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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

SANMENXIA CITY SHANZHOU DISTRICT INDUSTRIAL CLUSTER REGION WATER SUPPLY PLANT BOT PROJECT*

The Board is pleased to announce that on 20 August 2016, the Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會) and Kangda Group, after a competitive consultation process, entered into the Concession Agreement, pursuant to which Kangda Group shall be responsible for the design, financing, construction, operation and maintenance of the Target Project and Kangda Group shall be entitled to charge water supply fee within the concession period and concession area.

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:

20 August 2016

Parties:

- (1) the Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會); 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 responsible for the design, financing, construction, operation and maintenance of the Target Project and be entitled to charge water supply fee within the concession period and concession area. Certain projects in the Shanzhou District Industrial Cluster Region have been completed by the Management Committee of Industrial Cluster Region in Shanzhou District. Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會). Pursuant to the Concession Agreement, Kangda Group shall be entitled to use such projects for free and responsible for the maintenance of such projects within the concession period of the Target Project.

The Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會) shall grant a concession to Kangda Group on the operation of the Target Project for 30 years commencing from the Commercial Operation Date, provided that the period between the Commercial Operation Date and the commercial operation date of Phase II of the Target Project is 10 years or less. In the event that such period is more than 10 years, Phase I and Phase II of the Target Project shall have a concession period of 30 years commencing from their respective commercial operation date. Upon the expiration of the concession period of 30 years, Kangda Group is required to transfer the Target Project to the Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會) or its designated entity for nil consideration.

Upon the establishment of the Project Company, the Project Company shall replace Kangda Group as the performing party of the Concession Agreement and assume all the rights and obligations of Kangda Group provided thereunder.

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
Sanmenxia City Shanzhou District Industrial Cluster Region Water Supply Plant* (三門峽市陝州區產業集聚區供水廠)	Industrial Cluster Region, Shanzhou District, Sanmenxia City, Henan Province. the PRC* (中國三門峽市陝州區產業集聚區)	BOT	100,000 (of which, Phase I has 30,000)	30 years ⁽¹⁾

Note 1: subject to adjustments under different situations as stated above

INFORMATION ABOUT THE MANAGEMENT COMMITTEE OF INDUSTRIAL CLUSTER REGION IN SHANZHOU DISTRICT, SANMENXIA CITY* (三門峽市陝州區產業集聚區管理委員會)

The Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會) is a public institution in the PRC directly subordinate to the People's Government of Shanzhou District* (陝州區人民政府).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會) 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 BOT 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 water supply and expand the asset base of the Group 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
“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

“Commercial Operation Date”	the date when the commercial operation of Phase I of the Target Project commences, which will be the date of issuance or deemed issuance of the final completion certificate by the Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會) to Kangda Group
“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 Management Committee of Industrial Cluster Region in Shanzhou District, Sanmenxia City* (三門峽市陝州區產業集聚區管理委員會) and Kangda Group on 20 August 2016 in relation to the design, financing, 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
“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
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“Project Company”	the project company to be established, wholly-owned by Kangda Group in Shanzhou District, Sanmenxia City for the implementation of the Target Project and shall enjoy all the rights and assume all the obligations of Kangda Group under the Concession Agreement after its establishment
“Target Project”	Sanmenxia City Shanzhou District Industrial Cluster Region Water Supply Plant BOT Project* (三門峽市陝州區產業集聚區供水廠BOT項目)

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

Hong Kong, 21 August 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*