

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your securities in Kangda International Environmental Company Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s), or the licensed securities dealer or registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers. This Composite Document is not for release, publication or distribution in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Forms of Acceptance.

**MR. DUAN CHUAN LIANG**



**中國水務集團有限公司\***  
**China Water Affairs Group Limited**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*  
**(Stock Code: 855)**



**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)**

**SHARP PROFIT INVESTMENTS LIMITED**

**COMPOSITE DOCUMENT**

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL THE ISSUED SHARES OF  
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

**Offer Agent to the Joint Offerors**



**First Shanghai Securities Limited**

**Financial Adviser to the Joint Offerors**



**First Shanghai Capital Limited**

**Independent Financial Adviser to the Independent Board Committee**

**AMASSE CAPITAL**  
**寶 積 資 本**

Unless the context otherwise requires, capitalised terms used in this Composite Document (including this cover page) have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A "Letter from First Shanghai Securities" containing, among other things, the details of the terms and conditions of the Offers is set out on pages 12 to 23 of this Composite Document. A "Letter from the Board" is set out on pages 24 to 31 of this Composite Document. A "Letter from the Independent Board Committee" containing the Independent Board Committee's recommendations to the Offer Shareholders and the Offer Optionholders in respect of the Offers is set out on pages 32 to 33 of this Composite Document. A "Letter from the Independent Financial Adviser" containing the Independent Financial Adviser's advice and recommendations to the Independent Board Committee in respect of the Offer is set out on pages 34 to 60 of this Composite Document.

The procedures for acceptance and settlement of the Offers are set out in "Appendix I — Further Terms and Procedures for Acceptance of the Offers" to this Composite Document and in the accompanying Forms of Acceptance. Acceptance of the Offers should be received by the Registrar (for the Share Offer) or the company secretary of the Company (for the Option Offer) by no later than 4:00 p.m. on Monday, 22 September 2025 (or such later time(s) and/or date(s) as the Joint Offerors may determine and announce, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside of Hong Kong should read the details in this regard which are contained in the sections headed "Overseas Shareholders" in the "Letter from First Shanghai Securities" and "6. Overseas Shareholders" in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Independent Shareholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with all necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offers.

1 September 2025

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## EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made by the Joint Offerors and the Company in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document and the accompanying Forms of Acceptance refer to Hong Kong time and dates.

<b>Event</b>	<b>Hong Kong time and dates</b>
Despatch date of this Composite Document and the accompanying Forms of Acceptance and Offers open for acceptance ( <i>Note 1</i> )	Monday, 1 September 2025
Latest time and date for the Optionholders to exercise Share Options in order to accept the Share Offer ( <i>Note 2</i> )	4:00 p.m. on Wednesday, 17 September 2025
Latest time and date for acceptance of the Offers on the Closing Date and closing of the Offers ( <i>Note 3</i> )	4:00 p.m. on Monday, 22 September 2025
Closing Date ( <i>Note 3</i> )	Monday, 22 September 2025
Announcement of the results of the Offers as at the Closing Date on the websites of the Stock Exchange and the Company ( <i>Note 2</i> )	no later than 7:00 p.m. on Monday, 22 September 2025
Lapse of unexercised Share Options pursuant to the Share Option Scheme ( <i>Note 4</i> )	Wednesday, 1 October 2025
Latest date for despatch of cheques for payment of the amounts due under the Offers in respect of valid acceptances received by Monday, 22 September 2025 ( <i>Note 6</i> )	Thursday, 2 October 2025

*Notes:*

- (1) The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from Monday, 1 September 2025, being the date of posting of this Composite Document, until 4:00 p.m. on the Closing Date.
- (2) If you are an Offer Optionholder and you wish to exercise Share Options and accept the Share Offer, you should exercise the Share Options no later than Wednesday, 17 September 2025 and deliver the completed and signed WHITE Form of Share Offer Acceptance with relevant share certificate(s) to the Registrar no later than 4:00 p.m. on the Closing Date.

## EXPECTED TIMETABLE

- (3) In order to comply with the Takeovers Code, the Offers will initially be open for acceptance for at least 21 days after the date of this Composite Document. The latest time and date for acceptance of the Offers will be 4:00 p.m. on Monday, 22 September 2025. The Joint Offerors and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on Monday, 22 September 2025 stating the results of the Offers as at the Closing Date.
- (4) All Optionholders are reminded that pursuant to the terms of the Share Option Scheme, if any Share Option is not exercised on or before the expiry of the one-month period after the despatch of this Composite Document (i.e. Wednesday, 1 October 2025), the Share Options will automatically lapse.
- (5) If you wish to accept the Offers you should ensure your relevant duly completed and signed Forms of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) arrive at the Registrar (for the Share Offer) or the company secretary of the Company (for the Option Offer) no later than the prescribed time. If you choose to deliver the documents by post, you should consider the timing requirements for postage. Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant and who wish to accept the Offers should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures and any deadline set by HKSCC Nominees Limited. All acceptances, instructions, authorisations and undertakings given by the Offer Shareholders in the **WHITE** Form of Share Offer Acceptance and by the Offer Optionholders in the **PINK** Form of Option Offer Acceptance shall be irrevocable except as permitted under the Takeovers Code.
- (6) Payment of the consideration (after deducting the seller's ad valorem stamp duty) will be posted by ordinary post to the Offer Shareholders and the Offer Optionholders who accept the Offers at their own risk. Payment will be made as soon as possible, but in any event no later than seven (7) Business Days after the date of receipt by the Registrar (for the Share Offer) or the company secretary of the Company (for the Option Offer) of all the relevant documents to render each acceptance under the Offers complete and valid in accordance with the Takeovers Code, this Composite Document and the accompanying Forms of Acceptance.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF THE OFFERS AND/OR THE LATEST DATE FOR DESPATCH OF CHEQUES**

If a tropical cyclone warning signal number 8 or above, or a black rainstorm warning (as issued by the Hong Kong Observatory), or “extreme conditions” as announced by the Government of Hong Kong is/are in force, in Hong Kong:

- (a) at any time before 12:00 noon but no longer in force at or after 12:00 noon on the Closing Date and/or the latest date for despatch of cheques for the amounts due under the Offers in respect of valid acceptances (as the case may be), the latest time for acceptance of the Offers will remain at 4:00 p.m. on the same Business Day and/or the latest date for despatch of cheques will remain on the same Business Day; or
- (b) at or after 12:00 noon on the Closing Date and/or the latest date for despatch of cheques for the amounts due under the Offers in respect of valid acceptances (as the case may be), the latest time for acceptance of the Offers will be rescheduled to 4:00 p.m. on the following Business Day and the latest date for despatch of cheques will be rescheduled to the following Business Day which does not have either of those warnings in force at or after 12:00 noon (or another Business Day thereafter that does not have any severe weather condition at or after 12:00 noon).

## **IMPORTANT NOTICES**

### **NOTICE TO THE OVERSEAS SHAREHOLDERS**

The making and the implementation of the Offers to persons with a registered address outside or otherwise not residing in Hong Kong may be subject to the laws of the relevant overseas jurisdictions in which they are resident. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice.

It is the sole responsibility of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with all necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions). Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Shareholder to the Company, the Joint Offerors and their respective advisers (including First Shanghai Securities and First Shanghai Capital) that the local laws and requirements have been complied with.

The Joint Offerors, Joint Offerors Concert Parties, the Company, First Shanghai Capital, First Shanghai Securities, the Independent Financial Adviser, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraphs headed “Overseas Shareholders” in the “Letter from First Shanghai Securities” and “6. Overseas Shareholders” in Appendix I to this Composite Document for further information.

Overseas Shareholders should consult their professional advisers if in doubt.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains certain forward-looking statements. Forward-looking statements include, without limitation, statements typically containing words such as “believe”, “intend”, “expect”, “anticipate”, “target”, “seek”, “plan”, “estimate”, “envisage” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.

Any forward-looking statement contained in this Composite Document based on past or current trends and/or activities of the relevant company should not be taken as a representation that such trends or activities will continue in the future. No statement in this Composite Document is intended to be a profit forecast or to imply that the earnings of the relevant company for the current year or future years will necessarily match or exceed its historical or published earnings. Each forward-looking statement speaks only as at the date of the particular statement. Subject to the requirements of the Takeovers Code and other applicable laws and regulations, each of the Joint Offeror and the Company and their respective advisers, expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any

## **IMPORTANT NOTICES**

forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions of circumstances on which any such statement is based.

All forward-looking statements attributable to the Joint Offerors and/or the Company (as the case may be) or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date.

## DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the meanings set out below in this Composite Document:

“2022 Annual Report”	the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023
“2022 Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2022
“2023 Annual Report”	the annual report of the Company for the year ended 31 December 2023 published on 26 April 2024
“2023 Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2023
“2024 Annual Report”	the annual report of the Company for the year ended 31 December 2024 published on 29 April 2025
“2024 Financial Statements”	the audited consolidated financial statements of the Group for the year ended 31 December 2024
“2025 Interim Results Announcement”	the announcement of interim results of the Company for the six months ended 30 June 2025 published on 29 August 2025
“2025 Interim Financial Information”	the unaudited consolidated financial statements of the Group for the six months ended 30 June 2025
“acting in concert”	has the meaning given to it under the Takeovers Code
“associate(s)”	has the meaning given to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Monday, 22 September 2025, being the closing date of the Offers which is 21 days from the date of this Composite Document
“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended from time to time

## DEFINITIONS

“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 (stock code: 6136)
“Composite Document”	this composite offer and response document jointly issued by the Joint Offerors and the Company to the Shareholders in connection with the Offers in accordance with the Takeovers Code and the Listing Rules
“Consideration Shares”	an existing 27,336,400 shares in CWA, with an agreed reference price under the Subscription Agreement of HK\$5.00 per share of CWA, which were transferred by Mr. Duan to Kangda Holdings as consideration for the issue of the Exchangeable Bonds at completion of the Subscription Agreement on 2 October 2024
“CWA”	China Water Affairs Group Limited (中國水務集團有限公司) (stock code: 855), an exempted company incorporated under the laws of the Cayman Islands and continued as an exempted company in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“CWA Group”	CWA and its subsidiaries, including Sharp Profit
“CWA’s Proportion”	approximately 7.00% of Offer Shares validly tendered for acceptance in the Share Offer at the Share Offer Price
“Director(s)”	the director(s) of the Company from time to time
“EB Notice”	the notice of exchange from Mr. Duan to Kangda Holdings and served on 11 July 2025 to exchange for 546,728,004 Shares in accordance with the terms of the Exchangeable Bonds
“EB Exchange”	the exchange under the Exchangeable Bonds by Mr. Duan for 546,728,004 Shares pursuant to the terms of the Exchangeable Bonds
“EB Exchange Completion”	the completion of the transfer of 546,728,004 Shares from Kangda Holdings to Mr. Duan which took place on 21 July 2025



## DEFINITIONS

“Exchangeable Bonds”	the exchangeable bonds of a principal amount of HK\$136,682,001 issued by Kangda Holdings to Mr. Duan on 2 October 2024, which confers the right to Mr. Duan to exercise at his discretion to exchange for 546,728,004 Shares at an exchange price of HK\$0.25 per Share up to the last business day of the 36th month from the issue date of such exchangeable bonds
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“First Shanghai Capital”	First Shanghai Capital Limited (第一上海融資有限公司), a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, being the financial adviser to the Joint Offerors
“First Shanghai Securities” or “Offer Agent”	First Shanghai Securities Limited (第一上海證券有限公司), a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, being the offer agent to the Joint Offerors
“Forms of Acceptance”	the WHITE Form of Acceptance and the PINK Form of Acceptance, both accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising Mr. Chang Qing and Mr. Peng Yongzhen, each being an independent non-executive Director, to make a recommendation, after taking into account the advice and recommendation from the Independent Financial Adviser, to the Offer Shareholders and any Offer Optionholders in respect of the Offers and as to acceptance of the Offers

## DEFINITIONS

“Independent Financial Adviser”	Amasse Capital Limited, a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code for the purpose of advising the Independent Board Committee in respect of the Offers and, in particular, as to whether the Offers are fair and reasonable and as to acceptance of the Offers
“Irrevocable Undertakings”	the irrevocable undertaking dated 21 July 2025 given by each of Mr. Li Zhong, Ms. Liu Yujie, Mr. Duan, Jerry Linnan and Mr. Chau Kam Wing Donald, respectively, in favour of the Joint Offerors under which each of them had undertaken not to accept the Offers
“Joint Announcement”	the announcement jointly issued by the Joint Offerors and the Company dated 21 July 2025 made pursuant to Rule 3.5 of the Takeovers Code in relation to the Offers
“Joint Offerors”	Mr. Duan and Sharp Profit
“Joint Offerors Concert Party(ies)”	parties acting in concert with the Joint Offerors under the Takeovers Code
“Kangda Holdings”	Kangda Holdings Company Limited, a company wholly-owned and controlled by Mr. Zhao Sizhen
“Last Trading Day”	18 July 2025, being the last trading day prior to the issue of the Joint Announcement
“Latest Practicable Date”	29 August 2025, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Mr. Duan”	Mr. Duan Chuan Liang
“Mr. Duan’s Proportion”	all such Offer Shares to be accepted under the Share Offer other than the CWA Proportion
“Non-Accepting Share(s)”	all Shares and Shares to be issued upon exercise of Share Options owned or to be owned by the Undertaking Shareholders and subject to the Irrevocable Undertakings

## DEFINITIONS

“Non-Accepting Share Option(s)”	all Share Options owned by the Undertaking Shareholders and subject to the Irrevocable Undertakings
“Offers”	the Share Offer and the Option Offer
“Offer Optionholder(s)”	the Optionholders, other than the Undertaking Shareholders who owned Share Options
“Offer Period”	has the meaning ascribed to it under the Takeovers Code which commenced on 21 July 2025 (being the date of the Joint Announcement) and ends on the date on which the Offers close, lapse or are withdrawn
“Offer Shareholder(s)”	the Shareholders, other than the Joint Offerors and the Undertaking Shareholders
“Offer Share(s)”	all issued Shares (including the new Shares to be issued to the Optionholders in satisfaction of the exercise of their Share Options), other than those Shares already owned and/or agreed to be acquired by the Joint Offerors
“Optionholder(s)”	the holder(s) of the Share Options
“Option Offer”	the mandatory unconditional cash offer to be made by First Shanghai Securities to the Offer Optionholders in accordance with Rule 13.5 the Takeovers Code for the cancellation of all Share Options held by the Offer Optionholders, to the extent any such Share Options remain outstanding and have not lapsed in accordance with the Share Option Scheme
“Option Offer Price”	the price of HK\$0.048 per Share Option under the Option Offer
“Overseas Optionholder(s)”	the Optionholder(s) whose address(es), as shown on the register of holders of Share Options of the Company, is/are outside Hong Kong
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PINK Form of Acceptance”	the PINK form of acceptance and cancellation in respect of the Option Offer

## DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Authorities”	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution
“Relevant Period”	the period commencing on the date falling six months preceding the date of the Joint Announcement and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the registered holder(s) of Share(s)
“Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company
“Share Offer”	the mandatory unconditional cash offer to be made by First Shanghai Securities on behalf of the Joint Offerors to acquire all of the Offer Shares in accordance with terms and conditions set out in this Composite Document
“Share Offer Price”	the price of HK\$0.348 per Offer Share payable by the Joint Offerors to the Shareholders for each Offer Share tendered under the Share Offer
“Share Options”	the outstanding share options granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 14 June 2014 and which has expired on 14 June 2024

## DEFINITIONS

“Sharp Profit”	Sharp Profit Investments Limited, a wholly-owned subsidiary of CWA, which directly holds approximately 27.86% of the total issued share capital of the Company as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement between Mr. Duan as the investor and Kangda Holdings as the issuer, pursuant to which Mr. Duan subscribed for the Exchangeable Bonds in the form of the Consideration Shares, which was dated 2 October 2024 and completed on the same day
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Undertaking Shareholder(s)”	Mr. Li Zhong, Ms. Liu Yujie, Mr. Duan, Jerry Linnan, Mr. Chau Kam Wing Donald, who have given the Irrevocable Undertakings in favour of the Joint Offerors not to accept the Offers
“WHITE Form of Acceptance”	the WHITE form of acceptance and transfer of the Offer Shares in respect of the Share Offer
“%”	per cent.



1 September 2025

*To the Offer Shareholders and the Offer Optionholders*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL THE ISSUED SHARES OF  
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

**INTRODUCTION**

We refer to the Joint Announcement.

On 21 July 2025, the Joint Offerors and the Company jointly announced that on 11 July 2025 (after trading hours), Mr. Duan, the holder of the Exchangeable Bonds, had served the EB Notice on Kangda Holdings to exchange for 546,728,004 Shares, representing approximately 25.55% of the total issued share capital of the Company as at the date of the Joint Announcement, at an exchange price of HK\$0.25 per Share. The Exchangeable Bonds were issued by Kangda Holdings to Mr. Duan under the Subscription Agreement, which Mr. Duan may exercise his right of exchange for 546,728,004 Shares up to the last business day of the 36th month from the issue date of the Exchangeable Bonds on 2 October 2024.

CWA, through its wholly-owned subsidiary, Sharp Profit, is a substantial shareholder of the Company which is interested in approximately 28.46% of the total issued share capital of the Company as at the date of the Joint Announcement. Immediately upon the EB Exchange Completion, which took place on 21 July 2025, Mr. Duan and Sharp Profit (which is presumed to be acting in concert with Mr. Duan), became interested in an aggregate of 1,155,718,004 Shares, representing approximately 54.01% of the total issued share capital of the Company.

