competitive negotiation and award of the project contract regarding the water environment treatment in Tang River basin in Shancheng District, Hebi City, Henan Province.

The Board is pleased to announce that on 19 September 2016, the People's Government of Shancheng District, Hebi City* (鶴壁市山城區人民政府), as the contract-issuing party, and Kangda Group, as the general contractor, entered into the EPC Contract, after the completion of competitive negotiation, pursuant to which Kangda Group shall be responsible for the design, construction, materials and equipment procurement and landscaping of the Target 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 EPC CONTRACT

Date:

19 September 2016

Parties:

- (1). the People's Government of Shancheng District, Hebi City* (鶴壁市山城區人民政府) as the contract-issuing party; and

(2). Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.* (重慶康達環保產業(集團)有限公司) as the general contractor.

Scope of Contracting

Pursuant to the EPC Contract, Kangda Group shall be responsible for the design, construction, materials and equipment procurement and landscaping of the Target Project, including but not limited to:

- (i) the survey, preliminary design and construction drawing design of the Target Project;
- (ii) the engineering construction and landscaping construction of the Target Project;
- (iii) the procurement of materials and equipment for the construction of the Target Project; and
- (iv) the debugging and trial operation of the Target Project.

Construction Period

Pursuant to the EPC Contract, the tentative construction period for the Target Project is six years. The construction period of the first stage of the Target Project will be two years, from 19 September 2016 to 20 September 2018, subject to written notice to be issued by the People's Government of Shancheng District, Hebi City* (鶴壁市山城區人民政府) in relation to the commencement of construction. The construction period of the second and third stages of the Target Project will be further negotiated by the People's Government of Shancheng District, Hebi City* (鶴壁市山城區人民政府) and Kangda Group based on the actual construction process of the first stage of the Target Project.

General Contracting Price

The tentative general contracting price of the EPC Contract is RMB2.1 billion, comprising:

- (i) RMB661 million for the first stage of the Target Project;
- (ii) RMB969 million for the second stage of the Target Project;
- (iii) RMB220 million for the third stage of the Target Project; and
- (iv) RMB250 million as the fee of land expropriation and housing demolition.

The final contracting price of the EPC Contract will be adjusted and mutually determined by both parties with reference to a report to be issued by qualified engineering-cost consulting agency, after the completion of the Target Project.

INFORMATION ABOUT THE TARGET PROJECT

The Target Project comprises three stages.

The first stage of the Target Project, which is Hebi City Shancheng District Tang River Basin Comprehensive Treatment Project* (鶴壁市山城區湯河流域綜合整治項目), includes Tang River Main Stem Comprehensive Treatment Project* (湯河主幹道綜合整治工程), Si River Main Stem Comprehensive Treatment Project* (泗河主幹道綜合整治工程), Tang River Basin Pollution Intercepting Project* (湯河流域截污工程), Tang River Basin Wastewater Treatment Plant Wastewater Deep Treatment and Water Reuse Pipeline Network Project* (湯河流域污水處理廠污水深度處理及中水回用管網工程), and relevant maintenance, operation and management works to be specified in separate operation and maintenance agreement, etc.

The second stage of the Target Project includes Tang River Basin Tributaries Comprehensive Treatment Project* (湯河流域支流河道綜合整治工程), Tang River Reservoir Wetlands Project* (湯河水庫濕地工程), Tang River Reservoir Ecological Restoration and Aquatic Ecosystems Structuring Project* (湯河水庫生態修復和水生態系統構建工程), Tang River Basin Wastewater Pipelines Transformation Project* (湯河流域污水支管改造工程), Tang River Basin Integration Wastewater Treatment Station Project* (湯河流域一體化污水處理站工程), Tang River Basin Sludge Treatment Project* (湯河流域污泥處置工程) and Environmental Protection and Water Conservation Project* (環保水保項目), etc.

The third stage of the Target Project includes six reservoirs treatment and connection projects (such as Yinqijitang Project* (引淇濟湯工程) and Wangliujian Reservoir Project* (汪流澗水庫工程)), Yangyi Reservoir Project* (楊邑水庫工程) and Tang River Basin Intelligent Platform Project* (湯河流域智慧平臺項目).

INFORMATION ABOUT THE PEOPLE'S GOVERNMENT OF SHANCHENG DISTRICT, HEBI CITY* (鶴壁市山城區人民政府)

The People's Government of Shancheng District, Hebi City* (鶴壁市山城區人民政府) is a local government in Shancheng District, Hebi City, Henan Province.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the People's Government of Shancheng District, Hebi City* (鶴壁市山城區人民政府) 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 EPC CONTRACT

The Directors believe that entering into the EPC Contract is consistent with the strategy of the Company to continue to secure additional environmental 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 consolidate the Group's leading position in the industry.

Accordingly, the Directors consider that the terms of the EPC Contract 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
“Director(s)”	the director(s) of the Company
“EPC Contract”	the engineering, procurement and construction agreement entered into between the People's Government of Shancheng District, Hebi City* (鶴壁市山城區人民政府), as the contract-issuing party, and Kangda Group, as the general contractor, on 19 September 2016 in relation to the design, construction, materials and equipment procurement and landscaping of the Target Project
“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, an indirectly wholly-owned subsidiary of the Company
“PRC”	People's Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“Target Project”

Henan Province Hebi City Shancheng District Tang River Basin Water Environmental Treatment Project* (河南省鶴壁市山城區湯河流域水環境治理項目)

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

Hong Kong, 19 September 2016

As at the date of this announcement, the Board comprises nine 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*