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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

NINGHE DISTRICT URBAN WASTEWATER TREATMENT PLANT PHASE I & II UPGRADE AND RECONSTRUCTION PROJECT

Reference is made to the prospectus of the Company dated 23 June 2014. The People's Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd* (重慶康達環保產業(集團)有限公司) have entered into the Phase I Concession Agreement in June 2010 in relation to Tianjin Ninghe Wastewater Treatment Plant Phase I for provision of wastewater treatment plant operation services in China.

Reference is also made to the announcement of the Company dated 20 November 2014. The People's Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Tianjin Kangda have entered into the Phase II Concession Agreement on 20 November 2014 in relation to the investment, construction, operation and maintenance of Tianjin Ninghe Wastewater Treatment Plant Phase II.

The Board is pleased to announce that on 5 September 2016, the People's Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Tianjin Kangda entered into the Project Upgrade & Reconstruction Concession Agreement, pursuant to which Tianjin Kangda shall be responsible for the investment, construction and operation 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.

BACKGROUND

Reference is made to the prospectus of the Company dated 23 June 2014. The People's Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd* (重慶康達環保產業(集團)有限公司)

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The Board is pleased to announce that on 5 September 2016, the People's Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Tianjin Kangda entered into the Project Upgrade & Reconstruction Concession Agreement, pursuant to which Tianjin Kangda shall be responsible for the investment, construction and operation of the Target Project.

The Project Upgrade & Reconstruction Concession Agreement, as the supplemental instrument of Phase I Concession Agreement and Phase II Concession Agreement, constitutes an integral part of Phase I Concession Agreement and Phase II Concession Agreement, and has the same legal effect as Phase I Concession Agreement and Phase II Concession Agreement.

PROJECT UPGRADE & RECONSTRUCTION CONCESSION AGREEMENT

Date:

5 September 2016

Parties:

- (1) the People's Government of Ninghe District, Tianjin* (天津甯河區人民政府); and
- (2) Tianjin Kangda Environmental Protection Water Co., Ltd.* (天津康達環保水務有限公司).

Principal Terms

Pursuant to the Project Upgrade & Reconstruction Concession Agreement, Tianjin Kangda shall be responsible for the investment, construction and operation of the Target Project. The concession period of the Target Project shall be same as that set out in the Phase II Concession Agreement, being 28 years commencing from the date when the Ninghe District Wastewater Plant Phase II commences business operation. Upon the expiration of the concession period, Tianjin Kangda is required to transfer the Target Project together with Ninghe District Wastewater Plant Phase II to the People's Government of Ninghe District, Tianjin* (天津甯河區人民政府) or its designated entity for nil consideration.

Before the completion of construction and the operation of the Target Project, the wastewater treatment service fees of Tianjin Ninghe Wastewater Treatment Plant Phase I and Tianjin Ninghe Wastewater Treatment Plant Phase II are RMB1.56 per tonne and RMB1.68 per tonne, respectively. After the completion of construction and the operation of the Target

Project, the wastewater treatment service fee of the Target Project will increase to RMB2.78 per tonne due to the increased investment and relevant costs (including accumulated salary, operation cost, taxation, etc) resulted by higher requirements of drainage water quality.

INFORMATION ABOUT THE TARGET PROJECT

The Target Project located in Ninghe District, Tianjin, the PRC includes upgrade and reconstruction of designed buildings, equipment and auxiliary facilities of Ninghe District Wastewater Plant Phase I and Phase II with a total designed daily treatment capacity of 60,000 tonnes by using BOT as its project model.

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

The People's Government of Ninghe District, Tianjin*(天津甯河區人民政府) 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*(天津甯河區人民政府) 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 PROJECT UPGRADE & RECONSTRUCTION CONCESSION AGREEMENT

According to the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant* (城鎮污水處理廠污染物排放標準) (DB12/599-2015) issued by Tianjin Environmental Protection Bureau (天津市環境保護局) and Tianjin Markets and Quality Supervision Administration (天津市市場和品質監督管理委員會) on 25 September 2015, the Project Upgrade & Reconstruction Concession Agreement was entered into between the People's Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Tianjin Kangda to conduct the Target Project so as to make the drainage water quality standard satisfy A-class standard of Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant* (城鎮污水處理廠污染物排放標準) (DB12/599-2015).

The Directors believe that entering into the Project Upgrade & Reconstruction Concession Agreement is consistent with the policy of the local government to improve effluent water quality standard.

Accordingly, the Directors consider that the terms of the Project Upgrade & Reconstruction 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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region
“Phase I Concession Agreement”	the concession agreement entered into between the People’s Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd* (重慶康達環保產業(集團)有限公司) in June 2010 in relation to Tianjin Ninghe Wastewater Treatment Plant Phase I for provision of wastewater treatment plant operation services in China
“Phase II Concession Agreement”	the concession agreement entered into between the People’s Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Tianjin Kangda on 20 November 2014 in relation to the investment, construction, operation and maintenance of Tianjin Ninghe Wastewater Treatment Plant Phase II
“PRC”	People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“Project Upgrade & Reconstruction Concession Agreement”	the project upgrade and reconstruction concession agreement entered into between the People’s Government of Ninghe District, Tianjin* (天津甯河區人民政府) and Tianjin Kangda on 5 September 2016 in relation to the investment, construction and operation of the Target Project
“Tianjin Kangda”	Tianjin Kangda Environmental Protection Water Co., Ltd.* (天津康達環保水務有限公司), a limited liability company established in the PRC on 8 November 2010, an wholly-owned subsidiary of the Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd* (重慶康達環保產業(集團)有限公司). The rights and obligation of Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd* (重慶康達環保產業(集團)有限公司) in Phase I Concession Agreement shall be assumed by Tianjin Kangda
“Target Project”	the BOT project of Ninghe District Urban Wastewater Treatment Plant Phase I & Phase II Upgrade and Reconstruction Project* (甯河區城市污水處理廠一期、二期提標改造工程項目)

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

Hong Kong, 5 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