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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

**XUZHOU CITY FENG COUNTY URBAN AREA WASTEWATER
TREATMENT PLANT PHASE III***

The Board is pleased to announce that on 11 May 2016, Feng County Water Conservancy Bureau* (豐縣水利局) and Kangda Group entered into the Concession Agreement, pursuant to which Kangda Group shall be responsible for the investment, financing, 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:

11 May 2016

Parties:

- (1). Feng County Water Conservancy Bureau* (豐縣水利局); 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 investment, financing, construction, operation and maintenance of the Target Project. Feng County Water Conservancy Bureau* (豐縣水利局) shall grant a concession to Kangda Group on the operation of the Target Project for 25 years commencing from the Commercial Operation Date. Upon the expiration of the concession period of 25 years, Kangda Group is required to transfer the Target Project to Feng County Water Conservancy Bureau* (豐縣水利局) 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	Daily treatment capacity (tonnes)	Concession period
Xuzhou City Feng County Urban Area Wastewater Treatment Plant Phase III* (徐州市豐縣城區污水處理廠三期)	Xuzhou City, Jiangsu Province, the PRC	BOT	20,000	25 years commencing from the Commercial Operation Date

INFORMATION ABOUT FENG COUNTY WATER CONSERVANCY BUREAU* (豐縣水利局)

Feng County Water Conservancy Bureau* (豐縣水利局) is a local governmental authority in the PRC designated by the People's Government of Feng County, Jiangsu Province* (江蘇省豐縣人民政府) for water conservancy project planning and design and construction management.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Feng County Water Conservancy Bureau* (豐縣水利局) 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 when the commercial operation of the Target Project starts, which will be the next day immediately after the date or the deemed date of issuance of final completion certificate by Feng County Water Conservancy Bureau* (豐縣水利局)
“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 Feng County Water Conservancy Bureau* (豐縣水利局) and Kangda Group on 11 May 2016 in relation to the investment, 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, 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
“Target Project”	the BOT project of the Xuzhou City Feng County Urban Area Wastewater Treatment Plant Phase III* (徐州市豐縣城區污水處理廠三期)

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

Hong Kong, 11 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*