As a result of the EB Exchange, Mr. Duan is required to make (or procure to be made on his behalf) a mandatory unconditional cash offer pursuant to Rule 26.1(b) of the Takeovers Code for all the Shares (other than those already owned and/or agreed to be acquired by him and Sharp Profit). Mr. Duan and Sharp Profit would jointly make (or procure to be made) the Share Offer as Joint Offerors, and allocate the Offer Shares validly tendered for acceptance in the Share Offer to be taken up in the proportion of approximately 93.00% by Mr. Duan and approximately 7.00% by Sharp Profit. Fractional Offer Shares, if any, will be aggregated and taken up by Mr. Duan.

## LETTER FROM FIRST SHANGHAI SECURITIES

Following the Joint Announcement, a total of 45,940,000 Shares had been allotted for the exercise of 45,940,000 Share Options and a total of 2,500,000 Share Options had lapsed on 22 August 2025. For details, please refer to the announcement of the Company dated 22 August 2025.

As at the Latest Practicable Date, there are 2,185,675,000 Shares in issue, and Joint Offerors and the Joint Offerors Concert Parties are interested in an aggregate of 1,189,718,004 Shares, representing approximately 54.43% of the total issued share capital of the Company. As at the Latest Practicable Date, the Company has 165,533,500 outstanding Share Options which have been vested, entitling Optionholders to subscribe for an aggregate of 165,533,500 Shares, at the exercise price of HK\$0.30 per Share. In accordance with Rule 13.5 of the Takeovers Code, to the extent any such Share Options remain outstanding and have not lapsed in accordance with the Share Option Scheme, Mr. Duan would also be required to make (or procure to be made on his behalf) an appropriate offer to the Optionholders to cancel all the outstanding Share Options by way of the Option Offer.

This letter sets out, among other things, the details of the Offers, information on the Joint Offerors and the intention of the Joint Offerors regarding the Group. Further terms and procedures of acceptance of the Offers are set out in Appendix I to this Composite Document (of which this letter forms part) and the accompanying Forms of Acceptance.

The Offer Shareholders and the Offer Optionholders are strongly advised to consider carefully the information contained in the “Letter from the Board”, “Letter from the Independent Board Committee” and “Letter from the Independent Financial Adviser” as set out in this Composite Document, the appendices to this Composite Document and the accompanying Forms of Acceptance and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offers.

### THE OFFERS

First Shanghai Securities is making the Offers for and on behalf of the Joint Offerors to acquire all the Offer Shares in compliance with the Takeovers Code on the following basis:

### THE SHARE OFFER

**For each Offer** ..... HK\$0.348 in cash

The Share Offer Price of HK\$0.348 per Offer Share is higher than the exchange price of HK\$0.25 per Share under the Exchangeable Bonds, and is equal to the volume weighted average traded price of the Shares of HK\$0.348 per Share on 11 July 2025, when the EB Notice was served.

If, after the Latest Practicable Date but before the Closing Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Joint Offerors reserve the right to reduce the Share Offer Price by all of the amount or value of such dividend, distribution and/or, as the case maybe, return of capital, in which case any reference in this Composite Document, or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as reduced (and the

## LETTER FROM FIRST SHANGHAI SECURITIES

Option Offer Price shall be reduced accordingly). As at the Latest Practicable Date, no dividend, other distribution or other return of capital in respect of the Shares has been announced or declared but not paid and the Board does not intend to announce, recommend, declare and/or pay any dividend, distribution or other return of capital before the Closing Date.

### THE OPTION OFFER

**For cancellation of each Share Option** ..... HK\$0.048 in cash

The Option Offer Price per Share Option is the see-through price, being the Share Offer Price of HK\$0.348 per Offer Share minus HK\$0.30 per Share, i.e. the exercise price of the Share Options per Share. Arrangements will be made under the Option Offer to cancel the Share Options at the Option Offer Price at HK\$0.048 for each Share Option.

Pursuant to the terms of the Share Option Scheme, in the event a general offer is made to the Shareholders and becomes or is declared unconditional, the Optionholders shall exercise the Share Options (to the extent not already exercised) within one month after the date on which the offer is made, which becomes or is declared unconditional, after which such Share Options will lapse. The Offers, when made upon the despatch of this Composite Document, will be unconditional in all respects. Accordingly, any Share Options which are not exercised prior to the expiry of the one-month period after the despatch of this Composite Document (i.e. Wednesday, 1 October 2025), will lapse. If any Share Option is exercised within such time period in accordance with the terms of the Share Option Scheme, any Shares issued prior to the Closing Date as a result of such exercise will be subject to the Share Offer. If at any time prior to the despatch of this Composite Document, no Share Option remains outstanding due to all Share Options having been exercised, the Option Offer will not be made.

**All Optionholders are reminded that pursuant to the terms of the Share Option Scheme, if any Share Option is not exercised on or before the expiry of the one-month period after the despatch of this Composite Document (i.e. Wednesday, 1 October 2025), the Share Options will automatically lapse. If the Offer Optionholders wish to exercise Share Options and accept the Share Offer, they should exercise the Share Options no later than Wednesday, 17 September 2025 and deliver the completed and signed WHITE Form of Share Offer Acceptance with relevant share certificate(s) to the Registrar no later than 4:00 p.m. on the Closing Date. If the Offer Optionholders wish to accept the Option Offer, they should complete and sign the PINK Form of Option Offer Acceptance in accordance with instructions thereon. For details on the procedures for acceptance of the Offers, please refer to “Appendix I — Further Terms and Procedures for Acceptance of the Offers” to this Composite Document.**

The Option Offer is only required to be made under Rule 13.5 of the Takeovers Code to the extent any Share Options remain outstanding and have not lapsed in accordance with the Share Option Scheme.



## LETTER FROM FIRST SHANGHAI SECURITIES

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all encumbrances and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

**The Joint Offerors will not increase the Share Offer Price and/or Option Offer Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Joint Offerors will not be allowed to increase the Share Offer Price and/or Option Offer Price.**

### COMPARISON OF VALUE

The Share Offer Price of HK\$0.348 per Offer Share represents:

- (a) a premium of approximately 2.4% over the closing price of HK\$0.340 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 1.5% over the average closing price of HK\$0.343 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 0.3% over the average closing price of HK\$0.347 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 0.9% over the average closing price of HK\$0.345 per Share as quoted on the Stock Exchange for the 20 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 2.1% over the average closing price of HK\$0.341 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 3.9% over the average closing price of HK\$0.335 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 6.4% over the average closing price of HK\$0.327 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (h) a discount of approximately 11.9% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

## LETTER FROM FIRST SHANGHAI SECURITIES

- (i) a discount of approximately 88.7% to the audited consolidated net asset value attributable to Shareholders per Share (based on the total number of Shares as at 31 December 2024) of approximately HK\$3.082 as at 31 December 2024 and the exchange rate of HK\$1 to RMB0.9; and
- (j) a discount of approximately 88.9% to the unaudited consolidated net asset value attributable to Shareholders per Share (based on the total number of Shares as at 30 June 2025) of approximately HK\$3.140 as at 30 June 2025 and the exchange rate of HK\$1 to RMB0.9.

### HIGHEST AND LOWEST PRICES

During the six-month period immediately up to and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.375 on 4 July 2025 and 7 July 2025 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.275 on 4 March 2025.

### IRREVOCABLE UNDERTAKINGS

On 21 July 2025, Mr. Li Zhong, Ms. Liu Yu Jie, Mr. Duan, Jerry Linnan and Mr. Chau Kam Wing Donald, have given irrevocable undertakings in favour of the Joint Offerors not to accept the Offers with respect to the Non-Accepting Shares, which collectively amounts to 34,000,000 Shares as at the Latest Practicable Date, representing approximately 1.56% of the total issued share capital of the Company as at the Latest Practicable Date, and with respect to the Non-Accepting Share Options, being an aggregate of 48,000,000 Share Options as at the Latest Practicable Date.

Pursuant to the Irrevocable Undertakings,

- (i) Mr. Li Zhong has irrevocably undertaken to the Joint Offerors not to accept the Offers with respect to 10,000,000 Shares owned by him, representing approximately 0.46% of the total issued share capital of the Company as at the Latest Practicable Date, and 16,000,000 Share Options (and any Shares which may be issued upon the exercise of such Share Options);
- (ii) Ms. Liu Yujie has irrevocably undertaken to the Joint Offerors not to accept the Offers with respect to 10,000,000 Shares owned by her, representing approximately 0.46% of the total issued share capital of the Company as at the Latest Practicable Date, and 16,000,000 Share Options (and any Shares which may be issued upon the exercise of such Share Options);
- (iii) Mr. Duan, Jerry Linnan has irrevocably undertaken to the Joint Offerors not to accept the Offers with respect to 10,000,000 Shares owned by him, representing approximately 0.46% of the total issued share capital of the Company as at the Latest Practicable Date, and 16,000,000 Share Options (and any Shares which may be issued upon the exercise of such Share Options); and

## LETTER FROM FIRST SHANGHAI SECURITIES

- (iv) Mr. Chau Kam Wing Donald has irrevocably undertaken to the Joint Offerors not to accept the Offers with respect to 2,000,000 Shares owned by him and 2,000,000 Share Options (and any Shares which may be issued upon the exercise of such Share Options). Following the exercise of the abovementioned 2,000,000 Share Options on 22 August 2025, Mr. Chau Kam Wing Donald holds 4,000,000 Non-Accepting Shares as at the Latest Practicable Date, representing approximately 0.18% of the total issued share capital of the Company as at the Latest Practicable Date.

The Undertaking Shareholders have undertaken to hold the Non-Accepting Shares and Non-Accepting Share Options and not to sell, transfer, create any encumbrance of or otherwise create any interest on them before the close of the Offers, including not to sell such Non-Accepting Shares and Non-Accepting Share Options to the Joint Offerors or the Joint Offerors Concert Parties. For the avoidance of doubt, the Undertaking Shareholders may exercise their Share Options and subscribe for the new Shares to be issued in accordance with the terms of the Share Option Scheme.

The Irrevocable Undertakings will cease to have effect upon the close or lapse of the Offers.

### FINANCIAL RESOURCES

As at the Latest Practicable Date, there were 2,185,675,000 Shares in issue and 165,533,500 Share Options outstanding. Assuming (i) none of the outstanding Share Options are exercised and (ii) the Share Offer is accepted in full, the maximum cash consideration for the Offers is approximately HK\$352.2 million (based on the Share Offer Price of HK\$0.348 per Offer Share and the total of 995,956,996 Offer Shares being the total number of Offer Shares in the Share Offer less the Non-Accepting Shares and Option Offer Price of HK\$0.048 per Share Option and a total of 117,533,500 Share Options being the total number of Share Options in the Option Offer less the Non-Accepting Share Options), of which the maximum amount payable by Mr. Duan is approximately HK\$327.6 million for Mr. Duan's Proportion and the maximum amount payable by Sharp Profit is approximately HK\$24.6 million for the CWA's Proportion.

Assuming (i) all of the outstanding Share Options are exercised, in which case, the Company will issue 165,533,500 new Shares, and (ii) the Share Offer is accepted in full, the maximum cash consideration for the Offers is approximately HK\$387.5 million (based on the Share Offer Price of HK\$0.348 per Offer Share and the total of 1,113,490,496 Offer Shares being the total number of Offer Shares in the Share Offer as enlarged by the issue of new Shares to the Offer Optionholders in satisfaction of the exercise of their Share Options less the Non-Accepting Shares), of which the maximum amount payable by Mr. Duan is approximately HK\$360.4 million for Mr. Duan's Proportion and the maximum amount payable by Sharp Profit is approximately HK\$27.1 million for the CWA's Proportion.

The maximum cash consideration payable by Mr. Duan (assuming all the Share Options are exercised) will be financed by his personal cash resources and the maximum cash consideration payable by Sharp Profit (assuming all the Share Options are exercised) will be financed by internal cash resources of the CWA Group.

## LETTER FROM FIRST SHANGHAI SECURITIES

First Shanghai Capital, the financial adviser to the Joint Offerors, is satisfied that sufficient financial resources are available to each of Mr. Duan and Sharp Profit to satisfy the maximum cash consideration payable by them with respect to Mr. Duan's Proportion and CWA's Proportion, respectively, upon full acceptance of the Offers.

### INFORMATION ON THE JOINT OFFERORS

Mr. Duan, being one of the Joint Offerors, is the founder of water business of the CWA Group and has over 30 years of in-depth and distinctive experience in the water industry in China and he joined the CWA Group in 2003. He is the chairman and executive director of CWA and the father of Mr. Duan, Jerry Linnan, a Director of the Company and CWA. Mr. Duan is interested in 27.50% of the total issued share capital of CWA (excluding treasury shares) as at the Latest Practicable Date.

Sharp Profit is an investment holding company incorporated in the British Virgin Islands. It is a wholly-owned subsidiary directly held by CWA. Its principal business is the investment holding of 27.86% of the total issued share capital of the Company as at the Latest Practicable Date.

CWA is a company whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 855) and together with its subsidiaries, the CWA Group is principally engaged in the city water supply business, pipeline direct drinking water supply business and environmental protection business which comprised provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management.

### INFORMATION ON THE GROUP

Information on the Group is set out under the section headed "Information on the Group" in the "Letter from the Board" and Appendices II and III to this Composite Document.

### INTENTION OF THE JOINT OFFERORS IN RELATION TO THE GROUP

#### Regarding the businesses and assets

Following the close of the Offers, the Joint Offerors intend to continue the existing businesses of the Group. As at the Latest Practicable Date, the Joint Offerors will continue with its existing principal businesses following the close of the Offers and do not intend to (i) discontinue the employment of employees of the Group; (ii) dispose of or re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (iii) downsize or change the scale of the Group's existing business. Immediately after the close of the Offers, however, the Joint Offerors will conduct a review of the financial position and operations of the Group in order to formulate a long-term strategy for the Group and reserve the right to make any changes that they deem necessary or appropriate to the Group's business and operations to optimise the value of the Group. The Joint Offerors may explore business/investment opportunities and consider whether any asset disposals, asset acquisitions, business divestment, restructuring and/or diversification will be appropriate for enhancing its future

## LETTER FROM FIRST SHANGHAI SECURITIES

development and strengthening its revenue bases. Should such corporate actions materialize, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate.

### **Regarding the Board composition**

As at the Latest Practicable Date, the Board comprises Mr. Li Zhong, Ms. Liu Yujie, Mr. Duan, Jerry Linnan and Mr. Zhou Wei as executive Directors; Mr. Zhao Juanxian (alias, Zhao Junxian) as non-executive Director; and Mr. Chau Kam Wing Donald, Mr. Chang Qing and Mr. Peng Yongzhen as independent non-executive Directors.

### **Regarding the listing status of the Company**

According to the Listing Rules, the Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

The Joint Offerors intend to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. Mr. Duan, as one of the Joint Offerors and the sole director of the other Joint Offeror (i.e. Sharp Profit), has undertaken to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offers to ensure that sufficient public float exists in the Shares.

### **Compulsory Acquisition**

The Joint Offerors do not intend to avail themselves of any powers of compulsory acquisition of any outstanding Offer Shares not acquired or any outstanding Share Option not cancelled under the Offers after the close of the Offers and have no intention to privatise the Company.

### **REASONS AND BENEFITS FOR THE JOINT OFFERORS IN MAKING THE OFFERS**

Mr. Duan and Sharp Profit will jointly make (or procure to be made) the Share Offer as Joint Offerors, and allocate the Offer Shares validly tendered for acceptance in the Share Offer to be taken up in the proportion of approximately 93.00% by Mr. Duan and approximately 7.00% by Sharp Profit. Fractional Offer Shares, if any, will be aggregated and taken up by Mr. Duan. Mr. Duan did not hold any Shares directly prior to the EB Exchange Completion. The Offers will therefore allow Mr. Duan to further increase his shareholding in the Company after the EB Exchange Completion and is expected to provide him, together with Sharp Profit, with the opportunity of potentially becoming the largest shareholders in the Company.

## LETTER FROM FIRST SHANGHAI SECURITIES

CWA, through its wholly-owned subsidiary, Sharp Profit, is the substantial shareholder of the Company, holding approximately 27.86% of the total issued share capital of the Company as at the Latest Practicable Date and the Company is accounted for as an associated company in the financial statements of the CWA Group by applying equity method of accounting. The making of the Share Offer together with Mr. Duan as the Joint Offerors with respect to the CWA's Proportion is expected to provide an opportunity for the CWA Group to maintain and/or increase its strategic investment in the Group.

Taking into account the factors mentioned above, the directors of CWA (including the independent non-executive directors of CWA but excluding Mr. Duan, Mr. Duan Jerry Linnan, who is the son of Mr. Duan and an Executive Director and Chief Executive Officer of the Company) consider that the taking-up of the CWA's Proportion in the Share Offer and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better though not arising from the ordinary and usual course of business of CWA Group, and are in the interests of CWA and its shareholders as a whole. Mr. Duan, who is the Joint Offeror and Mr. Duan Jerry Linan, who is an associate (as defined under the Listing Rules) of Mr. Duan, have abstained from voting on the board resolutions of CWA to approve the making of the Share Offer with respect to the CWA's Proportion.

As disclosed under the section headed "Intention of the Joint Offerors in relation to the Group" above, as at the Latest Practicable Date, it is the Joint Offerors' intention to continue with the Group's existing principal businesses following the close of the Offers, promoting continued stability for the Group. In addition, the Option Offer may potentially limit the dilutive effect of the Share Options on the existing Shareholders' shareholding in the Company if the Optionholders elect to accept the Option Offer instead of exercising the Share Options.

### **OTHER TERMS OF THE OFFERS**

#### **Procedures for acceptance**

To accept the Offers, you should complete and sign the accompanying Forms of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offers.

The duly completed and signed Forms of Acceptance, should be sent, together with the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to (i) (for the Share Offer) the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (ii) (for Option Offer) the company secretary of the Company at Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, marked "Kangda International Environmental Company — Offers" on the envelope, in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Joint Offerors may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.



