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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

**DACHENG COUNTY WASTEWATER TREATMENT
PLANT PHASE II***

The Board is pleased to announce that on 18 May 2016, the People's Government of Dacheng County, Hebei Province* (河北省大城縣人民政府) and Kangda Group entered into the Concession Agreement, after the completion of a public tender process, pursuant to which Kangda Group shall be exclusively responsible for the design, construction, operation and maintenance of the Target Project. Kangda Group is entitled to charge a sewage treatment fee based on the service provided.

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:

18 May 2016

Parties:

- (1). the People's Government of Dacheng County, Hebei Province* (河北省大城縣人民政府); 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 exclusively responsible for the design, construction, operation and maintenance of the Target Project. The total investment to be paid by the Group for the construction of the Target Project is expected to be approximately RMB51 million, subject to further adjustments. The People's Government of Dacheng County, Hebei Province* (河北省大城縣人民政府) shall grant a concession to Kangda Group on the operation of the Target Project for 17 years commencing from the Commercial Operation Date (excluding the Project Construction Period). Upon the expiration of the concession period of 17 years, Kangda Group is required to transfer the Target Project to the People's Government of Dacheng County, Hebei Province* (河北省大城縣人民政府) or its designated entity for nil consideration.

INFORMATION ABOUT THE TARGET PROJECT

Details of the Target Project are set out below:

Plant name	Location	Project model	Designed daily treatment capacity (tonnes)	Concession period
Dacheng County Wastewater Treatment Plant Phase II* (大城縣污水處理廠二期)	Dacheng County, Hebei Province, the PRC	BOT	20,000	17 years commencing from the Commercial Operation Date (excluding the Project Construction Period)

INFORMATION ABOUT THE PEOPLE'S GOVERNMENT OF DACHENG COUNTY, HEBEI PROVINCE* (河北省大城縣人民政府)

The People's Government of Dacheng County, Hebei Province* (河北省大城縣人民政府) 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 Dacheng County, Hebei Province* (河北省大城縣人民政府) 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 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 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 of submission of environmental acceptance application report by Kangda Group to Dacheng County Environmental Protection Bureau, Hebei Province* (河北省大城縣環保局) after the completion acceptance and biological debugging of the Target Project and one-week stable operation of the Target Project as required under the Concession Agreement, or the date upon the expiration of 30 days from the date of completion acceptance of the Target Project in the event that the People’s Government of Dacheng County, Hebei Province* (河北省大城縣人民政府) is not able to provide wastewater for conducting biological debugging or environmental acceptance
“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 Dacheng County, Hebei Province* (河北省大城縣人民政府) and Kangda Group on 18 May 2016 in relation to the design, 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, 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

“Project Construction Period”	the 24-month construction period with a possible two-month grace period, which will end upon early completion of the construction of Target Project
“RMB”	Renmibi, the lawful currency of the PRC
“Target Project”	the BOT project of the Dacheng County Wastewater Treatment Plant Phase II* (大城縣污水處理廠二期)

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

Hong Kong, 18 May 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*