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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
SHANGQIU CITY SIXTH WASTEWATER
TREATMENT PLANT PHASE I*

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.

The Board is pleased to announce that on 22 May 2015, Shangqiu City Administration Bureau, Shangqiu Kangda and Kangda Group entered into the Concession Agreement and the Sewage Service Agreement, after the completion of a public tender process, pursuant to which Shangqiu Kangda shall be exclusively responsible for the preliminary work, investment, financing, construction, operation, maintenance and transfer of the Target Project and shall provide wastewater treatment service. The total amount of investment to the Target Project is expected to be approximately RMB92,723,800.

CONCESSION AGREEMENT

Date:

22 May 2015

Parties:

- (1). Shangqiu City Administration Bureau;
- (2). Shangqiu Kangda; and
- (3). Kangda Group.

Principal Terms

Pursuant to the Concession Agreement, Shangqiu Kangda shall be exclusively responsible for the preliminary work, investment, financing, construction, operation, maintenance and transfer of the Target Project. The Shangqiu City Administration Bureau shall grant a concession to Shangqiu Kangda on the operation of the Target Project for 28 years commencing from the Construction Completion Date. Upon the expiration of the concession period of 28 years, Shangqiu Kangda is required to transfer the Target Project to Shangqiu City Administration Bureau or its designated entity for nil consideration.

SEWAGE SERVICE AGREEMENT

Date:

22 May 2015

Parties:

- (1). Shangqiu City Administration Bureau;
- (2). Shangqiu Kangda; and
- (3). Kangda Group.

Principal Terms

Pursuant to the Sewage Service Agreement, Shangqiu Kangda shall provide wastewater treatment service in accordance with the wastewater treatment standards set out in the Sewage Service Agreement, during the concession period of 28 years. Upon the expiration of the concession period of 28 years, Shangqiu Kangda is required to transfer the Target Project to Shangqiu City Administration Bureau or its designated entity at nil consideration.

INFORMATION ABOUT THE TARGET PROJECT

The details of the Target Project are set out below:

Plant Name	Location	Project Model	Daily Treatment Capacity <i>(tonnes/day)</i> <i>(Note)</i>	Concession Period
Shangqiu City Sixth Wastewater Treatment Plant Phase I* (商丘市第六污水處理廠一期)	Shangqiu City, Henan Province, the PRC	BOT	50,000	28 years commencing from the Construction Completion Date

Note: The total designed daily treatment capacity of Shangqiu City Sixth Wastewater Treatment Plant is expected to be 100,000 tonnes/day, which is expected to be divided into two phases.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONCESSION AGREEMENT AND THE SEWAGE SERVICE AGREEMENT

The Directors believe that entering into the Concession Agreement and the Sewage Service Agreement is consistent with the strategy of the Company to continue to secure additional BOT and TOT projects in cities where the Group has existing projects and in nearby cities, leveraging 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 Company and consolidate the Company's leading position in the industry.

Accordingly, the Directors consider that the terms of the Concession Agreement and the Sewage Service 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, operations 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
“Concession Agreement”	the concession agreement entered into among Shangqiu City Administration Bureau, Shangqiu Kangda and Kangda Group on 22 May 2015
“Construction Completion Date”	the date when the construction of the Target Project is completed and the completion certificate is issued by Shangqiu City Administration Bureau
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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 Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sewage Service Agreement”	the sewage service agreement entered into among Shangqiu City Administration Bureau, Shangqiu Kangda and Kangda Group on 22 May 2015
“Shangqiu Kangda”	Shangqiu Kangda Water Treatment Co., Ltd.* (商丘康達水處理有限公司), a limited liability company established in the PRC on 18 May 2015 and an indirectly wholly-owned subsidiary of the Company
“Target Project”	the BOT project of the Shangqiu City Sixth Wastewater Treatment Plant Phase I*
“TOT”	Transfer, Operate and Transfer, a project format in which the proprietor transfers the rights to operate a water or wastewater treatment facility to an enterprise for a consideration pursuant to a concession agreement, in return, the enterprise can charge users a fee during the concession period, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor

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

Hong Kong, 22 May 2015

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 non-executive Director; and Mr. TSUI Yiu Wa Alec, Mr. YUAN Shaoli and Mr. PENG Yongzhen as independent non-executive Directors.

* *for identification purpose only*