## LETTER FROM FIRST SHANGHAI SECURITIES

No acknowledgement of receipt of any Forms of Acceptance, share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or satisfactory indemnity or indemnities required in respect thereof) will be given. All communications, notices, the Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders and the Optionholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the Forms of Acceptance completed, returned and received by the Registrar. Your attention is drawn to “Further terms and procedures for acceptance of the Offers” as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### **Effect of accepting the Offers**

By accepting the Share Offer, Shareholders will sell their Shares fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date. Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

By accepting the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced. Pursuant to the terms of the Share Option Scheme, the Optionholders shall be entitled to exercise the Share Options (to the extent not already exercised) at any time before the expiry of the one-month period after the despatch of this Composite Document and, to the extent any of the Share Options have not been so exercised, such Share Options shall lapse upon the expiry of such one-month period.

### **Stamp duty**

In Hong Kong, seller’s ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Shareholder who accepts the Share Offer at the rate of 0.1% of the consideration payable by the Joint Offerors for that Shareholder’s Offer Shares, and will be deducted from the cash amount payable by the Joint Offerors to such Shareholder on acceptance of the Share Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Joint Offerors will arrange for payment of the seller’s ad valorem stamp duty on behalf of relevant Shareholders accepting the Share Offer and whose Offer Shares have been acquired by the Joint Offerors, and will pay the buyer’s ad valorem stamp duty in connection with such Offer Shares and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong). No stamp duty is payable in connection with the acceptance of the Option Offer.

## **Payment**

Payment in cash in respect of acceptances of the Offers, net of seller's Hong Kong ad valorem stamp duty (in the case of Share Offer), will be made as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) after the date on which the duly completed acceptances of the Offers and the relevant documents of title of the Shares and Share Options in respect of such acceptances are received by or for the Joint Offerors to render each such acceptance complete and valid pursuant to Rule 20.1 and Note 1 to Rule 30.2 of the Takeovers Code.

## **Close of the Offers**

The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from Monday, 1 September 2025, being the date of posting of this Composite Document, until 4:00 p.m. on the Closing Date.

## **Overseas Shareholders and Overseas Optionholders**

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Shareholders and Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Shareholders and Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any regulatory or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

**Any acceptance by any Overseas Shareholder and Overseas Optionholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Overseas Shareholder and Overseas Optionholder to the Joint Offerors that all laws, regulations and requirements applicable to such Overseas Shareholder and Overseas Optionholder have been complied with and that the Offers can be lawfully accepted by such Overseas Shareholder and Overseas Optionholder. All such Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.**

## **Taxation advice**

Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Joint Offerors and the Joint Offerors Concert Parties, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser and (as the case may be) their respective ultimate beneficial owners, directors, officers, employees, advisers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.



## LETTER FROM FIRST SHANGHAI SECURITIES

### GENERAL

#### **Financial Advisers, Independent Board Committee and Independent Financial Adviser**

The Joint Offerors have appointed First Shanghai Securities as their offer agent and First Shanghai Capital as their financial adviser in respect of the Offers.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chang Qing and Mr. Peng Yongzhen, has been established in accordance with Rules 2.1 and 2.8 of the Takeovers Code to advise and give a recommendation to the Offer Shareholders and the Offer Optionholders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. Mr. Zhao Juanxian, a non-executive Director, and Mr. Chau Kam Wing Donald, an independent non-executive Director, are considered to be interested in the Offers for the purpose of Rule 2.8 of the Takeovers Code and will not form part of the Independent Board Committee.

The Company has appointed, with the approval of the Independent Board Committee, Amasse Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Offer Shareholders and the Offer Optionholders in respect of the Offers.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board” as set out on pages 24 to 31 of this Composite Document, the “Letter from the Independent Board Committee” as set out on pages 32 to 33 of this Composite Document and the “Letter from the Independent Financial Adviser” on pages 34 to 60 of this Composite Document.

Yours faithfully,  
For and on behalf of  
**First Shanghai Securities Limited**

**Mr. YEUNG Wai Kin**  
*Director*

**Mr. LI Chi Keung Eliot**  
*Director*

LETTER FROM THE BOARD



**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)**

*Executive directors:*

Mr. LI Zhong  
Ms. LIU Yujie  
Mr. DUAN Jerry Linnan  
Mr. ZHOU Wei

*Registered office:*

Cricket Square Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive directors:*

Mr. ZHAO Juanxian (alias, ZHAO Junxian)

*Principal place of business*

*in Hong Kong:*

Suite 6409, 64/F  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

*Independent non-executive directors:*

Mr. CHAU Kam Wing Donald  
Mr. CHANG Qing  
Mr. PENG Yongzhen

1 September 2025

*To the Shareholders:*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL THE ISSUED SHARES OF  
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

**INTRODUCTION**

We refer to (i) the Joint Announcement.

On 11 July 2025 (after trading hours), Mr. Duan, the holder of the Exchangeable Bonds, has served the EB Notice on Kangda Holdings to exchange for 546,728,004 Shares, representing approximately 25.55% of the total issued share capital of the Company as at the date of the Joint Announcement, at an exchange price of HK\$0.25 per Share.

The EB Exchange Completion took place on 21 July 2025 and immediately upon the EB Exchange Completion, Mr. Duan and Sharp Profit (which is presumed to be acting in concert with Mr. Duan), became interested in an aggregate of 1,155,718,004 Shares, representing approximately 54.01% of the total issued share capital of the Company. Sharp Profit, a wholly-

## LETTER FROM THE BOARD

owned subsidiary of CWA, is a substantial shareholder of the Company, which is interested in approximately 28.46% of the total issued share capital of the Company as at the date of the Joint Announcement.

As a result of the EB Exchange, Mr. Duan is required to make (or procure to be made on his behalf) a mandatory unconditional cash offer pursuant to Rule 26.1(b) of the Takeovers Code for all the Shares (other than those already owned and/or agreed to be acquired by him and Sharp Profit). Mr. Duan and Sharp Profit would jointly make (or procure to be made) the Share Offer as Joint Offerors, and allocate the Offer Shares validly tendered for acceptance in the Share Offer to be taken up in the proportion of approximately 93.00% by Mr. Duan and approximately 7.00% by Sharp Profit.

Following the Joint Announcement, a total of 45,940,000 Shares had been allotted for the exercise of 45,940,000 Share Options and a total of 2,500,000 Share Options had lapsed on 22 August 2025. For details, please refer to the announcement of the Company dated 22 August 2025. As at the Latest Practicable Date, there are 2,185,675,000 Shares in issue.

As at the Latest Practicable Date, the Company had 165,533,500 Share Options which have been vested and outstanding, entitling Optionholders to subscribe for an aggregate of 165,533,500 Shares, at the exercise price of HK\$0.30 per Share. In accordance with Rule 13.5 of the Takeovers Code, to the extent any such Share Options remain outstanding and have not lapsed in accordance with the Share Option Scheme, Mr. Duan is also required to make (or procure to be made on his behalf) an appropriate offer to the Optionholders to cancel all the outstanding Share Options by way of the Option Offer. The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things: (i) further information relating to the Company, the Joint Offerors and the Offers (including the expected timetable and terms of the Offers); (ii) the letter from First Shanghai Securities containing, among other things, details of the Offers; (iii) the letter from the Independent Board Committee to the Offer Shareholders and the Offer Optionholders containing its recommendation in respect of the Offers; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Offer Shareholders and the Offer Optionholders in relation to the Offers.

Terms used in this letter shall have the same meaning as those defined in this Composite Document unless the context otherwise requires.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising Mr. Chang Qing and Mr. Peng Yongzhen, each being an independent non-executive Director, has been established in accordance with Rules 2.1 and 2.8 of the Takeovers Code to give a recommendation to the Offer Shareholders and the Offer Optionholders in respect of the Offers and as to the acceptance of the Offers after taking into account the advice and recommendation from the Independent Financial Adviser.

Mr. Zhao Juanxian, a non-executive Director, is the father of Mr. Zhao Sizhen who is the sole owner of Kangda Holdings. Kangda Holdings, as the issuer of the Exchangeable Bonds, received the Consideration Shares from Mr. Duan and accordingly, Mr. Zhao Juanxian is

## LETTER FROM THE BOARD

considered to have indirect interests in the Offers and is not considered to be independent to form part of the Independent Board Committee. Mr. Chau Kam Wing Donald, an independent non-executive Director, also holds the office of an independent non-executive director of CWA and accordingly, he is a class (2) presumed concert party of Sharp Profit and is not considered to be independent to form part of the Independent Board Committee. Mr. Zhao Juanxian and Mr. Chau Kam Wing Donald are accordingly regarded as being interested in the Offers for the purpose of Rule 2.8 of the Takeovers Code and are therefore excluded from being members of the Independent Board Committee.

The Company has appointed, with the approval of the Independent Board Committee, Amasse Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Offer Shareholders and the Offer Optionholders in respect of the Offers.

The Independent Financial Adviser is of the opinion that the terms of the Offers are fair and reasonable so far as the Offer Shareholders and Offer Optionholders are concerned, and accordingly, it recommends the Independent Board Committee to advise the Offer Shareholders and the Offer Optionholders to accept the Offers. The Independent Board Committee, having been so advised, considers that the terms of the Offers are fair and reasonable insofar as the Offer Shareholders and the Offer Optionholders are concerned, and accordingly, recommends the Offer Shareholders and the Offer Optionholders to accept the Offers.

**The full texts of the “Letter from the Independent Board Committee” addressed to the Offer Shareholders and Offer Optionholders and the “Letter from the Independent Financial Adviser” addressed to the Independent Board Committee are set out in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offers.**

### MANDATORY UNCONDITIONAL CASH OFFERS

As set out in the “Letter from First Shanghai Securities” on pages 12 to 23 of this Composite Document, First Shanghai Securities, for and on behalf of the Joint Offerors, are making the Offers to acquire all the Offer Shares in compliance with the Takeovers Code on the following basis:

#### THE SHARE OFFER

**For each Offer** ..... HK\$0.348 in cash

The Share Offer Price of HK\$0.348 per Offer Share is higher than the exchange price of HK\$0.25 per Share under the Exchangeable Bonds, and is equal to the volume weighted average traded price of the Shares of HK\$0.348 per Share on 11 July 2025, when the EB Notice was served.

If, after the Latest Practicable Date but before the Closing Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Joint Offerors reserve the right to reduce the Share Offer Price by all of the amount or value of such dividend, distribution and/or, as the case maybe, return of capital, in which

## LETTER FROM THE BOARD

case any reference in this Composite Document, or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as reduced (and the Option Offer Price shall be reduced accordingly). As at the Latest Practicable Date, no dividend, other distribution or other return of capital in respect of the Shares has been announced or declared but not paid and the Board does not intend to announce, recommend, declare and/or pay any dividend, distribution or other return of capital before the Closing Date.

### THE OPTION OFFER

**For cancellation of each Share Option** ..... HK\$0.048 in cash

The Option Offer Price per Share Option is the see-through price, being the Share Offer Price of HK\$0.348 per Offer Share minus HK\$0.30 per Share, i.e. the exercise price of the Share Options per Share. Arrangements will be made under the Option Offer to cancel the Share Options at the Option Offer Price at HK\$0.048 for each Share Option.

Pursuant to the terms of the Share Option Scheme, in the event a general offer is made to the Shareholders and becomes or is declared unconditional, the Optionholders shall exercise the Share Options (to the extent not already exercised) within one month after the date on which the offer is made, which becomes or is declared unconditional, after which such Share Options will lapse. The Offers, when made upon the despatch of this Composite Document, will be unconditional in all respects. Accordingly, any Share Options which are not exercised prior to the expiry of the one-month period after the despatch of this Composite Document (i.e. Wednesday, 1 October 2025), will lapse. If any Share Option is exercised within such time period in accordance with the terms of the Share Option Scheme, any Shares issued prior to the Closing Date as a result of such exercise will be subject to the Share Offer. If at any time prior to the despatch of this Composite Document, no Share Option remains outstanding due to all Share Options having been exercised, the Option Offer will not be made.

**All Optionholders are reminded that pursuant to the terms of the Share Option Scheme, if any Share Option is not exercised on or before the expiry of the one-month period after the despatch of this Composite Document (i.e. Wednesday, 1 October 2025), the Share Options will automatically lapse. If the Offer Optionholders wish to exercise Share Options and accept the Share Offer, they should exercise the Share Options no later than Wednesday, 17 September 2025 and deliver the completed and signed WHITE Form of Share Offer Acceptance with relevant share certificate(s) to the Registrar no later than 4:00 p.m. on the Closing Date. If the Offer Optionholders wish to accept the Option Offer, they should complete and sign the PINK Form of Option Offer Acceptance in accordance with instructions thereon. For details on the procedures for acceptance of the Offers, please refer to “Appendix I — Further Terms and Procedures for Acceptance of the Offers” to this Composite Document.**

The Option Offer is only required to be made under Rule 13.5 of the Takeovers Code to the extent any Share Options remain outstanding and have not lapsed in accordance with the Share Option Scheme.

## LETTER FROM THE BOARD

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all encumbrances and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

**The Joint Offerors will not increase the Share Offer Price and/or Option Offer Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Joint Offerors will not be allowed to increase the Share Offer Price and/or Option Offer Price.**

### **IRREVOCABLE UNDERTAKINGS NOT TO ACCEPT THE OFFERS**

Your attention is drawn to the section headed “Irrevocable Undertakings” in the “Letter from First Shanghai Securities” in this Composite Document which sets out the details of the Irrevocable Undertaking given by Mr. Li Zhong, Ms. Liu Yu Jie, Mr. Duan, Jerry Linnan and Mr. Chau Kam Wing Donald, respectively, on 21 July 2025 in favour of the Joint Offerors not to accept the Offers with respect to the Non-Accepting Shares and the Non-Accepting Share Options.

### **EFFECT OF ACCEPTING THE OFFERS**

Your attention is drawn to the section headed “Effect of accepting the Offers” in the “Letter from First Shanghai Securities” in this Composite Document for the effect of accepting the Offers.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company, (i) immediately after the EB Exchange Completion and as at the date of the Joint Announcement (assuming none of the Share Options have been exercised); and (ii) as at the Latest Practicable Date:

	<b>Immediately after EB Exchange Completion and as at the date of the Joint Announcement</b>		<b>As at the Latest Practicable Date (Note 6)</b>	
	<i>(assuming no Share Options have been exercised)</i>			
<b>Shareholders</b>	<i>Number of Shares</i>	<i>Approx. percentage of total issued share capital (%)</i>	<i>Number of Shares</i>	<i>Approx. percentage of total issued share capital (%)</i>
<b>Joint Offerors whose Shares are excluded from the Offers</b>				
Mr. Duan (Note 1)	546,728,004	25.55	546,728,004	25.01
CWA Group (Note 2)	608,990,000	28.46	608,990,000	27.86
<b>Sub-total of Shares which are not Offer Shares</b>	<b>1,155,718,004</b>	<b>54.01</b>	<b>1,155,718,004</b>	<b>52.87</b>
<b>Undertaking Shareholders who have undertaken not to accept the Offers</b>				
Mr. Li Zhong (Note 3)	10,000,000	0.47	10,000,000	0.46
Ms. Liu Yujie (Note 3)	10,000,000	0.47	10,000,000	0.46
Mr. Duan, Jerry Linnan (Note 3)	10,000,000	0.47	10,000,000	0.46
Mr. Chau Kam Wing Donald (Note 3)	2,000,000	0.09	4,000,000	0.18
<b>Sub-total of Non-Accepting Shares</b>	<b>32,000,000</b>	<b>1.50</b>	<b>34,000,000</b>	<b>1.56</b>
<i>Other Directors of the Company whose Shares are included in the Offers</i>				
Mr. Chang Qing	2,000,000	0.09	4,000,000	0.18
Mr. Peng Yongzhen	2,000,000	0.09	4,000,000	0.18
Mr. Zhou Wei (Note 4)	—	—	5,000,000	0.23
<b>Other Shareholders whose Shares are included in the Offers</b>				
Other Shareholders (including employees of the Group (Note 5))	948,016,996	44.31	982,956,996	44.97
<b>Total</b>	<b>2,139,735,000</b>	<b>100</b>	<b>2,185,675,000</b>	<b>100</b>



## LETTER FROM THE BOARD

### *Notes:*

- (1) Mr. Duan, the holder of the Exchangeable Bonds, served the EB Notice to Kangda Holdings on 11 July 2025 in accordance with the terms of the Exchangeable Bonds to exchange for 546,728,004 Shares at an exchange price of HK\$0.25 per Share, which were transferred to Mr. Duan on 21 July 2025.
- (2) Sharp Profit, a wholly-owned subsidiary of CWA Group, holds 608,990,000 Shares and CWA is therefore deemed to be interested in the Shares held by Sharp Profit under the SFO. Mr. Duan, directly and indirectly, through Asset Full Resources Limited, is interested in approximately 27.50% of the total issued shares of CWA (excluding treasury shares) as at the Latest Practicable Date.
- (3) Mr. Li Zhong, Ms. Liu Yujie, Mr. Duan, Jerry Linnan, the son of Mr. Duan, one of the Joint Offerors and Mr. Chau Kam Wing Donald, being Directors of the Company and directors of CWA are parties acting in concert with Sharp Profit and/or Mr. Duan, the Joint Offerors and have each undertaken in favour of the Joint Offerors not to accept the Offers. As at the Latest Practicable Date, Mr. Li Zhong, Ms. Liu Yujie and Mr. Duan, Jerry Linnan hold 16,000,000, 16,000,000 and 16,000,000 Non-Accepting Share Options, respectively, which are vested and would entitle them to subscribe for 16,000,000, 16,000,000 and 16,000,000 Shares, respectively, at the exercise price of HK\$0.30 per Share.
- (4) As at the Latest Practicable Date, Mr. Zhou Wei, a Director of the Company, holds 11,000,000 Shares Options, which are vested and would entitle him to subscribe for 11,000,000 Shares at the exercise price of HK\$0.30 per Share.
- (5) As at the Latest Practicable Date, employees of the Group hold an aggregate of 106,533,500 Share Options, which are vested and would entitle them to subscribe for 106,533,500 Shares at the exercise price of HK\$0.30 per Share.
- (6) Taking into account the additional 45,940,000 Shares allotted and issued pursuant to the exercise of 45,940,000 Options on 22 August 2025. For details, please refer to the announcement of the Company dated 22 August 2025.
- (7) The percentages are subject to rounding adjustments and may not add up to 100%.

