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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

TIANJIN CITY NINGHE DISTRICT WASTEWATER TREATMENT PLANT SLUDGE TREATMENT STATION BOT PROJECT

The Board is pleased to announce that on 12 September 2016, the People's Government of Ninghe District, Tianjin City* (天津市甯河區人民政府) and Tianjin Lvyi entered into the Concession Agreement, pursuant to which Tianjin Lvyi shall be responsible for the investment, construction, operation and maintenance of the Target Project. Tianjin Lvyi is entitled to charge a sludge treatment fee based on the Concession Agreement.

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:

12 September 2016

Parties:

- (1) the People's Government of Ninghe District, Tianjin City* (天津市甯河區人民政府);
and
- (2) Tianjin Kangda Lvyi Sludge Treatment Co., Ltd.* (天津康達綠意污泥處理有限公司).

Principal Terms

Pursuant to the Concession Agreement, Tianjin Lvyi shall be responsible for the investment, construction, operation and maintenance of the Target Project, which processes the treatment of sludge from Tianjin Ninghe Wastewater Treatment Plant Phase I and II and Qiaobei Wastewater Treatment Plant.

Tianjin Lvyi is entitled to charge a sludge treatment fee based on the Concession Agreement. The People's Government of Ninghe District, Tianjin City* (天津市甯河區人民政府) shall grant an exclusive concession to Tianjin Lvyi on the operation of the Target Project for 28 years (commencing from the commercial trial operation date of the Target Project). Upon the expiration of the concession period of 28 years, Tianjin Lvyi is required to transfer the Target Project to the People's Government of Ninghe District, Tianjin City* (天津市甯河區人民政府) or its designated entity for nil consideration.

INFORMATION ABOUT THE TARGET PROJECT

The details of the Target Project are set out below:

Plant name	Location	Project Model	Designed Daily treatment capacity (tonnes)	Concession Period
Tianjin City Ninghe District Treatment Plant Sludge Treatment Station* (天津市甯河區污水處理廠污泥處置站)	Ninghe District, Tianjin City, the PRC* (中國天津市甯河區)	BOT	50 (80% moisture content)	28 years (commencing from the commercial trial operation date of the Target Project)

INFORMATION ABOUT THE PEOPLE'S GOVERNMENT OF NINGHE DISTRICT, TIANJIN CITY* (天津市甯河區人民政府)

The People's Government of Ninghe District, Tianjin City* (天津市甯河區人民政府) is a local government in PRC.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the People's Government of Ninghe District, Tianjin City* (天津市甯河區人民政府) 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 CONCESSION AGREEMENT

The Directors believe that entering into the Concession Agreement is consistent with the policy of local government to protect and improve the environment of Ninghe District to realize the sustainable development of society and economics, as well as the strategy of the Company to explore projects in cities where the Group has existing projects, 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 expand the asset base of the Group and consolidate the Group's leading position in the industry.

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
“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, operation 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 the People's Government of Ninghe District, Tianjin City* (天津市甯河區人民政府) and Tianjin Lvyi on 12 September 2016 in relation to the investment, construction, 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

“PRC”	People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Target Project”	the BOT project of Tianjin City Ninghe District Treatment Plant Sludge Treatment Station* (天津市甯河區污水處理廠污泥處置站)
“Tianjin Lvyi”	Tianjin Kangda Lvyi Sludge Treatment Co., Ltd.* (天津康達綠意污泥處理有限公司), a limited liability company established in the PRC on 17 June 2016 and an indirectly wholly-owned subsidiary of the Company

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

Hong Kong, 12 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*