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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

**COMPLETION OF ACQUISITION OF 70% OF THE EQUITY INTERESTS
OF ZHENGZHOU XINZHONGZHOU WATER CO., LTD.***

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.

ACQUISITION OF 70% OF THE EQUITY INTERESTS OF XINZHONGZHOU

The Board is pleased to announce that on 13 August 2014, Chongqing Kangda Environment and the Vendor entered into the Equity Transfer Agreement, pursuant to which Chongqing Kangda Environment agreed to acquire and the Vendor agreed to sell 70% of the equity interest in Xinzhou at the consideration of RMB 84,000,000. The consideration was determined with reference to the daily treatment capacity of the Target Assets and after arm's length negotiation. Completion of the Acquisition took place on 30 December 2014 and Xinzhou become a non-wholly owned subsidiary of the Company.

Xinzhongzhou currently has two wastewater treatment plants, details of which are set out below:

| Xinzheng Projects Name | Location | | Project Model | Daily Treatment Capacity (tonnes/day) | Concession Period |
|------------------------------------|-------------------------------|---------|-----------------------------|--|--|
| Xinzheng Plant I ^(Note) | Xinzheng City, Henan Province | Phase 1 | Build, operate and transfer | 10,000 | 26 years commencing from completion of construction and operation of Phase 2 of Xinzheng Plant I |
| Xinzheng Plant II | Xinzheng City, Henan Province | Phase 1 | Build, operate and transfer | 25,000 | 26 years commencing from the commencement of operation of Xinzheng Plant II after completion of construction works |
| | | Phase 2 | Build, operate and transfer | 25,000 | 26 years commencing from the commencement of operation of Xinzheng Plant II after completion of construction works |

Note: Phase 2 of Xinzheng Plant I is currently under construction.

On 30 December 2014, the Housing and Urban Construction Bureau of Xinzheng City, the Vendor and Xinzhongzhou entered into a Supplemental Concession Agreement whereby all parties agreed for Xinzhongzhou to assume all the rights and responsibilities of the Vendor under the Concession Agreement in respect of the wastewater treatment in Xinzheng city.

As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition do not exceed 5%, the Acquisition does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

INFORMATION ABOUT THE VENDOR

The Vendor is a limited liability company established in the PRC on 17 December 2003. The Vendor is primarily engaged in treatment of wastewater from urban households and industrial wastewater, and recycle and sale of reclaimed water.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected person(s) (as defined under the Listing Rules).

INFORMATION ABOUT XINZHONGZHOU

Xinzhongzhou is a limited liability company established in the PRC on 30 July 2014 and was wholly-owned by the Vendor immediately before the Acquisition. The principal business of Xinzhongzhou is treatment of wastewater from urban households and industrial wastewater, and recycling and sale of reclaimed water.

REASONS FOR THE ACQUISITION

It is the Group's strategy to identify suitable investment opportunity to acquire companies owning wastewater treatment plants with good prospects and potential for stable returns. The Acquisition will benefit the Group by expanding its wastewater treatment business in the PRC and enlarging its sources of revenue and profits.

The Directors consider that the Acquisition and the terms under the Equity Transfer Agreement are fair and reasonable, on normal commercial terms, and are in the best interests of the Company and the shareholders of the Company as a whole.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

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| “Acquisition” | the acquisition of the 70% equity interests in Xinzhongzhou by Chongqing Kangda Environmental from the Vendor pursuant to the Agreement |
| “Board” | the board of directors of the Company |
| “Chongqing Kangda Environmental” | 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, which is indirectly held as to 100% by the Company |

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| “Company” | Kangda International Environmental Company Limited (Stock Code: 6136), a company incorporated in the Cayman Islands with limited liability |
| “Concession Agreement” | the concession agreement entered into between the Housing and Urban Construction Bureau of Xinzheng City and the Vendor in June 2010 in respect of the wastewater treatment in Xinzheng city |
| “Director(s)” | the director(s) of the Company |
| “Equity Transfer Agreement” | the equity transfer agreement entered into between the Vendor and Chongqing Kangda Environmental in relation to the acquisition of the 70% equity interests held by the Vendor in the Xinzhongzhou on 13 August 2014, as amended by the supplemental equity transfer agreement dated 14 August 2014 |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China |
| “Group” | the Company and its subsidiaries |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Supplemental Concession Agreement” | the supplemental concession agreement entered into between the Housing and Urban Construction Bureau of Xinzheng City, the Vendor and Xinzhongzhou on 30 December 2014 in respect of the wastewater treatment in Xinzheng city |
| “Target Assets” | the existing office occupancy, wastewater treatment facilities and auxiliary facilities thereof forming part of Xinzheng Plant I and Xinzheng Plant II, excluding equipment and facilities regarding reuse of reclaimed water in operation, under construction and to be constructed |
| “Vendor” | Xinzheng Municipal Xinyuan Wastewater Treatment Co., Ltd.* (新鄭市新源污水處理有限責任公司), a limited liability company established in the PRC on 17 December 2003 |

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| “Xinzhongzhou” | Zhengzhou Xinzhongzhou Water Co., Ltd.* (鄭州新中洲水務有限公司), a limited liability company established in the PRC on 30 July 2014, which was wholly-owned by the Vendor immediately before the Acquisition |
| “Xinzheng Plant I” | Xinzheng Municipal First Wastewater Treatment Plant* (新鄭市第一污水處理廠) |
| “Xinzheng Plant II” | Xinzheng Municipal Second Wastewater Treatment Plant* (新鄭市第二污水處理廠) |
| “Xinzheng Projects” | Phase 1 of Plant I and Phase 1 and 2 of Plant II |

By Order of the Board
KANGDA INTERNATIONAL
ENVIRONMENTAL COMPANY LIMITED
ZHAO Juanxian (alias, ZHAO Junxian)
Chairman

Hong Kong, 30 December 2014

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. SONG Qianwu as independent non-executive Directors.

** For identification purposes only.*