### **INFORMATION ON THE GROUP**

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 6136). The Group is mainly engaged in investing in and operating wastewater treatment facilities in the PRC. Financial and general information of the Group are set out in “Appendix II — Financial Information of the Group” and “Appendix III — General Information of the Group” to this Composite Document.

### **INFORMATION ON THE JOINT OFFERORS**

Your attention is drawn to the section headed “Information on the Joint Offerors” in the “Letter from First Shanghai Securities” and “Appendix IV — General Information of the Joint Offerors” in this Composite Document for information on the Offeror.

### **INTENTION OF THE JOINT OFFERORS REGARDING THE GROUP**

Your attention is drawn to the section headed “Intention of the Joint Offerors in relation to the Group” in the “Letter from First Shanghai Securities” in this Composite Document for information on the intention of the Joint Offerors regarding the Group. The Board notes the intention of the Joint Offerors and welcomes in particular that the Joint Offerors have no plans



## LETTER FROM THE BOARD

to make any major changes to the current business operations of the Group, including the introduction of any major changes in the management or the continued employment of the employees of the Group as a result of the Offers.

### ADDITIONAL INFORMATION

You are advised to read the “Letter from First Shanghai Securities” and “Appendix I — Further Terms of the Offers and Procedures for Acceptance of the Offers” in this Composite Document and the accompanying Forms of Acceptance for further information relating to the Offers, information on taxation and the acceptance and settlement procedures of the Offers. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

### RECOMMENDATIONS

Your attention is drawn to (a) the “Letter from the Independent Board Committee” to the Offer Shareholders and the Offer Optionholders containing its recommendations with respect of the Offers; and (b) the “Letter from the Independent Financial Adviser” containing its advice to the Independent Board Committee in relation to the Offers and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendations. You are advised to read both letters and the remainder of this Composite Document carefully before taking any action in respect of the Offers.

In considering what action to take in connection with the Offers, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,  
By order of the Board of  
**Kangda International Environmental Company Limited**  
**Li Zhong**  
*Chairman*



**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)**

1 September 2025

*To the Offer Shareholders and the Offer Optionholders:*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL THE ISSUED SHARES OF  
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

**INTRODUCTION**

We refer to the Composite Document dated 1 September 2025 in respect of the Offers jointly issued by the Joint Offerors and the Company, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter have the same meanings as that defined in the Composite Document.

We have been appointed by the Board as members of the Independent Board Committee to consider, among other things, the terms of the Offers and to make a recommendation as to whether, in our opinion, the terms of the Offers are fair and reasonable insofar as the Offer Shareholders and the Offer Optionholders are concerned, and as to the acceptance or not of the Offers.

Amasse Capital Limited has been appointed as the Independent Financial Adviser with our approval to advise and make recommendations in respect of the terms of the Offers and as to acceptance of the Offers. Details of its advice and recommendations and the principal factors and reasons which it has considered before arriving at such recommendations, are set out in the “Letter from the independent Financial Adviser” in the Composite Document.

We also wish to draw your attention to the “Letter from the Board”, “Letter from First Shanghai Securities” and the additional information set out in the Composite Document.

We, as members of the Independent Board Committee, have declared that we are independent and do not have any conflict of interest in respect of the Offers and are therefore able to consider the terms of the Offers and make recommendations accordingly to the Offer Shareholders and the Offer Optionholders. Mr. Zhao Juanxian, a non-executive Director, and

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Mr. Chau Kam Wing Donald, an independent non-executive Director, are considered to be interested in the Offers for the purpose of Rule 2.8 of the Takeovers Code and will not form part of the Independent Board Committee.

### RECOMMENDATIONS

Having considered the terms of the Offers and the letter of advice and recommendations from the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the terms of the Offers are fair and reasonable insofar as the Offer Shareholders and Offer Optionholders are concerned, and we recommend the Offer Shareholders and Offer Optionholders to accept the Offers.

The Offer Shareholders and the Offer Optionholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” set out in the Composite Document.

Notwithstanding our recommendations, the Offer Shareholders and the Offer Optionholders should consider carefully the terms of the Offers. In any case, the Offer Shareholders and the Offer Optionholders are reminded that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives.

The Offer Shareholders and the Offer Optionholders who intend to accept the Offers are also reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and may, having regard to their own circumstances and investment objectives, consider selling the Shares or convert and selling the Shares (as the case may be) in the open market instead of accepting the Offers if the net proceeds from the sale of such Shares in the open market would be higher than that receivable under the Offers.

The Offer Shareholders and the Offer Optionholders should closely monitor the business development of the Group and the intentions of the Offeror when there is more information available in this regard.

If in doubt, the Offer Shareholders and the Offer Optionholders should consult their own professional advisers for professional advice. In addition, Offer Shareholders and Offer Optionholders who wish to accept the Offers are recommended to read and consider carefully the procedures for accepting the Offer detailed in “Appendix I — Further Terms and Procedures for Acceptance of the Offers” to this Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee of  
**Kangda International Environmental Company Limited**

**Mr. Chang Qing**  
*Independent Non-executive Director*

**Mr. Peng Yongzhen**  
*Independent Non-executive Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Set out below is the text of a letter received from Amasse Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Offers prepared for the purpose of inclusion in this Composite Document.*

### **AMASSE CAPITAL** **寶 積 資 本**

1 September 2025

*To the Independent Board Committee*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
FIRST SHANGHAI SECURITIES LIMITED ON BEHALF OF THE JOINT OFFERORS  
TO ACQUIRE ALL THE ISSUED SHARES OF  
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offers. Details of the Offers are set out in the “Letter from First Shanghai Securities” enclosed in the composite document dated 1 September 2025 (the “**Composite Document**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

On 11 July 2025, Mr. Duan, the holder of the Exchangeable Bonds, served the EB Notice on Kangda Holdings to exchange for 546,728,004 Shares, representing approximately 25.55% of the total issued share capital of the Company as at the date of the Joint Announcement, at an exchange price of HK\$0.25 per Share.

The EB Exchange Completion took place on 21 July 2025 and immediately upon the EB Exchange Completion, Mr. Duan and Sharp Profit (which is presumed to be acting in concert with Mr. Duan), became interested in an aggregate of 1,155,718,004 Shares, representing approximately 54.01% of the total issued share capital of the Company. Sharp Profit, a wholly-owned subsidiary of CWA, was a substantial shareholder of the Company, which was interested in approximately 28.46% of the total issued share capital of the Company as at the date of the Joint Announcement.

As a result of the EB Exchange, Mr. Duan was required to make (or procure to be made on his behalf) a mandatory unconditional cash offer pursuant to Rule 26.1(b) of the Takeovers Code for all the Shares (other than those already owned and/or agreed to be acquired by him and Sharp Profit). Mr. Duan and Sharp Profit would jointly make (or procure to be made) the Share Offer as Joint Offerors, and allocate the Offer Shares validly tendered for acceptance in the Share Offer to be taken up in the proportion of approximately 93.00% by Mr. Duan and approximately 7.00% by Sharp Profit.

## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

As at the Latest Practicable Date, the Company had 165,533,500 Share Options which have been vested, entitling Optionholders to subscribe for an aggregate of 165,533,500 Shares, at the exercise price of HK\$0.30 per Share. In accordance with Rule 13.5 of the Takeovers Code, to the extent any such Share Options remain outstanding and had not lapsed in accordance with the Share Option Scheme, Mr. Duan was also required to make (or procure to be made on his behalf) an appropriate offer to the Optionholders to cancel all the outstanding Share Options by way of the Option Offer.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising Mr. Chang Qing and Mr. Peng Yongzhen, each being an independent non-executive Director, to make a recommendation to the Offer Shareholders and Offer Optionholders in respect of the Offers and as to acceptance of the Offers. As disclosed in the “Letter from the Board” in the Composite Document, Mr. Zhao Juanxian, a non-executive Director, is the father of Mr. Zhao Sizhen who is the sole owner of Kangda Holdings. Kangda Holdings, as the issuer of the Exchangeable Bonds, received the Consideration Shares from Mr. Duan and accordingly, Mr. Zhao Juanxian is considered to have indirect interests in the Offers and is not considered to be independent to form part of the Independent Board Committee. Mr. Chau Kam Wing Donald, an independent non-executive Director, also holds the office of an independent non-executive director of CWA and accordingly, he is a class (2) presumed concert party of Sharp Profit and is not considered to be independent to form part of the Independent Board Committee. Mr. Zhao Juanxian and Mr. Chau Kam Wing Donald were considered to be interested in the Offers for the purpose of Rule 2.8 of the Takeovers Code and do not form part of the Independent Board Committee.

### **INDEPENDENT FINANCIAL ADVISER**

We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the terms of the Offers, and in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

### **OUR INDEPENDENCE**

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Joint Offerors or the Company, and we are not associated with the Joint Offerors or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Joint Offerors or the Company or the controlling shareholder(s) of either of them. As at the Latest Practicable Date, apart from the existing engagement in connection with the Offers, we do not and did not have any relationship (business, financial or otherwise) that amounted to a significant connection with the Company or the Joint Offerors or the controlling shareholder(s) of either of them within the past two years for us of a kind necessary likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is noted that, apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or the Joint Offerors or any other parties that could reasonably be regarded as relevant to our independence.

Accordingly, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

### **BASIS OF OUR OPINION**

In formulating our opinions and recommendation, we have reviewed, among others, the annual reports of the Company for the years ended 31 December 2022, 2023 and 2024 (the “**2022 Annual Report**”, the “**2023 Annual Report**” and the “**2024 Annual Report**”, respectively), the interim results announcement of the Company for the six months period ended 30 June 2025 (the “**2025 Interim Results Announcement**”), the Joint Announcement and the Composite Document. We have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Composite Document and/or provided to us were true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinion and recommendation. The Directors have declared in a responsibility statement set out in the Appendix III to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offers.

In formulating our opinions, we have not considered the tax implication on the Offer Shareholders and Offer Optionholders arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Offer Shareholders and Offer Optionholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. The Offer Shareholders and Offer Optionholders will be informed should there be any material changes to the information contained or referred to herein or to our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

This letter is issued for the Offer Shareholders and Offer Optionholders solely in respect of the Offers and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### THE OFFERS

First Shanghai Securities (the offer agent to the Joint Offerors) is making the Share Offer on behalf of the Joint Offerors and the Option Offer on behalf of Mr. Duan in compliance with the Takeovers Code on the following basis:

### THE SHARE OFFER

**For each Offer Share ..... HK\$0.348 in cash**

The Share Offer Price of HK\$0.348 per Offer Share is higher than the exchange price of HK\$0.25 per Share under the Exchangeable Bonds, and is equal to the volume weighted average traded price of the Shares of HK\$0.348 per Share on 11 July 2025, when the EB Notice was served.

If, after the Latest Practicable Date but before the Closing Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Joint Offerors reserves the right to reduce the Share Offer Price by all of the amount or value of such dividend, distribution and/or, as the case maybe, return of capital, in which case any reference in the Composite Document, or any other announcement or document to the Share Offer Price will be deemed to be a reference to the Share Offer Price as reduced (and the Option Offer Price shall be reduced accordingly). As at the Latest Practicable Date, no dividend, other distribution or other return of capital in respect of the Shares has been announced or declared but not paid and the Board does not intend to announce, recommend, declare and/or pay any dividend, distribution or other return of capital before the Closing Date.

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all encumbrances and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### The Option Offer

#### For cancellation of each Share Option ..... HK\$0.048 in cash

The Option Offer Price per Share Option is the see-through price, being the Share Offer Price of HK\$0.348 per Offer Share minus HK\$0.30 per Share, i.e. the exercise price of the Share Options per Share. Arrangements will be made under the Option Offer to cancel the Share Options at the Option Offer Price at HK\$0.048 for each Share Option.

Pursuant to the terms of the Share Option Scheme, in the event a general offer is made to the Shareholders and becomes or is declared unconditional, the Optionholders shall exercise the Share Options (to the extent not already exercised) within one month after the date on which the offer is made, which becomes or is declared unconditional, after which such Share Options will lapse. The Offers, when made upon the despatch of this Composite Document, will be unconditional in all respects. Accordingly, any Share Options which are not exercised prior to the expiry of the one-month period after the despatch of the Composite Document (i.e. Wednesday, 1 October 2025), will lapse. If any Share Option is exercised within such time period in accordance with the terms of the Share Option Scheme, any Shares issued prior to the Closing Date as a result of such exercise will be subject to the Share Offer. If at any time prior to the despatch of the Composite Document, no Share Option remains outstanding due to all Share Options having been exercised, the Option Offer will not be made.

The Option Offer is only required to be made under Rule 13.5 of the Takeovers Code to the extent any Share Options remain outstanding and have not lapsed in accordance with the Share Option Scheme.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

#### 1. Information and financial performance of the Group

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange (stock code: 6136). The Group is mainly engaged in investing in and operating wastewater treatment facilities in the PRC.

The Group has three operating segments, including (i) the segment of urban water treatment (the “**Urban Water Treatment Segment**”) engages in the design, construction, upgrade and operation of wastewater treatment plants, reclaimed water treatment plants, sludge treatment plants and water distribution plants, and in the operation and maintenance of waste water treatment facilities entrusted by local governments in the PRC; (ii) the segment of water environment comprehensive remediation (“**Water Environment Comprehensive Remediation Segment**”) engages in river harnessing and improvement, foul water body treatment, and sponge city construction; and (iii) the segment of rural water improvement (“**Rural Water Improvement Segment**”) engages



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in the construction and operation related to “the Water Environment Facilities of Beautiful Village” such as waste water treatment facilities and pipeline construction for collecting waste water so as to achieve rural living environment improvement.

Set out below is a summary of the audited or unaudited consolidated financial information (as the case maybe) on the Group’s operations for (i) each of the three years ended 31 December 2022, 2023 and 2024 (“**FY2022**”, “**FY2023**” and “**FY2024**”, respectively) as extracted from the 2022 Annual Report, the 2023 Annual Report and the 2024 Annual Report; and (ii) each of the six months period ended 30 June 2024 and 2025 (“**6M2024**” and “**6M2025**”, respectively) as extracted from the 2025 Interim Results Announcement.

	<b>For the six months</b>		<b>For the year ended 31 December</b>		
	<b>ended 30 June</b>		<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>2025</b>	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	1,166,493	1,115,511	2,261,282	2,216,381	2,896,589
— <i>Urban Water Treatment Segment</i>	<i>1,136,702</i>	<i>1,077,593</i>	<i>2,160,205</i>	<i>2,123,024</i>	<i>2,723,107</i>
— <i>Water Environment Comprehensive Remediation Segment</i>	<i>15,749</i>	<i>13,803</i>	<i>22,133</i>	<i>43,438</i>	<i>114,410</i>
— <i>Rural Water Improvement Segment</i>	<i>14,042</i>	<i>24,115</i>	<i>78,944</i>	<i>49,919</i>	<i>59,072</i>
Gross profit	587,266	544,471	1,089,014	1,075,994	1,268,647
Profit before taxation	169,989	153,297	236,243	233,954	374,341
Profit attributable to owners of the Company for the period/year	103,441	108,597	167,998	124,753	235,679

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	<b>As at 30 June 2025</b>	<b>As at 31 December 2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Total assets	19,055,003	19,153,926
Total liabilities	12,924,841	13,134,081
Net assets	6,130,162	6,019,845
Net assets attributable to owners of the Company	6,046,352	5,934,962

***Financial performance for the six months period ended 30 June 2025***

For 6M2025, the Group recorded revenue of approximately RMB1,166.5 million, representing an increase of approximately 4.6% as compared to that of approximately RMB1,115.5 million for 6M2024. The increase in revenue was mainly due to the increased operation numbers of upgrade projects which have higher treatment tariff.

The gross profit of the Group was approximately RMB587.3 million for 6M2025, representing an increase of approximately 7.9% as compared to that of approximately RMB544.5 million for 6M2024, and gross profit margin was approximately 50.3%, increase for 1.5 percentage points when compared to that of approximately 48.8% for 6M2024. The increase in gross profit was mainly due to the combined effect of the increase in revenue from construction services and operating services under the Urban Water Treatment Segment and decrease in operating costs as a result of the decrease in actual aggregate processing volume and various energy-saving and consumption-reducing measures executed.

The profit attributable to owners of the Company for the 6M2025 was approximately RMB103.4 million, a decrease of approximately 4.8% as compared to that of approximately RMB108.6 million for 6M2024. The decrease was mainly due to losses on disposal of subsidiaries, partially off-set by the increase in gross profit and decrease in finance cost.

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### *Financial performance for the year ended 31 December 2024*

For FY2024, the Group recorded revenue of approximately RMB2,261.3 million, representing an increase of approximately 2.0% as compared to that of approximately RMB2,216.4 million for FY2023. The increase in revenue was mainly due to the increase in revenue from construction services of RMB92.4 million which were mainly resulting from the increase in construction work of new upgrade projects under Urban Water Treatment Segment, and offset by the decrease in revenue from operating services of RMB44.3 million which were mainly resulting from the one-time deduction in operation revenue arising from post-project audits and the disposal of service concession projects of Urban Water Treatment Segment.

The gross profit of the Group was approximately RMB1,089.0 million for FY2024, representing a slightly increase of approximately 1.2% as compared to that of approximately RMB1,076.0 million for FY2023, and gross profit margin was remained stable at approximately 48.2% comparing with 48.5% for FY2023.

