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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

**PROPOSED JOINT-ESTABLISHMENT OF
TSINGHUA-KANGDA ENVIRONMENT NANO ENGINEERING
TECHNOLOGY INSTITUTE**

This is a voluntary announcement made by Kangda International Environmental Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for keeping the shareholders of the Company and potential investors informed of the latest business development of the Group.

The board of directors (the “**Board**”) of the Company is pleased to announce that on 10 February 2015, the Company entered into a cooperation agreement (the “**Cooperation Agreement**”) with the Graduate School at Shenzhen, Tsinghua University* (清華大學深圳研究生院) (the “**Tsinghua Graduate School**”) in relation to the proposed joint-establishment of Tsinghua-Kangda Environment Nano Engineering Technology Institute* (清華-康達環境納米工程技術研究院) (the “**Institute**”), which will be an un-incorporated entity under administration of the Tsinghua Graduate School.

MAJOR TERMS OF THE COOPERATION AGREEMENT

Pursuant to the Cooperation Agreement, the Company and the Tsinghua Graduate School intend to cooperate in the joint-establishment of the Institute, the objectives of which are: (1) to facilitate the great-leap-forward development of the Company’s core business by developing multifunctional catalysis ceramic membrane and carbon membrane, developing integrated operating process and modular equipment for the simultaneous operation of water provision and wastewater treatment and exploring the theoretical system in relation to membrane nano reactor; (2) to support the efficient operation of the Company’s water facilities by researching and developing

comprehensive digital management software system for the water facilities operation based on the integrated operating process for multifunctional membrane, building up big data system, matching up with the operation of large-scale water facilities; (3) to improve the Company's talent quality by providing talents cultivation and professional training service by virtue of the multidisciplinary advantage of the Tsinghua Graduate School; and (4) to facilitate the Company's expansion into international market by carrying out multi-dimensional international cooperation and communication.

As agreed under the Cooperation Agreement, the Company will be responsible for providing funds of no less than RMB50 million by instalments by 31 January 2018 to the Institute for the management and development of the Institute, including but without limitation to technology research and development, procurement of equipment and devices, upgrade of labs, labor expenses, etc. The first instalment amounting to RMB20,000,000 shall be paid by the Company to the Institute by 28 February 2015. The second, the third and the fourth instalments, each amounting to RMB10,000,000, shall be paid by the Company to the Institute by 31 January 2016, 31 January 2017 and 31 January 2018, respectively. The Tsinghua Graduate School will be responsible for providing research personnel, relevant technologies and research places as the case may be.

After the establishment of the Institute, the Company and the Tsinghua Graduate School will share the rights to intellectual properties jointly-developed by them. The Company will also be responsible for application and promotion of such intellectual properties. The Company and the Tsinghua Graduate School will further enter into special contracts to set out definitive terms in relation to the industrialization of their cooperation achievement.

Pursuant to the Cooperation Agreement, the Institute, after its establishment, shall be managed by a management committee (the "**Management Committee**"), which shall consist of six members, of whom three will be designated by the Company and the remaining three be designated by the Tsinghua Graduate School. The head of the Management Committee shall be designated by the Company. The Management Committee shall be responsible for the determination of research and development goals and decision making of material matters of the Institute.

The Cooperation Agreement is effective for a term of five years commencing on the date of its due execution (the "**Initial Term**"). The Initial Term shall be renewed upon consensus reached by both the Company and the Tsinghua Graduate School three months prior to the expiration of the Cooperation Agreement.

REASONS FOR ENTERING INTO THE COOPERATION AGREEMENT

The Board is of the view that entering into the Cooperation Agreement allows the Company and the Tsinghua Graduate School to full utilize their respective resources and professional advantages in the environmental engineering field; and by jointly-establishing the Institute, will provide support to the business development of the Group by enhancing its capacity of wastewater treatment. The Board considers the terms of the Cooperation Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION OF THE TSINGHUA GRADUATE SCHOOL

The Tsinghua Graduate School, was jointly founded by Tsinghua University* (清華大學) and the Shenzhen Municipal Peoples Government* (深圳市人民政府) for cultivating top level professionals and carrying out scientific and technological innovations. Directly affiliated with Tsinghua University in Beijing, the Tsinghua Graduate School plays an important role in Tsinghua University's commitment to achieve international prominence.

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

Hong Kong, 10 February 2015

As at the date of this announcement, the Board comprises nine 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. YUAN Shaoli and Mr. SONG Qianwu as independent non-executive directors.

** For identification purpose only.*