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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

PARTICIPATION IN YUNAN COUNTY ENTIRE COUNTY DOMESTIC WASTEWATER TREATMENT BUNDLE PPP PROJECT

The Board is pleased to announce that Yunan County Environmental Protection Bureau* (郁南縣環境保護局), Kangda Group and Guangdong Liangke have recently initiated the PPP Project Agreement in respect of the PPP Project after a competitive consultation process. The PPP Project Agreement will be formally entered into between Yunan County Environmental Protection Bureau* (郁南縣環境保護局) and the Project Company upon establishment of the Project Company. Further announcement in relation to the execution of the PPP Project Agreement between Yunan County Environmental Protection Bureau* (郁南縣環境保護局) and the Project Company will be made by the Company in due course.

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.

INTRODUCTION

The Board is pleased to announce that Yunan County Environmental Protection Bureau* (郁南縣環境保護局), Kangda Group and Guangdong Liangke have recently initiated the PPP Project Agreement in respect of the PPP Project after a competitive consultation process. The PPP Project Agreement will be formally entered into between Yunan County Environmental Protection Bureau* (郁南縣環境保護局) and the Project Company upon establishment of the Project Company. Further announcement in relation to the execution of the PPP Project Agreement between Yunan County Environmental Protection Bureau* (郁南縣環境保護局) and the Project Company will be made by the Company in due course.

The public-private-partnership (commonly known as “PPP”) model is an emerging cooperation model, supported by national policies, for the public and private sectors to work together under the leadership of the relevant PRC local government. While it typically

involves the use of private sector capital in public sector works, there is no fixed cooperation model, as the extent and nature of the private sector's involvements are driven by the requirements of the local government concerned.

PPP PROJECT AGREEMENT

Principal Terms

Pursuant to the PPP Project Agreement, during the cooperation period set out therein, the Project Company is entitled to be responsible for the design, construction, investment, financing, operation and maintenance of the PPP Project and to charge the project service fees (including wastewater treatment service fee, wastewater pipeline network service fee, operation and maintenance fee of rural wastewater treatment facilities and comprehensive improvement service fee of residential environment) based on the wastewater treatment services and results of environmental quality improvement and pollutants reduction. Upon the expiration of the cooperation period as set out in the PPP Project Agreement, the Project Company shall transfer the PPP Project to Yunan County Environmental Protection Bureau* (郁南縣環境保護局) for nil consideration.

INFORMATION ABOUT THE PPP PROJECT

The PPP Project is located in Yunan County, Yunfu City, Guangdong Province, the PRC. To practically improve the urban and rural residential environment of the eastern, western and northern regions in Guangdong Province and achieve the goals of comprehensively building a moderately prosperous society and the first “Centenary Goal”* (百年目標) in advance in 2018 as proposed by the People’s Government of Guangdong Province* (廣東省人民政府) and Party Committee of Guangdong Province* (廣東省省委), Yunan County has been classified as the Rural Domestic Wastewater Treatment Exemplary County* (農村生活污水治理示範縣) in China by Ministry of Housing and Urban-Rural Development of the PRC* (中華人民共和國住房和城鄉建設部) and the exemplary county of promoting wastewater treatment in the entire county in Guangdong Province. Therefore, the PPP Project has been actively facilitated and will have positive exemplary significance.

The PPP Project comprises subprojects of (i) the wastewater treatment facilities construction (including 14 wastewater treatment facilities in 12 towns, 903 wastewater treatment facilities in rural area and the supporting pipeline networks), (ii) the supporting pipeline networks construction for three existing wastewater treatment facilities, and (iii) comprehensive improvement of residential environment in the 15 exemplary central villages, which aims to build villages with ecological agriculture, ecological tourism and ecological cultural characteristic by implementing (a) “One Village, One Corresponding Policy”* (一村一策), meaning each village may have the corresponding customized policies based on its environmental and economic conditions; (b) “Point to an Area”* (以點帶面), meaning promotion in all areas drawn upon the experience gained from one specific case; (c) emphasis on villages environmental improvement; and (d) the orientation of building the “Beautiful Village”* (美麗鄉村). It is expected that the PPP Project will be carried out by using a project model of design-build-finance-operate-transfer.

The cooperation period for the aforementioned subprojects (i), (ii) and (iii) is thirty (30) years commencing from the date of execution of the PPP Project Agreement (including the construction period commencing from the date of construction to the date of business

operation (both days exclusive)). The cooperation period may be extended upon request from the Project Company in two years before the expiration of the cooperation period and subject to the assessment of Yunan County Environmental Protection Bureau* (郁南縣環境保護局) and the approval from the People's Government of Yunan County* (郁南縣人民政府).

REASONS FOR AND BENEFITS OF ENTERING INTO THE PPP PROJECT AGREEMENT

The Directors believe that entering into the PPP Project Agreement is consistent with the business strategy of the Company to explore business opportunities in the area of water resource management and infrastructure development and to enhance its financial performance so as to consolidate the Group's leading position in the industry. The Group's investment in the PPP Project aligns with the national supportive policies issued by the Ministry of Finance and the Group's participation in the PPP Project will enhance the Group's experience in PPP projects where the Group will continue to seek other PPP opportunities in the future.

Accordingly, the Directors consider that the terms of the PPP Project 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.

INFORMATION ON THE GROUP

The Group is principally engaged in design, construction and engineering of wastewater treatment plants and municipal infrastructures, and operation of wastewater treatment plants in the PRC.

INFORMATION ON YUNAN COUNTY ENVIRONMENTAL PROTECTION BUREAU* (郁南縣環境保護局)

Yunan County Environmental Protection Bureau* (郁南縣環境保護局) is a local governmental authority in the PRC designated by the People's Government of Yunan County* (郁南縣人民政府).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Yunan County Environmental Protection Bureau* (郁南縣環境保護局) and its ultimate controller 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).

INFORMATION ON GUANGDONG LIANGKE

Guangdong Liangke is principally engaged in consultation, design, facilities production and installation, general contracting and debugging of environmental projects in relation to wastewater and exhaust gas in the PRC.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Guangdong Liangke and its ultimate controller 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).

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 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
“Guangdong Liangke”	Guangdong Liangke Environmental Protection Engineering Co., Ltd.* (廣東亮科環保工程有限公司), a limited liability company established in the PRC on 2 April 2001
“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
“PPP Project”	Yunan County Entire County Domestic Wastewater Treatment Bundle PPP Project* (郁南縣整縣生活污水處理捆綁PPP項目), details of which is set out in the paragraph headed “Information about the PPP Project” in this announcement
“PPP Project Agreement”	the public-private partnership project agreement recently initiated by Yunan County Environmental Protection Bureau* (郁南縣環境保護局), Kangda Group and Guangdong Liangke
“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”

a legal entity to be established in the PRC by Kangda Group and other entities, including Guangdong Liangke, for the purpose to formally enter into the PPP Project Agreement with Yunan County Environmental Protection Bureau* (郁南縣環境保護局) and carry out the design, construction, investment, financing, operation and maintenance of the PPP Project

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

Hong Kong, 4 August 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 purpose only*