The profit attributable to owners of the Company for FY2024 was approximately RMB168.0 million, representing an increase of approximately 34.6% as compared to that of approximately RMB124.8 million for FY2023. The increase was mainly attributed to the decrease in finance cost as a result of interest rate reduction in the year and the decrease in income tax expenses because of utilization of prior years' tax losses.

### *Financial performance for the year ended 31 December 2023*

For FY2023, the Group recorded revenue of approximately RMB2,216.4 million, representing a decrease of approximately 23.5% as compared to that of approximately RMB2,896.6 million for FY2022. The decrease in revenue was mainly due to the decrease in revenue generated from construction services by RMB719.6 million when compared to that for FY2022. Such decrease in construction services revenue was resulting from (i) the decrease in the number of projects during the main construction period of Urban Water Treatment Segment; (ii) the completion of most existing engineering procurement construction projects of Water Environment Comprehensive Remediation Segment; and (iii) the completion of constructions and commenced operation of public-private-partnership projects of Rural Water Improvement Segment.

The gross profit of the Group was approximately RMB1,076.0 million for FY2023, representing a decrease of approximately 15.2% as compared to that of approximately RMB1,268.6 million for FY2022, and gross profit margin was approximately 48.5%, increase for 4.7 percentage points when compared to that of approximately 43.8% for FY2022. The increase in gross profit margin was primarily due to the decrease in the proportion of share of revenue from construction services, which had a lower gross profit margin, during FY2023 as compared with FY2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The profit attributable to owners of the Company for FY2023 was approximately RMB124.8 million, representing a decrease of approximately 47.1% as compared to that of approximately RMB235.7 million for FY2022. The decrease was mainly attributed to the decrease in revenue and gross profit, and partially offset by the decreases in exchange loss and income tax expenses.

### *Financial position as at 30 June 2025*

The total assets of the Group were approximately RMB19,055.0 million as at 30 June 2025, representing a decrease of approximately 0.5% as compared to that of approximately RMB19,153.9 million as at 31 December 2024. The decrease in total assets was mainly due to de-recognition of assets of a disposal group classified as held for sale upon completion of disposal.

The total liabilities of the Group were approximately RMB12,924.8 million as at 30 June 2025, representing a decrease of approximately 1.6% as compared to that of approximately RMB13,134.1 million as at 31 December 2024. The decrease in total liabilities was mainly due to de-recognition of liabilities directly associated with the assets classified as held for sale upon completion of disposal.

As at 30 June 2025, the net assets attributable to owners of the Company increased by approximately 1.9% from approximately RMB5,935.0 million as at 31 December 2024 to approximately RMB6,046.4 million. The increase in net assets attributable to owners of the Company of the Group was in line with the profit attributable to owners of the parent for the period.

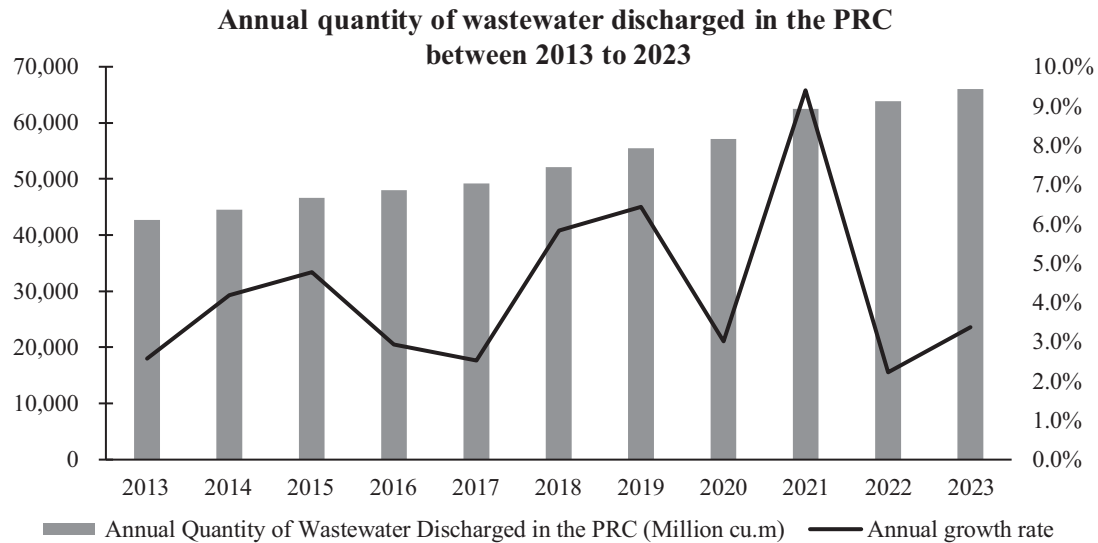
### *Historical dividend payout by the Company*

It is noted that the Company did not pay dividend for the past seven years since the financial year ended 31 December 2017 even when the Group recorded net profit attributable to the shareholders of the Company during the past seven years ended FY2024 and for 6M2025. There is no guarantee that the Company will declare and distribute dividends to the Shareholders in future.

**2. Industry Overview, Future Plan and Prospects**

The Group is principally engaged in the design, construction, operation and maintenance of waste water treatment plants, reclaimed water treatment plants, water distribution plants, sludge treatment plants and other municipal infrastructure in the PRC. As stated in the 2024 Annual Report, all revenue of the Group was derived from the PRC and approximately 95.5% of the revenue was derived from the Urban Water Treatment Segment for FY2024. As at 31 December 2024, the Group’ Urban Water Treatment Segment had 100 wastewater treatment projects, 2 reclaimed water treatment projects and 3 sludge treatment projects in operation in the PRC and recorded a total revenue of approximately RMB2,160.2 million for FY2024. Given that all revenue of the Group was derived from the PRC and the Urban Wastewater Treatment Segments contributed most of the Group’s total revenue for FY2024, we consider that (i) the annual volume of wastewater discharged in the PRC; (ii) the average wastewater treatment tariff charged by the Group; and (iii) the outlook for wastewater treatment industry in the PRC, including the governing policies, shall, to a significant extent, affect the business prospects of the Group.

*Annual volume of wastewater discharged in the PRC*

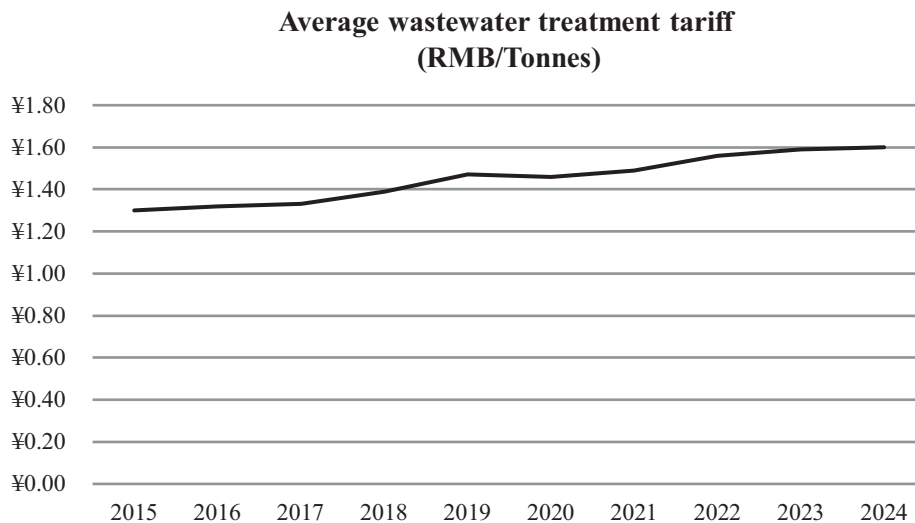


*Source: Ministry of Housing and Urban-Rural Development of the PRC*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to data from the Ministry of Housing and Urban-Rural Development of the PRC, the annual volume of urban wastewater discharged in the PRC was showing an growth trend with a decreasing rate between 2013 to 2023. As shown in chart above, the annual growth rate for the annual volume of urban wastewater discharged in the PRC was fluctuated between 2.5% to 6.4% from 2013 to 2020, and reach a high of approximately 9.4% in 2021, and then slowing to 2.2% in 2022 and 3.4% in 2023. The trend of decelerating growth of the annual wastewater discharged, despite the overall increase in wastewater volume, suggests a potential stabilising trend in wastewater generation and demand of wastewater treatment in the PRC and implies lower demand growth.

### *Average wastewater treatment tariff charged*



*Source: Annual reports of the Company for the year ended 31 December 2015 to 2024*

The wastewater treatment tariff represents the fee income to be received by the Group from its business. As shown in chart above, the actual average wastewater treatment tariff increased from RMB1.30 per tonne in 2015 to RMB1.60 per tonne in 2024, showing slight upward trend with a compound average growth rate of approximately 2.3% only. As per advised by the Management, there was no national pricing standards for wastewater treatment in the PRC, however, according to 《污水處理費徵收使用管理辦法》 (“Measures for the Administration of the Collection and Use of Sewage Treatment Fees\*”) issued by the Ministry of Finance in December 2014, the wastewater treatment tariff shall be considered the normal operational costs of wastewater treatment facilities, sludge treatment and disposal costs, and allowing for reasonable profit of the operators and such tariffs should be proposed by the pricing, financial and drainage authorities in county level or above of the PRC government and approved by the county level or above of PRC government. As a result, wastewater treatment companies cannot independently adjust the tariffs as the wastewater treatment tariffs are regulated by local PRC governments, which have discretionary authority to set the rates and thus limiting wastewater treatment plants operators’ ability to increase its fee income through adjustment of tariffs by their own decision.

*The outlook for wastewater treatment industry in the PRC*

In December 2023, the National Development and Reform Commission, Ministry of Housing and Urban-Rural Development, and Ministry of Ecology and Environment had jointly issued 《關於推進污水處理減污降碳協同增效的實施意見》 (“Opinions on Promoting Synergistic Efficiency Enhancement of Wastewater Treatment for Pollution Reduction and Carbon Emission Reduction\*”) (the “**Opinion**”), it aimed to enhance the wastewater treatment industry’s role in pollution control and greenhouse gas reduction, in order to facilitate a comprehensive green transformation of economic and social development in the PRC. The Opinion had suggested some technological and infrastructural upgrades for wastewater treatment plants, such as promote the adoption of high-efficiency, energy-saving motors, fans, pumps, lighting fixtures, and other general-purpose equipment, and accelerate the elimination of outdated, low-efficiency key energy-consuming equipment in conjunction with factory upgrades and renovations. Such upgrades and renovations were likely to increase the capital expenditures as well as the operational costs of wastewater treatment plant operators, like the Group. Meanwhile, the Opinion has become effective from its date of issue and we have not noted there would be government subsidies for the upgrades and renovations from the Opinion.

Having considered the above factors, we noted that (i) the annual volume of urban wastewater discharged in the PRC was showing a growth trend with a decreasing rate between 2013 to 2023 that implies lower demand growth;(ii) despite the average wastewater treatment tariff (representing the fee income to be received by the Group) has increased from RMB1.30 per tonne in 2015 to RMB1.60 per tonne in 2024, wastewater treatment tariffs are regulated by local PRC governments, which have discretionary authority to set the rates and thus limiting wastewater treatment plants operators’ ability to increase its fee income; and (iii) the technological and infrastructural upgrades, as outlined in the Opinions, would likely to increase operational costs of the wastewater treatment operators in the PRC like the Group. As such, we believe the future business and operational growth of the Group will be limited in term of lower customer demand growth and low pricing power of the Group, and therefore may affect the future investment value from holding the Shares.

**3. Information on the Joint Offerors**

Mr. Duan, being one of the Joint Offerors, is the founder of water business of the CWA Group and has over 30 years of in-depth and distinctive experience in the water industry in China and he joined the CWA Group in 2003. He is the chairman and executive director of CWA and the father of Mr. Duan, Jerry Linnan, a Director of the Company and CWA. Mr. Duan is interested in 27.50% of the total issued share capital of CWA (excluding treasury shares) as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Duan is directly interested in 546,728,004 Shares, representing approximately 25.01% of the total issued share capital of the Company.



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Sharp Profit is an investment holding company incorporated in the British Virgin Islands. It is a wholly-owned subsidiary directly held by CWA. Its principal business is the investment holding of 27.86% of the total issued share capital of the Company as at the Latest Practicable Date.

CWA is a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 855) and together with its subsidiaries, the CWA Group is principally engaged in the city water supply business, pipeline direct drinking water supply business and environmental protection business which comprised provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management.

#### **4. Intentions of the Joint Offerors in relation to the Group**

##### *Regarding the businesses and assets*

As disclosed in the “Letter from First Shanghai Securities”, following the close of the Offers, the Joint Offerors intend to continue the existing businesses of the Group. As at the Latest Practicable Date, the Joint Offerors will continue with its existing principal businesses following the close of the Offers and do not intend to (i) discontinue the employment of employees of the Group; (ii) dispose of or re-deploy the fixed assets of the Company other than those in its ordinary and usual course of business; or (iii) downsize or change the scale of the Group’s existing business. Immediately after the close of the Offers, however, the Joint Offerors will conduct a review of the financial position and operations of the Group in order to formulate a long-term strategy for the Group and reserve the right to make any changes that they deem necessary or appropriate to the Group’s business and operations to optimise the value of the Group. The Joint Offerors may explore business/investment opportunities and consider whether any asset disposals, asset acquisitions, business divestment, restructuring and/or diversification will be appropriate for enhancing its future development and strengthening its revenue bases.

##### *Regarding the Board composition*

As at the Latest Practicable Date, the Board comprises Mr. Li Zhong, Ms. Liu Yujie, Mr. Duan, Jerry Linnan and Mr. Zhou Wei as executive Directors; Mr. Zhao Juanxian (alias, Zhao Junxian) as non-executive Director; and Mr. Chau Kam Wing Donald, Mr. Chang Qing and Mr. Peng Yongzhen as independent non-executive Directors.

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### *Regarding the listing status of the Company*

As stated in the “Letter from First Shanghai Securities” in the Composite Document, the Joint Offerors intend to maintain the listing of the Shares on the Stock Exchange after the close of the Offers. According to the Listing Rules, the Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

Mr. Duan, as one of the Joint Offerors and the sole director of the other Joint Offeror (i.e. Sharp Profit), has undertaken to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offers to ensure that sufficient public float exists in the Shares.

### **5. Share Offer Price**

The Share Offer Price of HK\$0.348 per Offer Share represents:

- (i) a discount of approximately 11.9% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 2.4% over the closing price of HK\$0.340 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 1.5% over the average closing price of HK\$0.343 per Share as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 0.3% over the average closing price of HK\$0.347 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 0.9% over the average closing price of HK\$0.345 per Share as quoted on the Stock Exchange for the 20 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 2.1% over the average closing price of HK\$0.341 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 3.9% over the average closing price of HK\$0.335 per Share as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

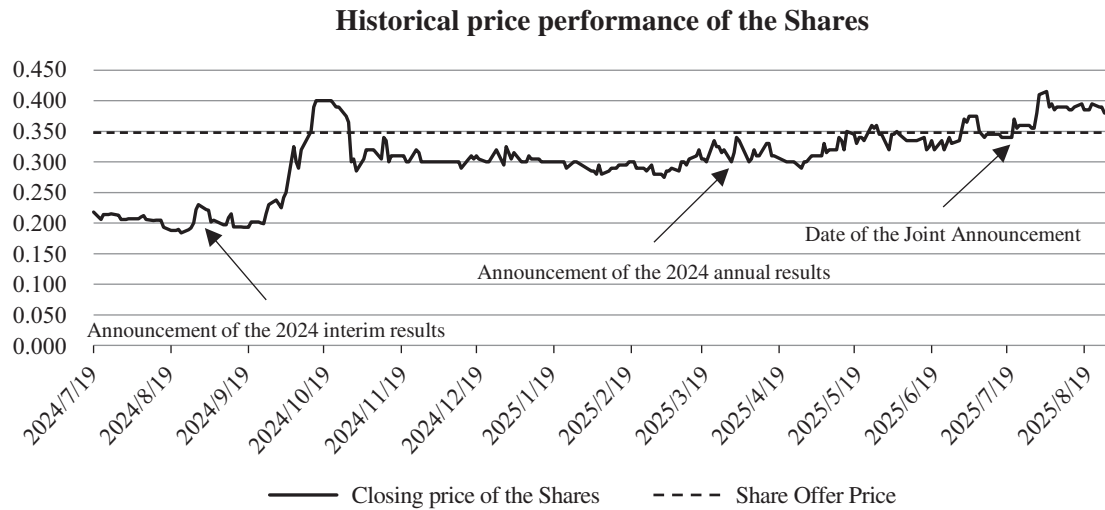
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (viii) a premium of approximately 6.4% over the average closing price of HK\$0.327 per Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (ix) a discount of approximately 88.7% to the audited consolidated net assets attributable to owners of the Company per Share of approximately HK\$3.082 as at 31 December 2024, which was calculated based on the Group's latest published audited consolidated net assets attributable to owners of the Company of approximately RMB5,934,962,000 (equivalent to approximately HK\$6,594,402,222) as extracted from the annual report of the Company for the year ended 31 December 2024 and 2,139,735,000 Shares, being the number of Shares in issue as at 31 December 2024;
- (x) a discount of approximately 88.9% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$3.140 as at 30 June 2025, which was calculated based on the Group's latest published unaudited consolidated net assets attributable to owners of the Company of approximately RMB6,046,352,000 (equivalent to approximately HK\$6,718,168,889) as extracted from the 2025 Interim Results Announcement and 2,139,735,000 Shares, being the number of Shares in issue as at 30 June 2025; and
- (xi) a discount of approximately 88.7% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$3.074 as at 30 June 2025, which was calculated based on the Group's latest published unaudited consolidated net assets attributable to owners of the Company of approximately RMB6,046,352,000 (equivalent to approximately HK\$6,718,168,889) as extracted from the 2025 Interim Results Announcement and 2,185,675,000 Shares, being the number of Shares in issue as at the Latest Practicable Date.

