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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**

**DONGPING COUNTY SECOND WASTEWATER TREATMENT PLANT\***

The Board is pleased to announce that on 1 February 2016, the Administrative Committee of Economic-Technological Development Zone of Dongping County, Shandong Province\* (山東東平經濟技術開發區管委會) 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 investment, 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**

1 February 2016

**Parties**

- (1). Administrative Committee of Economic-Technological Development Zone of Dongping County, Shandong Province\* (山東東平經濟技術開發區管委會); and
- (2). Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.\* (重慶康達環保產業(集團)有限公司).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Administrative Committee of Economic-Technological Development Zone of Dongping County, Shandong Province\* (山東東平經濟技術開發區管委會) and its ultimate beneficial owners are third parties 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).

### Principal Terms

Pursuant to the Concession Agreement, Kangda Group shall be exclusively responsible for the investment, construction, operation and maintenance of the Target Project. The total investment amount for the construction of the Target Project is estimated to be approximately RMB64 million.

The Administrative Committee of Economic-Technological Development Zone of Dongping County, Shandong Province\* (山東東平經濟技術開發區管委會) shall grant a concession to Kangda Group on the operation of the Target Project for 30 years commencing from the date when the building construction licence is issued. Upon the expiration of the concession period of 30 years, Kangda Group is required to transfer the Target Project to the Administrative Committee of Economic-Technological Development Zone of Dongping County, Shandong Province\* (山東東平經濟技術開發區管委會) or its designated entity for nil consideration.

### INFORMATION ABOUT THE TARGET PROJECT

The details of the Target Project are set out below:

<b>Plant name</b>	<b>Location</b>	<b>Project model</b>	<b>Daily treatment capacity (tonnes)</b>	<b>Concession period</b>
Dongping County Second Wastewater Treatment Plant*(東平縣第二污水處理廠)	Dongping County, Shandong Province, the PRC	BOT	20,000	30 years commencing from the date when the building construction licence is issued

*Note:* The total designed daily treatment capacity of the Dongping County Second Wastewater Treatment Plant\* (東平縣第二污水處理廠) is expected to be 50,000 tonnes/day, including the 20,000 tonnes/day of the Target Project and a Phase II project of 30,000 tonnes/day.

## **INFORMATION ABOUT THE ADMINISTRATIVE COMMITTEE OF ECONOMIC-TECHNOLOGICAL DEVELOPMENT ZONE OF DONGPING COUNTY SHANDONG PROVINCE\* (山東東平經濟技術開發區管委會)**

Administrative Committee of Economic-Technological Development Zone of Dongping County, Shandong Province\* (山東東平經濟技術開發區管委會) is an agency for the government of Dongping County for administrative management.

## **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 Group 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 Group'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

“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 Administrative Committee of Economic-Technological Development Zone of Dongping County, Shandong Province* (山東東平經濟技術開發區管委會) and Kangda Group on 1 February 2016 in relation to the investment, construction, operation and maintenance of the Target Project
“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, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	the legal currency of the PRC
“Target Project”	the Dongping County Second Wastewater Treatment Plant internal BOT project,

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

Hong Kong, 1 February 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 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*