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### *Historical price performance of the Shares*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 19 July 2024 and up to the Latest Practicable Date (the “**Review Period**”), which covers an approximate one-year period prior to the Last Trading Day and the period up to the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares. We consider that the duration of the Review Period of approximately one year period prior to the Last Trading Day would be a reasonable and sufficient period to illustrate the recent closing price movement of the Shares.



Source: Website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in chart above, the closing price of the Shares during the Review Period ranges from the lowest closing price of approximately HK\$0.184 per Share recorded on 23 August 2024 to the highest closing price of approximately HK\$0.415 per Share recorded on 4 August 2025 respectively with an average closing price per Share of approximately HK\$0.304.

The closing price of the Share generally increased from HK\$0.218 per Share on 19 July 2024 to HK\$0.325 on 7 October 2024. It then rose to the highest of HK\$0.400 on 16 to 22 October 2024. During the period between 7 October 2024 to 22 October 2024, the Hang Seng Index showed a downward trend and dropped from 23,100 points to 20,499 points. The trend of the closing price of the Shares moved against the trend of Hang Seng Index during the aforesaid period. We have enquired the Directors regarding the possible reasons for such increase in the closing price of the Shares in the period between 7 October 2024 to 22 October 2024, and as confirmed by the Directors, the Directors were not aware of any happening which might have affected the closing price of the Shares.

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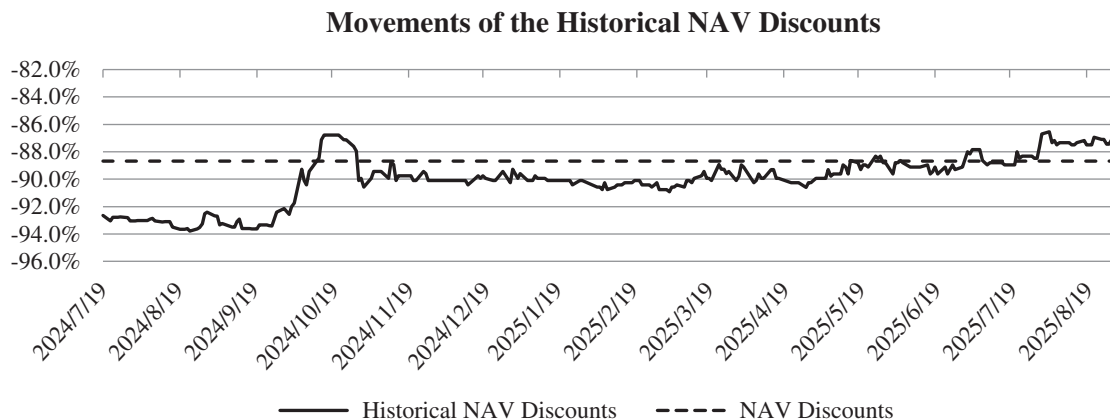
Afterwards, the closing prices of the Shares started to decline and were in general remained stable in the period between 7 November 2024 and the Last Trading Date (i.e. 18 July 2025), the daily closing price of the Shares fluctuated between the range from HK\$0.275 per Share to HK\$0.375 per Share.

Immediately after the Last Trading Date and to the Latest Practicable Date, the daily closing price of the Shares was fluctuated in a range of between HK\$0.340 to HK\$0.415. We have enquired into the Directors regarding the possible reasons for such increase in the closing price of the Shares, and as confirmed by the Directors, save for the Offers, the Directors were not aware of any happening which might have affected the closing price of the Shares.

We noted that the Share Offer Price had been higher than the daily closing prices for 224 out of 275 trading days during the Review Period. The Share Offer Price of HK\$0.348 represents a premium of approximately 89.1% over the lowest closing price per Share, a discount of approximately 16.1% to the highest closing price per Share and a premium of approximately 14.5% over the average closing price per Share during the Review Period.

### *Historical discount to the net asset value per Share*

As abovementioned, the Share Offer Price represented a significant discount (the “NAV Discount”) of approximately 88.7% to the unaudited consolidated net asset value attributable to the owner of the Company per Share as at 30 June 2025 of approximately HK\$3.074 (calculated based on the number of Shares in issue as at the Latest Practicable Date). Accordingly, we also reviewed the discounts (the “Historical NAV Discounts”) of the closing prices of Shares to the then latest published consolidated net asset value attributable to the owner of the Company per Share during the Review Period as set out in the chart below:



*Note:* The historical net asset value per Share during the Review Period were calculated by dividing (i) the Group’s net asset value attributable to the owner of the Company as stated in the then latest interim results announcement or annual report published by the Company by (ii) the then number of Shares in issue as at that date, and converted based on the illustrative exchange rate of RMB0.9 to HK\$1. The Historical NAV Discounts were calculated by dividing the historical net asset value per Share by the closing price of the Share on that date.

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As illustrated above, the closing prices of the Shares were at discounts to the Group's then latest published consolidated net asset value attributable to the owner of the Company per Share during the entire Review Period. The Historical NAV Discounts ranged from approximately 86.5% to approximately 93.8% with an average of 90.0% during the Review Period. Given that the NAV Discount of approximately 88.7% is below the average Historical NAV Discounts during the Review Period, we considered the NAV Discount is acceptable.

The Group is operating in service concession arrangements model under which the Group carries out construction work of infrastructure for the grantors, which are mainly PRC governmental authorities, and receives in return the rights to operate the service project concerned and collect wastewater treatment tariffs for a specified period of time. The infrastructure should be transferred to the grantors with nil consideration at the end of the operation period. During the Review Period, the assets of the Group were mainly comprised of financial receivables and trade receivables which represented over 70% of the total assets of the Group while the property, plant and equipment and investment properties were accounted for less than 1% of the total assets of the Group. The financial receivables of the Group were attributable to the service concession contracts to build and operate wastewater treatment plants or sludge treatment plants and were unbilled receivables mainly due from the PRC governmental authorities while trade receivables of the Group were the unsettled amounts arising from the provision of the Group's services billed to its customers. The Shareholder may not put much value on the assets position of the Group given it is not operating in business model with substantial fixed assets. This is in line with the observation that the Shares were traded at a deep discount to the consolidated net asset value attributable to the owner of the Company per Share consistently during the Review Period.

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***Historical trading liquidity of the Shares***

The number of trading days, the average daily number of the Shares traded per month (the “**Average Volume**”), and the respective percentages of the Average Volume as compared to the total number of issued Shares during the period from 19 July 2024 and up to the Latest Practicable Date, the Review Period, are tabulated as below:

<b>Month</b>	<b>Number of trading days in each month</b> <i>Number of days</i>	<b>Average Volume</b> <i>in Shares</i>	<b>Percentage of the Average Volume to total number of issued Shares as at the end of each respective month</b>  <i>%</i> <i>(Note 1)</i>	<b>Percentage of the Average Volume to total number of issued Shares held by public Shareholders as at the end of each respective month</b>  <i>%</i> <i>(Note 2)</i>
<b>2024</b>				
July (from 19 July)	9	139,333	0.007%	0.015%
August	22	275,773	0.013%	0.029%
September	19	120,684	0.006%	0.013%
October	21	1,330,238	0.062%	0.140%
November	21	310,429	0.015%	0.033%
December	20	488,600	0.023%	0.052%
<b>2025</b>				
January	19	402,789	0.019%	0.043%
February	20	436,650	0.021%	0.046%
March	21	463,381	0.022%	0.049%
April	19	190,211	0.009%	0.020%
May	20	282,250	0.013%	0.030%
June	21	392,762	0.018%	0.042%
July	22	5,937,723	0.278%	0.626%
August (up to and including the Latest Practicable Date)	21	2,766,095	0.127%	0.282%



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*Note:*

1. The calculation is based on the Average Volume divided by the total number of issued Shares at the end of each month during the Review Period (or at the Latest Practicable Date for August 2025).
2. The calculation is based on the Average Volume divided by the total number of issued Shares held by the public Shareholder at the end of each month during the Review Period (or at the Latest Practicable Date for August 2025).

As illustrated above, during the Review Period, the Average Volume was ranging from 0.006% to 0.278% for the total number of issued Shares and from 0.013% to 0.626% for the total number of issued Shares held by the public Shareholders as at the end of each respective month (or at the Latest Practicable Date for August 2025). For the whole review period, the average of the Average Volume was around 0.045% of total number of issued Shares, 0.101% for the total number of issued Shares held by the public Shareholders and we therefore consider the trading liquidity of the Shares is relatively low when compared to the total number of issued Shares.

We note that there was a sharp increase in daily trading volume of the Shares between 22 July 2025 and 7 August 2025 that resulted in higher Average Volume in July and August 2025. We have enquired into the Directors regarding the possible reasons for such increase in the Average Volume, and as confirmed by the Directors, save for the Offers, the Directors were not aware of any happening which might have affected the Average Volume in July and August 2025. Excluding the Average Volume in July and August 2025, during the Review Period, the Average Volume was ranging from 0.006% to 0.062% for the total number of issued Shares and from 0.013% to 0.140% for the total number of issued Shares held by the public Shareholders.

Given the low historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Offer Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Offer Shareholders can receive by the disposal of their Shares in the open market. We consider that the Share Offer provide opportunities for the Offer Shareholders to realise all of their investments in the Company at a fixed price.

### *Comparison with other comparable companies*

In assessing the fairness and reasonableness of the Share Offer Price, it is a general practice to make reference to other comparable companies. We attempt to carry out a comparable analysis with the price-to-earnings ratio (“**PER**”) and price-to-book ratio (“**PBR**”) which are the most commonly used benchmarks in valuing a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

determined by the open market. Since the Group recorded a net profit for FY2024 and maintained a net assets position as at 30 June 2025, we consider the valuation methodology using PER and PBR is appropriate in valuing the Group.

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board or GEM of the Stock Exchange; (ii) engages in principal business similar to those of the Group, that is among others, engaged in the design, construction, operation and maintenance of waste water treatment plants, reclaimed water treatment plants, water distribution plants, sludge treatment plants in the PRC which contributed majority of its total revenue for the latest completed financial year; (iii) over 90% of its revenue streams are retrieved from the PRC that are similar to the Group; (iv) profit-making for the latest completed financial year; and (v) with market capitalisation of below HK\$1,000 million which is considered as of similar size as compared with the Company. Based on our analysis, we found 2 Hong Kong listed companies (the “**Market Comparables**”) which meet the said criteria and they are exhaustive. Shareholders should note that the businesses, the market capitalisation, operations and prospects of the Group are not exactly the same as the Market Comparables.

Set out below are the PERs and PBRs of the Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Stock Code	Company Name	Principal activities	Market Capitalisation (Approximately HK\$'million)	PER	PBR
1790	TIL Enviro Limited	Principally engaged in the operation and management of wastewater treatment facilities, as well as the provision of wastewater treatment services.	450 million	6.80	0.31
3768	Kunming Dianchi Water Treatment Co Ltd — H Share	Principally engaged in the development, design, construction, operation and maintenance of water supply and wastewater treatment facilities in the PRC.	258 million	2.67	0.13
	<b>The Company</b>		863 million	4.07	0.11
			<b>Maximum</b>	6.80	0.31
			<b>Minimum</b>	2.67	0.13
			<b>Average</b>	4.74	0.22
			<b>Median</b>	4.74	0.22

*Source: the website of the Stock Exchange and the respective interim results announcement/ annual report of the listed company*

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*Notes:*

1. The PER of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net profit attributable to the owners of the respective companies disclosed in the respective latest annual reports.
2. The implied PER of the Company was calculated based upon the Share Offer Price multiplied by total number of issued Shares as at the Latest Practicable Date and then divided by the net profit attributable to the owners of the Company as at 31 December 2024.
3. The PBR of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the equity attributable to the owners of the respective companies disclosed in the respective interim results announcements.
4. The implied PBR of the Company was calculated based upon the Share Offer Price multiplied by total number of issued Shares as at the Latest Practicable Date and then divided by the unaudited consolidated net assets attributable to owners of the Company as at 30 June 2025.
5. In this comparable analysis, conversion of RMB into HK\$ is calculated at the approximate exchange rates of RMB0.9 to HK\$1. Such exchange rate is adopted for the purpose of illustration purpose only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rate at all.

As depicted from the above table, the PER of the Market Comparables ranged from approximately 2.67 times to approximately 6.80 times, with an average and median of approximately 4.74 times. Accordingly, despite the implied PER of the Company (based on the Share Offer Price) of approximately 4.07 times is below the average and median of the PERs of the Market Comparables, it is within the range of the PERs of the Market Comparables. The Share Offer Price is not attractive from the perspective of PERs analysis.

It is noted from the above table that the PBR of the Market Comparables ranged from approximately 0.13 times to approximately 0.31 times, with an average and median of approximately 0.22 times. Accordingly, the implied PBR of the Company of approximately 0.11 times is below all the PBRs of the Market Comparables and thus lower than the minimum PBR of the Market Comparables. The Share Offer Price is not attractive from the perspective of PBRs analysis.

As mentioned in the section headed “Historical discount to the net asset value per Share” above, the Group is operating under service concession arrangements model and the assets of the Group were mainly comprised of financial receivables and trade receivables which represented over 70% of the total assets of the Group while the property, plant and equipment and investment properties were accounted for less than 1% of the total assets of the Group. The Market Comparables are also operating under service concession arrangements model and having similar assets composition as the Group. The PBRs analysis is more suitable for comparing industries with substantial fixed assets model but not for wastewater treatment industry with service concession arrangements model, we consider that PBRs may be

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less meaningful in assessing and comparing the value of the Company and the Market Comparables. The PBRs analysis is included as additional information for the Offer Shareholders and for illustration purpose only.

In view of the limitation of the comparable analysis above, in particular the limited sample size of 2 Market Comparables and the PBRs analysis is more suitable for comparing industries with substantial fixed assets model but not the wastewater treatment industry with service concession arrangements model like the Group and the Market Comparables, we consider that Offer Shareholders should place less weight on the comparable analysis and put more weight on our other analysis set out in this letter.

### **Our view on the Share Offer Price**

We noted that from the perspective of PERs and PBRs analysis, the Share Offer Price is not attractive. But in view of the limitation of the comparable analysis, in particular the limited sample size of 2 Market Comparables and the PBRs analysis is more suitable for comparing industries with substantial fixed assets model but not wastewater treatment industry with service concession arrangements model like the Group and the Market Comparables, we consider that the Offer Shareholders should place more weight on our other analysis set out in this letter and they are for illustration purpose only. Details of the comparable analysis are set out in the section headed “Comparison with other comparable companies” above.

It is noted that the Share Offer Price represents,

- (i) a discount of approximately 11.9% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a significant discount of approximately 88.9% to the unaudited consolidated net assets attributable to owners of the Company per Share of HK\$3.140 as at 30 June 2025, which was calculated based on the Group’s latest published unaudited consolidated net assets attributable to owners of the Company of approximately RMB6,046,352,000 (equivalent to approximately HK\$6,718,168,889) as extracted from the 2025 Interim Results Announcement and 2,139,735,000 Shares, being the number of Shares in issue as at 30 June 2025; and
- (iii) a significant discount of approximately 88.7% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$3.074 as at 30 June 2025, which was calculated based on the Group’s latest published unaudited consolidated net assets attributable to owners of the Company of approximately RMB6,046,352,000 (equivalent to approximately HK\$6,718,168,889) as extracted from the 2025 Interim Results Announcement and 2,185,675,000 Shares, being the number of Shares in issue as at the Latest Practicable Date.

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Nevertheless, from the Offer Shareholders' perspective, investment value of the Shares can be realised by receiving dividends and/or disposal of the Shares. In view of,

- (i) the Share Offer Price is at a price level higher than the daily closing prices of the Shares for 224 out of 275 trading days as quoted on the Stock Exchange during the Review Period. The Share Offer Price also represents a premium of approximately 14.5% over the average closing price per Share during the Review Period;
- (ii) given the low liquidity of the Shares, the Share Offer provide opportunities for the Offer Shareholders including those with significant shareholding interest to realise all of their investments in the Company at a fixed price; and
- (iii) the NAV Discount of approximately 88.7% is below the average of the Historical NAV Discounts during the Review Period,

we are of the view that the Share Offer Price is fair and reasonable so far as the Offer Shareholders are concerned.

### **Our view on the cancellation price under the Option Offer**

As disclosed in the "Letter from First Shanghai Securities", pursuant to the terms of the Share Option Scheme, if any Share Option is not exercised on or before the expiry of the one-month period after the despatch of the Composite Document, the Share Options will automatically lapse. As at the Latest Practicable Date, the Company had 165,533,500 outstanding Options at the exercise price of HK\$0.30 per Share.

We noted that the cancellation price under the Option Offer was calculated in compliance with Rule 13 of the Takeovers Code and represent the "see-through" price, which is the difference between the Share Offer Price and the exercise price for the Options. Therefore, based on the Share Offer Price of HK\$0.348 per Offer Share, all of the outstanding Options as at the Latest Practicable Date were offered a "see-through" price of HK\$0.048 per Option.

Given that the "see-through" price was based on the Share Offer Price of HK\$0.348 per Offer Share, which was offered to all Offer Shareholders, we are of the view that the "see-through" basis is fair and reasonable. Further, as we consider that the Share Offer Price to be fair and reasonable, the "see-through" price, which is based on the Share Offer Price, is also considered fair and reasonable so far as the Offer Optionholders are concerned. Accordingly, we consider the terms of the Option Offer to be fair and reasonable so far as the Offer Optionholders are concerned.

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### RECOMMENDATION

#### The Share Offer

We noted that from the perspective of PERs and PBRs analysis, the Share Offer Price is not attractive. But in view of the limitation of the comparable analysis, in particular the limited sample size of 2 Market Comparables and the PBRs analysis is more suitable for comparing industries with substantial fixed assets model but not industries with service concession arrangements model like the Group and the Market Comparables, we consider that the Offer Shareholders should place less weight on the comparable analysis and put more weight on our other analysis set out in this letter and they are for illustration purpose only. Details of the comparable analysis are set out in the section headed “Comparison with other comparable companies” above.

It is noted that the Share Offer Price represents,

- (i) a discount of approximately 11.9% to the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a significant discount of approximately 88.9% to the unaudited consolidated net assets attributable to owners of the Company per Share of HK\$3.140 as at 30 June 2025, which was calculated based on the Group’s latest published unaudited consolidated net assets attributable to owners of the Company of approximately RMB6,046,352,000 (equivalent to approximately HK\$6,718,168,889) as extracted from the 2025 Interim Results Announcement and 2,139,735,000 Shares, being the number of Shares in issue as at 30 June 2025; and
- (iii) a significant discount of approximately 88.7% to the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$3.074 as at 30 June 2025, which was calculated based on the Group’s latest published unaudited consolidated net assets attributable to owners of the Company of approximately RMB6,046,352,000 (equivalent to approximately HK\$6,718,168,889) as extracted from the 2025 Interim Results Announcement and 2,185,675,000 Shares, being the number of Shares in issue as at the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nevertheless, from the Offer Shareholders' perspective, investment value of the Share can be realised by receiving dividends and/or disposal of the Shares. Having considered the principal factors and reasons as discussed above, in particular:

- (i) as stated in sub-section headed "2. Industry Overview, Future Plan and Prospects" above, we considers that the Group's future business and operational growth will be limited in view of (i) the annual volume of urban wastewater discharged in the PRC was showing an growth trend with a decreasing rate between 2013 to 2023 that implies lower demand growth; (ii) despite the average wastewater treatment tariff (representing the fee income to be received by the Group) has increased from RMB1.30 per tonne in 2015 to RMB1.60 per tonne in 2024, wastewater treatment tariffs are regulated by local PRC governments, which have discretionary authority to set the rates and thus limiting wastewater treatment plants operators' ability to increase its fee income; and (iii) the technological and infrastructural upgrades, as outlined in the Opinions, would likely to increase operational costs of the wastewater treatment operators in the PRC like the Group;
- (ii) the Share Offer Price of HK\$0.348 is at a price level higher than the daily closing prices of the Shares for 224 out of 275 trading days as quoted on the Stock Exchange during the Review Period. The Share Offer Price also represents a premium of approximately 14.5% over the average closing price per Share during the Review Period;
- (iii) given the low liquidity of the Shares, the Share Offer provide opportunities for the Offer Shareholders including those with significant shareholding interest to realise all of their investments in the Company at a fixed price;
- (iv) the NAV Discount of approximately 88.7% is below the average Historical NAV Discounts during the Review Period; and
- (v) there is no guarantee that the Share price will sustain at a level higher than the Share Offer Price during and after the Offer Period in view of (a) the surge of closing price of the Shares occurred after the publication of the Joint Announcement; (b) save for the Offers, the Directors were not aware of any happening which might have affected the surge of the closing price of the Shares; and (c) our view on the Group's future business and operational growth as stated in point (i) above,

we are of the opinion that the terms of the Share Offer and the Share Offer Price are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Share Offer. **Notwithstanding the above, in view of the recent fluctuations of the market price of the Shares and the closing price of HK\$0.395 per Share as quoted on the Stock Exchange on the Latest Practicable Date is higher than the Share Offer Price of HK\$0.348, those Offer Shareholders who intend to accept the Share Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer.**



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We would like to remind the Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Share Offer should carefully consider the potential difficulties they may encounter in disposing their investments in the Shares after the close of the Offers in view of the historical low liquidity of the Shares.

### The Option Offer

As we consider that the Share Offer Price is fair and reasonable, the “see-through” price under the Option Offer, which is based on the Share Offer Price, is also considered fair and reasonable so far as the Offer Optionholders are concerned. Accordingly, we consider the terms of the Option Offer to be fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Offer Optionholders to accept the Option Offer.

As different Shareholders and Optionholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders and Optionholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**Stephen Lau**  
*Director*

*Note:* Mr. Stephen Lau (“**Mr. Lau**”) is a licensed person registered with the SFC and a responsible officer of Amasse Capital to carry out Type 6 (advising on corporate finance) and a representative of Amasse Capital to carry out Type 1 (dealing in securities) regulated activities under the SFO. Mr. Lau is also a representative of Amasse Asset Management Limited licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. He has over 10 years of experience in the finance industry.

## 1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

### A. The Share Offer

To accept the Share Offer, you should complete and sign the accompanying **WHITE** Form of Share Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer. You should insert the total number of Offer Shares for which the Share Offer is accepted. If no number is inserted or a number inserted is greater or smaller than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Share Offer and you have signed the form, the form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be announced by the Joint Offerors in compliance with the Takeovers Code and approved by the Executive.

By signing and returning the **WHITE** Form of Share Offer Acceptance, you warrant to the Joint Offerors and First Shanghai Securities that you have not taken or omitted to take any action which will or may result in the Joint Offerors, the Joint Offerors Concert Parties, the Company, First Shanghai Securities, First Shanghai Capital or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Share Offer or your acceptance thereof.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Offer Shares are in your name, and you wish to accept the Share Offer in respect of your Offer Shares, you must send the duly completed and signed **WHITE** Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any indemnity or indemnities required in respect thereof, for not less than the number of Offer Shares in respect of which you intend to accept the Share Offer by post or by hand, to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, marked “Kangda International Environmental Company Limited — Offers” on the envelope, in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Joint Offerors may determine and announce in accordance with the Takeovers Code.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own and you wish to accept the Share Offer whether in full or in respect of part of your holding of the Offer Shares, you must either:

- (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** Form of Share Offer Acceptance duly

completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (ii) arrange for the Offer Shares to be registered in your name by the Company through the Registrar, and deliver the **WHITE** Form of Share Offer Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
- (iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
- (iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Offer Shares, you should nevertheless complete and sign the **WHITE** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Joint Offerors and First Shanghai Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof in respect of your Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Share

Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you subsequently find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar. The Joint Offerors have absolute discretion to decide whether any Offer Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Joint Offerors.

Acceptance of the Share Offer will be treated as effective and valid only if the completed **WHITE** Form of Share Offer Acceptance is received by the Registrar on or before the latest time for acceptance of the Offers and the Registrar has recorded that the acceptance and any relevant documents required by the Takeovers Code have been so received, and is:

- (i) it is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as may be announced by the Joint Offerors in compliance with the Takeovers Code and approved by the Executive, and the Registrar has recorded that such acceptance and any relevant documents required under paragraph (ii) below have been so received; and
- (ii) the Forms of Acceptance is duly completed and signed and is:
  - I. accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof in respect of the number of Offer Shares for which you intend to accept the Share Offer and, if that/those share certificate(s) and/or any other document(s) of title is/are not in your name, such other document(s) (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or
  - II. from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another paragraph hereof; or
  - III. certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

If the Share Offer is invalid, withdrawn or lapses, the Offeror shall, as soon as possible but in any event no later than seven (7) Business Days thereof, return by ordinary post at your own risk the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares tendered for acceptance together with the duly cancelled **WHITE** Form of Share Offer Acceptance to the relevant Shareholder(s).

No acknowledgement of receipt of any **WHITE** Form of Share Offer Acceptance and/or the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares will be given.

Seller's ad valorem stamp duty payable by the Shareholders who accept the Share Offer and calculated at the rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Joint Offerors in respect of the relevant acceptances of the Offers, whichever is higher. An amount equivalent to the aforesaid stamp duty will be deducted from the cash amount payable by the Joint Offerors to each Offer Shareholder who validly accepts the Share Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Joint Offerors will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders validly accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the valid acceptances of the Share Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **B. The Option Offer**

To accept the Option Offer, you should complete and sign the accompanying **PINK** Form of Option Offer Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Option Offer.

If no total number of Share Options is specified or if the total number of the Share Options specified in the **PINK** Form of Option Offer Acceptance is greater or smaller than the Share Options tendered and the Offer Optionholders have signed the **PINK** Form of Option Offer Acceptance, the **PINK** Form of Option Offer Acceptance will be returned to the Offer Optionholders for correction and resubmission. Any corrected form must be resubmitted and received by the company secretary of the Company on or before the latest time of acceptance of the Option Offer on the Closing Date.

By signing and returning the **PINK** Form of Option Offer Acceptance, you warrant to the Joint Offerors and First Shanghai Securities that you have not taken or omitted to take any action which will or may result in the Joint Offerors, the Joint Offerors Concert

Parties, the Company, First Shanghai Securities, First Shanghai Capital or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Option Offer or your acceptance thereof.

If the relevant certificate(s), document(s) of title or entitlement in respect of the Share Options, and/or any other document(s) (if applicable) evidencing the grant of the Share Options to you in respect of your Share Options are in your name, and you wish to accept the Option Offer in respect of your Share Options, you must send the duly completed and signed **PINK** Form of Option Offer Acceptance together with the relevant certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any indemnity or indemnities required in respect thereof, for not less than the number of Share Options in respect of which you intend to accept the Option Offer to Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, by post or by hand, marked “Kangda International Environmental Company Limited — Offers” on the envelope, in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Joint Offerors may determine and announce in accordance with the Takeovers Code.

If the **PINK** Form of Option Offer Acceptance is executed by a person other than the registered Offer Optionholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the company secretary of the Company must be produced.

If the Option Offer is invalid, withdrawn or lapses, the Joint Offerors shall, as soon as possible but in any event no later than seven (7) Business Days thereof, return by delivering the relevant certificate(s), document(s) of title or entitlement in respect of the Share Options, and/or any other document(s) (if applicable) evidencing the grant of the Share Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) together with the duly cancelled **PINK** Form of Option Offer Acceptance to the office of the Company in Hong Kong for collection by the relevant Offer Optionholders

No acknowledgement of receipt of any **PINK** Form of Option Offer Acceptance and/or the relevant certificate(s), document(s) of title or entitlement in respect of your Options and/or any other document(s) (if applicable) evidencing the grant of the Options to you (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## 2. ACCEPTANCE PERIOD

The Offers are made on Monday, 1 September 2025, being the date of despatch of this Composite Document, and are open for acceptance on and from this date.

In order to be valid for the Offers, the **WHITE** Form of Share Offer Acceptance and the **PINK** Form of Option Offer Acceptance must be received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers are extended or revised with the consent of the Executive in accordance with the Takeovers Code.



### 3. EXERCISE OF SHARE OPTIONS

The Offer Optionholders who wishes to accept the Share Offer may (i) exercise his/her Share Options by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the Company before Wednesday, 17 September 2025; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Joint Offerors may determine and announce in accordance with the Takeovers Code), complete and sign the **WHITE** Form of Share Offer Acceptance with relevant share certificate(s) and deliver them to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Notwithstanding the above, the exercise of the Share Options is always subject to the terms and conditions of the Share Option Scheme of the Company and the terms attaching to the grant of the relevant Share Options.

Delivery of the completed and signed **WHITE** Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Share Option but will only be deemed to be an irrevocable authority to the Joint Offerors and First Shanghai Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her behalf the relevant Share certificate(s) when issued on exercise of the Share Options as if it was/they were delivered to the Registrar with the **WHITE** Form of Share Offer Acceptance. If the Offer Optionholders fails to exercise his/her Share Options as aforesaid by Wednesday, 17 September 2025 and in accordance with the terms and conditions of the Share Option Scheme of the Company, there is no guarantee that the Company may issue the relevant Share certificate in respect of the Shares allotted pursuant to his/her exercise of the Share Option(s) to such Offer Optionholder in time for it to accept the Share Offer as an Offer Shareholder of such Shares under the terms of the Share Offer.

**All Optionholders are reminded that pursuant to the terms of the Share Option Scheme, if any Share Option is not exercised on or before the expiry of the one-month period after the despatch of this Composite Document (i.e. Wednesday, 1 October 2025), the Share Options will automatically lapse.**

### 4. LAPSE OF SHARE OPTIONS

Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date. Offer Optionholders should note that according to the rules of the Share Option Scheme of the Company as interpreted by the Board, the Offer Optionholders are entitled to exercise their Share Options (to the extent not exercised) within one month after the date on which the Offers is made, which becomes or is declared unconditional, after which the Share Options will lapse. Optionholders are reminded that if any Share Option is not exercised on or before the expiry of the one-month period after the despatch of this Composite Document (i.e. Wednesday, 1 October 2025), the Share Options will automatically lapse. Optionholders are therefore



recommended to consult their own professional advisers as to the exercise of the Share Options pursuant to the rules of the Share Option Scheme of the Company and the implications as to accepting or rejecting the Option Offer.

Nothing in this Composite Document or the Option Offer will serve to extend the life of any Share Option which lapses under the share option scheme. No exercise of the Share Options or acceptance of the Option Offer may be made in relation to any Share Option that has lapsed.

## **5. ANNOUNCEMENTS**

An announcement will be published jointly by the Joint Offerors and the Company in accordance with the Listing Rules and the Takeovers Code on the websites of the Stock Exchange and the Company by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been extended, revised or has expired. The announcement will state the following:

- (a) the total number of Offer Shares and Share Options for which acceptances of the Offers have been received;
- (b) the total number of Offer Shares and Share Options held, controlled or directed by the Joint Offerors and the Joint Offerors Concert Parties before the Offer Period;
- (c) the total number of Offer Shares and Share Options acquired or agreed to be acquired during the Offer Period by the Joint Offerors and the Joint Offerors Concert Parties; and
- (d) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Joint Offerors and any of the Joint Offerors Concert Parties have borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement will specify the percentages of voting rights represented by these numbers of Offer Shares.

In computing the total number of Offer Shares and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfil the acceptance conditions set out in this Appendix I, and which have been received by the Registrar (for the Share Offer) or the company secretary of the Company (for the Option Offer) (as the case may be) no later than 4:00 p.m. on the Closing Date shall be included.

As required under the Takeovers Code, all announcements in relation to the Offers will be made in accordance with the requirements of the Listing Rules.

## 6. RIGHT OF WITHDRAWAL

Acceptance of the Offers tendered by any Offer Shareholder and Offer Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances in the circumstances set out in Rule 19.2 of the Takeovers Code (i.e. any of the Joint Offeror is unable to comply with any of the requirements of making announcements relating to the Offers as described under the paragraph headed “5. Announcement” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, if the Offer Shareholders or Offer Optionholders withdraw their acceptances, the Joint Offerors, Registrar and the company secretary of the Company shall, as soon as possible but in any event no later than 7 Business Days thereof, return by ordinary post the share certificate(s), and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares and Share Options lodged with the Forms of Acceptance to the relevant Offer Shareholders and Offer Optionholders.

Save as aforesaid, acceptances of the Offers shall be irrevocable and not capable of being withdrawn.

## 7. SETTLEMENT

### A. The Share Offer

Provided that a valid **WHITE** Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities and any other document(s) required in respect thereof) are complete and in good order in all respects and have been received by the Registrar before the close of the Share Offer, a cheque for the amount due to each of the Offer Shareholders who accepts the Share Offer less seller’s ad valorem stamp duty in respect of the Shares tendered by him/her under the Share Offer will be despatched to such Offer Shareholder by ordinary post at his/her own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt by the Registrar of all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of cash consideration payable to an Offer Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of seller’s ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.

Offer Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

### **B. The Option Offer**

Provided that a valid **PINK** Form of Option Offer Acceptance and the relevant certificate(s) in respect of the Share Options (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Joint Offerors before the close of the Option Offer, a cheque for the amount due to each of the Offer Optionholder who accept the Option Offer in respect of the Share Option tendered by him/her under the Option Offer will be despatched to such Offer Optionholder by ordinary post at his/her own risk as soon as possible but in any event no later than seven (7) Business Days after the date of receipt by the company secretary of the Company of all relevant documents which render such acceptance complete, valid and in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

No fractions of a cent will be payable and the amount of cash consideration payable to an Offer Optionholder who accepts the Option Offer will be rounded up to the nearest cent.

Settlement of the consideration to which any accepting Offer Optionholder is entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against such accepting Offer Optionholder.

Offer Optionholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

## **8. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

### **General**

The making of the Offers to the Overseas Shareholders and the Overseas Optionholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. The Overseas Shareholders and the Overseas Optionholders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions and, where necessary, seek legal advice, in connection with the acceptance of the Offers (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by the accepting Overseas Shareholders and Overseas Optionholders).

Acceptance of the Offers by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Shareholder to the Company, the Joint Offerors and their respective advisers (including First Shanghai Securities and First Shanghai Capital) that the local laws and requirements have been complied with and that such person is permitted under applicable laws and regulations to receive and accept the Offers and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offers.

As at the Latest Practicable Date, there was one Overseas Shareholder whose address as shown in the register of members of the Company was outside Hong Kong (namely, Singapore) which held 1,000 Shares (representing approximately 0.00005% of the issued share capital of the Company). As at the Latest Practicable Date, there were no Optionholders whose address as shown in the list of Optionholders were outside of Hong Kong. The Company had been advised by the local counsel in the aforementioned jurisdiction that there is no restriction under the laws or regulations of in the aforementioned jurisdiction against extending the Share Offer or despatching this Composite Document (and the **WHITE** Form of Share Offer Acceptance) to such Overseas Shareholder. Accordingly, the Share Offer will be extended to and this Composite Document (and the **WHITE** Form of Share Offer Acceptance) will be despatched to the Overseas Shareholder.

#### **Overseas Shareholders residing or located in Singapore**

This Composite Document and the **WHITE** Form of Share Offer Acceptance are for the exclusive use by the Offer Shareholders solely for the purposes of assessing the Offers and acceptance of the Share Offer, respectively and should not be used, circulated or distributed other than in connection with such purpose, other than and otherwise pursuant to and in accordance with the exemptions in Subdivision 4, Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (“SFA”), or as otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Composite Document has not been, and will not be, lodged with or registered by the Monetary Authority of Singapore, does not constitute an offer or invitation for the sale or purchase of securities in Singapore and shall not form the basis of any contract for the issue or sale of securities in Singapore.

#### **9. NOMINEE REGISTRATION**

To ensure equality of treatment of all Offer Shareholders and Offer Optionholders, those Offer Shareholders who hold Shares or Offer Optionholders who hold Share Options as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares or Share Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

## 10. TAX IMPLICATIONS

None of the Joint Offerors, the Joint Offerors Concert Parties, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser and (as the case may be) their respective ultimate beneficial owners, directors, officers, employees, advisers, agents or associates or any other person involved in the Offers is in a position to advise the Shareholders on their individual tax implications. None of the Joint Offerors, the Joint Offerors Concert Parties, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser and (as the case may be) their respective ultimate beneficial owners, directors, officers, employees, advisers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers. Each Shareholder is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Offers applicable to him/her/it. Shareholders accepting the Offers shall be responsible for completing all necessary tax reporting formalities and pay all taxes and charges due in any relevant jurisdiction.

## 11. GENERAL

- (a) All communications, notices, the Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Shareholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the relevant Forms of Acceptance completed, returned and received by the Registrar (for the Share Offer) or the company secretary of the Company (for the Option Offer). None of the Joint Offerors, the Joint Offerors Concert Parties, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, the Registrar and (as the case may be) their respective ultimate beneficial owners, directors, officers, employees, advisers, agents or associates or any other person involved in the Offers, accepts any liability for any loss in postage or delay in transmission or such other liabilities whatsoever which may arise as a result.
- (b) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Joint Offerors and First Shanghai Securities that the Offer Shares acquired under the Offers and sold by such persons are fully paid and free from any mortgage, charge, pledge, lien, equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement, rights of pre-emption and any other third party rights of any nature or any agreement for any of the same and together with all rights attaching to them as at the Closing Date

or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, the record date of which is on or after the Closing Date.

- (c) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Joint Offerors and First Shanghai Securities that the number of Offer Shares it has indicated in the Forms of Acceptance is the aggregate number of Offer Shares for which such nominee has received authorisations from the beneficial owners to accept the Offers on their behalf.
- (d) The provisions set out in the Forms of Acceptance form part of the terms of the Offers.
- (e) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offers in any way.
- (f) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Forms of Acceptance by or on behalf of a Shareholder or Optionholder will constitute such Shareholder's or Optionholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offers.
- (g) Due execution of the Forms of Acceptance will constitute an irrevocable authority to the Joint Offerors and/or First Shanghai Securities (or such person or persons as the Joint Offerors and/or First Shanghai Securities may direct) to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Joint Offerors (or such person or persons as it may direct) the Offer Shares in respect of which such person has accepted the Offers.
- (h) Save for the payment of stamp duty, settlement of the consideration to which any Shareholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Joint Offerors may otherwise be, or claim to be, entitled against such Shareholder.
- (i) The Offers are made in accordance with the Takeovers Code.
- (j) References to the Offers in this Composite Document and the Forms of Acceptance shall include any extension and/or revision thereof.
- (k) Subject to the Takeovers Code, the Joint Offerors reserve the right to notify any matter (including the making of the Offers) to all or any Offer Shareholders or Offer Optionholders and with registered address(es) outside Hong Kong or whom the Joint Offerors or First Shanghai Securities, know to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to

have been sufficiently given notwithstanding any failure by any such Offer Shareholders or Offer Optionholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

- (l) The right of acceptance of the Offers is personal to each Offer Shareholder or Offer Optionholder and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Offer Shareholders or Offer Optionholders.
- (m) In making their decision, the Shareholders must rely on their own examination of the Joint Offerors, the Group and the terms of the Offers, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of any of the Joint Offerors, the Company, First Shanghai Securities, First Shanghai Capital, the Independent Financial Adviser, or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (n) The Offers and all acceptances of them, the Forms of Acceptance and all contracts made pursuant to the Offers, and all actions taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- (o) The English text of this Composite Document and the accompanying Forms of Acceptance shall prevail over the Chinese text for the purpose of interpretation.
- (p) Unless otherwise expressly stated in this Composite Document and the accompanying Forms of Acceptance, none of the terms of the Offer or any terms contained in this Composite Document will be enforceable, under the Contracts (Rights of Third Parties) Ordinance Cap. 623, by any person other than the Joint Offerors and the accepting Shareholders.



## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table is a summary of certain audited consolidated financial information of the Group for the three financial years ended 31 December 2022, 2023 and 2024, and certain unaudited consolidated financial information of the Group for the six months ended 30 June 2025 respectively, as extracted from the 2022 Annual Report, the 2023 Annual Report, the 2024 Annual Report and the 2025 Interim Results Announcement.

### Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December			For the six months ended
	2024	2023	2022	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Revenue	2,261,282	2,216,381	2,896,589	1,166,493
Cost of sales	<u>(1,172,268)</u>	<u>(1,140,387)</u>	<u>(1,627,942)</u>	<u>579,277</u>
Gross profit	1,089,014	1,075,994	1,268,647	587,266
Other income and gains	66,814	59,789	53,873	38,097
Selling and distribution expenses	(956)	(994)	(936)	(693)
Administrative expenses	(284,040)	(283,090)	(274,125)	(121,716)
Other expenses	(88,290)	(43,397)	(105,868)	(97,033)
Finance costs	(544,211)	(578,719)	(566,214)	(232,687)
Share of profits and losses of:				
Associates	1,058	4,699	2,554	(797)
Joint ventures	<u>(3,146)</u>	<u>(328)</u>	<u>(3,590)</u>	<u>(2,448)</u>
<b>PROFIT BEFORE TAX</b>	236,243	233,954	374,341	169,989
Income tax expense	<u>(65,362)</u>	<u>(103,726)</u>	<u>(134,379)</u>	<u>(62,594)</u>
<b>PROFIT FOR THE YEAR/ PERIOD</b>	<u>170,881</u>	<u>130,228</u>	<u>239,962</u>	<u>107,395</u>
Attributable to:				
Owners of the parent	167,998	124,753	235,679	103,441
Non-controlling interests	<u>2,883</u>	<u>5,475</u>	<u>4,283</u>	<u>3,954</u>
	<u>170,881</u>	<u>130,228</u>	<u>239,962</u>	<u>107,395</u>

	For the year ended 31 December			For the six months ended
	2024	2023	2022	30 June 2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
<b>Earnings per share for profit attributable to equity holders of the Company</b>				
Basic for profit for the year/ period (expressed in RMB per share)	7.85 cents	5.83 cents	11.01 cents	4.83 cents
Diluted for profit for the year/ period (expressed in RMB per share)	7.85 cents	5.83 cents	11.01 cents	4.81 cents
<b>Other comprehensive income</b>				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Equity investments designated at fair value through other comprehensive income:				
Changes in fair value	52,000	(16,000)	115,000	5,000
Income tax effect	(7,800)	2,400	(17,250)	(750)
	44,200	(13,600)	97,750	4,250
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	44,200	(13,600)	97,750	4,250
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD, NET OF TAX</b>	<u>44,200</u>	<u>(13,600)</u>	<u>97,750</u>	<u>4,250</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD</b>	<u>215,081</u>	<u>116,628</u>	<u>337,712</u>	<u>111,645</u>

	For the year ended 31 December			For the six months ended 30 June
	2024	2023	2022	2025
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Attributable to:				
Owners of the parent	212,198	111,153	333,429	107,691
Non-controlling interests	<u>2,883</u>	<u>5,475</u>	<u>4,283</u>	<u>3,954</u>
	<u>215,081</u>	<u>116,628</u>	<u>337,712</u>	<u>111,645</u>

Save as disclosed, there was no item of any income or expense which was material in respect of the consolidated financial statements of the Group for each of the three financial years ended 31 December 2022, 2023 and 2024, and for the six months ended 30 June 2025.

No dividend was paid or proposed by the Company during each of the three years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025.

The auditor's reports issued by the auditors of the Company, Ernst & Young, in respect of the 2022 Financial Statements, the 2023 Financial Statements and the 2024 Financial Statements did not contain any qualified or modified opinion, emphasis of matter or material uncertainty related to going concern.

## 2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this Composite Document:

- (a) the consolidated statements of financial position, consolidated statements of cash flows and any other primary statements as shown in (i) the 2022 Financial Statements; (ii) the 2023 Financial Statements; and (iii) the 2024 Financial Statements; and
- (b) the financial information as shown in the 2025 Interim Results Announcement,

The 2022 Financial Statements are set out on pages 80 to 232 in the 2022 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600303.pdf>

<http://en.kangdaep.com/uploads/202304262493.pdf>

The 2023 Financial Statements are set out on pages 83 to 232 in the 2023 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042600415.pdf>

<http://en.kangdaep.com/uploads/202404255078.pdf>

The 2024 Financial Statements are set out on pages 83 to 236 in the 2024 Annual Report, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042900415.pdf>

<http://en.kangdaep.com/uploads/202504281813.pdf>

The 2025 Interim Financial Information are set out on pages 2 to 18 in the 2025 Interim Results Announcement, which is posted on the websites of the Stock Exchange and the Company and is accessible via the following links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0829/2025082900493.pdf>

<http://en.kangdaep.com/uploads/202508298627.pdf>

The 2022 Financial Statements, the 2023 Financial Statements, the 2024 Financial Statements and the 2025 Interim Financial Information (but not any other part of the 2022 Annual Report, 2023 Annual Report, the 2024 Annual Report and the 2025 Interim Results Announcement) are incorporated by reference into this Composite Document and form part of this Composite Document.

### 3. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2025, the indebtedness of the Group was as follows:

- (i) interest-bearing, guaranteed, secured bank loans of approximately RMB4,233.8 million;
- (ii) interest-bearing, guaranteed, unsecured bank loans of approximately RMB1,830.0 million;
- (iii) interest-bearing, unguaranteed, unsecured bank loans of approximately RMB43.9 million;
- (iv) interest-bearing, guaranteed, secured other loans of approximately RMB2,104.8 million;
- (v) interest-bearing, unguaranteed, unsecured other loans of approximately RMB1,370.5 million; and

(vi) unguaranteed, unsecured lease liabilities of approximately RMB1.8 million.

### Contingent Liabilities

As at the close of business on 30 June 2025, the Group did not have any material contingent liabilities.

Save as aforesaid or otherwise mentioned in this section and apart from intra-group liabilities and normal accounts payable and bills payable in the ordinary course of business, the Group did not have any outstanding mortgages, charges, guarantee and other contingent liabilities, debentures, loan capital and debt securities (issued and outstanding or agreed to issue), bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits as at the close of business on 30 June 2025.

## 4. MATERIAL CHANGE

Save as disclosed below,

- (i) on 26 June 2025, Chongqing Kangda Environmental Protection Industry (Group) Company Limited\* (重慶康達環保產業(集團)有限公司) (the “**Vendor**”), being an indirect wholly-owned subsidiary of the Company, and Lianshan Chengfa Water Group Co., Ltd.\* (梁山城發水務集團有限公司) (the “**Purchaser**”) entered into an equity transfer agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase 100% equity interests in Liangshan Kangda Water Company Limited\* (梁山康達水務有限公司) for a total consideration of RMB80,000,000 (the “**Disposal**”).

The Disposal constituted a discloseable transaction under the Listing Rules. For details thereof, please refer to the announcement of the Company dated 26 June 2025;

- (ii) on 13 February 2025, Weifang Kangda Environmental Protection Water Co., Ltd.\* (濰坊康達環保水務有限公司) (the “**Lessee**”), as the lessee and an indirect wholly-owned subsidiary of the Company, entered into a finance lease agreement and the agreements incidental to such finance lease agreement including the sale and leaseback asset transfer agreement, the guarantee, the consultancy agreement, the asset pledge agreement, the receivables pledge agreements, the share pledge agreements and the pledge agreements, with Canton Greengold Financial Leasing Ltd.\* (廣東綠金融租賃有限公司) (the “**Lessor**”), pursuant to which the Lessor agreed to, among other things, acquire the ownership of certain sewage treatment facilities situated at Weifang City in the Shandong Province, the PRC from the Lessee for RMB50,000,000, and leaseback the same to the Lessee for its use and possession for a term of 72 months commencing from the payment date of the said consideration (the “**Finance Lease I**”).

The Finance Lease I constituted a discloseable transaction under the Listing Rules. For details thereof, please refer to the announcement of the Company dated 13 February 2025;

- (iii) on 27 June 2025, the Lessee entered into a finance lease agreement and the agreements incidental to such finance lease agreement including the sale and leaseback asset transfer agreement, the guarantee, the consultancy agreement, the asset pledge agreement, the receivables pledge agreements, the share pledge agreements and the pledge agreements, with the Lessor, pursuant to which the Lessor agreed to, among other things, acquire the ownership of certain sewage treatment facilities situated at Weifang City in the Shandong Province, the PRC from the Lessee for RMB20,000,000, and leaseback the same to the Lessee for its use and possession for a term of 72 months commencing from the payment date of the said consideration (the “**Finance Lease II**”).

The Finance Lease II constituted a discloseable transaction under the Listing Rules. For details thereof, please refer to the announcement of the Company dated 27 June 2025;

- (iv) on 6 August 2025, the Lessee entered into a finance lease agreement and the agreements incidental to such finance lease agreement including the sale and leaseback asset transfer agreement, the guarantee, the consultancy agreement, the asset pledge agreement, the receivables pledge agreements, the share pledge agreements and the pledge agreements, with the Lessor, pursuant to which the Lessor agreed to, among other things, acquire the ownership of certain sewage treatment facilities situated at Weifang City in the Shandong Province, the PRC from the Lessee for RMB30,000,000, and leaseback the same to the Lessee for its use and possession for a term of 72 months commencing from the payment date of the said consideration (the “**Finance Lease III**”).

The Finance Lease III constituted a discloseable transaction under the Listing Rules. For details thereof, please refer to the announcement of the Company dated 6 August 2025;

- (v) according to 2025 Interim Results Announcement,
  - (a) other expense of the Group for six months ended 30 June 2025 (“**6M2025**”) was approximately RMB97.0 million, representing an increase of approximately 374.7% from that of approximately RMB20.4 million for the six months ended 30 June 2024 (“**6M2024**”). Such increase was mainly due to losses resulted from the Disposal;
  - (b) financial cost of the Group for 6M2025 was approximately RMB232.7 million, representing a decrease of approximately 15.1% from that of approximately RMB274.2 million for the 6M2024. Such decrease was mainly due to reduction on interest rates and the decrease in average balance of borrowings during the period; and

- (c) income tax expense of the Group for 6M2025 was approximately RMB62.6 million, representing an increase of approximately 32.6% from that of approximately RMB47.2 million for the 6M2024. Such increase was mainly due to increase in profit before tax and expenses not deductible for tax,

the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.



## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than the information relating to Mr. Duan and the CWA Group), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by Mr. Duan or the directors of CWA) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

### SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>5,000,000,000</u> ordinary shares of par value HK \$0.01 each	<u>50,000,000</u>
<i>Issued and fully paid share capital:</i>	
<u>2,185,675,000</u> ordinary shares of par value HK\$0.01 each	<u>21,856,750</u>

All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of return of capital, dividends and voting. The issued Shares are listed on the Main Board of the Stock Exchange. No part of the Shares is listed or dealt in on, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange.

Since 31 December 2024 and up to the Latest Practicable Date, 45,940,000 Shares have been issued by the Company in respect of Share Options exercised.

Except for Share Options, the Company did not have in issue any convertible securities, warrants, options or derivatives in respect of the Shares as at the Latest Practicable Date.

## 2. MARKET PRICES

The table below sets out the closing prices of the Shares quoted on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
28 January 2025	0.300
28 February 2025	0.280
31 March 2025	0.300
30 April 2025	0.300
30 May 2025	0.345
30 June 2025	0.335
18 July 2025 (being the Last Trading Day)	0.340
31 July 2025	0.380
29 August 2025 (being the Latest Practicable Date)	0.395

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.415 per Share on 4 August 2025 and HK\$0.275 per Share on 4 March 2025, respectively.

## 3. DIRECTORS' INTERESTS IN SECURITIES OF THE COMPANY

For the purpose of paragraphs 3 to 4 in this Appendix III, “interested” and “interests” have the same meaning as ascribed to that term in Part XV of the SFO.

As at the Latest Practicable Date, save as disclosed below, no Director had any interests in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

## Long position in the Shares

Name of Director	Number of Shares held			Approximate percentage (%) of the Shares
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total number of Shares	
Mr. Li Zhong ( <i>Note 1</i> )	26,000,000	—	26,000,000	1.19
Ms. Liu Yujie ( <i>Note 1</i> )	26,000,000	—	26,000,000	1.19
Mr. Duan, Jerry Linnan ( <i>Note 1</i> )	26,000,000	—	26,000,000	1.19
Mr. Chau Kam Wing Donald ( <i>Note 1</i> )	4,000,000	—	4,000,000	0.18
Mr. Chang Qing ( <i>Note 2</i> )	4,000,000	—	4,000,000	0.18
Mr. Peng Yongzhen ( <i>Note 2</i> )	4,000,000	—	4,000,000	0.18
Mr. Zhou Wei ( <i>Note 3</i> )	16,000,000	—	16,000,000	0.73

## Notes:

- (1) As at the Latest Practicable Date, Mr. Li Zhong, Ms. Liu Yujie, Mr. Duan, Jerry Linnan and Mr. Chau Kam Wing Donald hold (i) 10,000,000, 10,000,000, 10,000,000 and 4,000,000 Non-Accepting Shares, respectively; and (ii) 16,000,000, 16,000,000, 16,000,000 and nil Non-Accepting Share Options, respectively, which are vested and would entitle them to subscribe for 16,000,000, 16,000,000, 16,000,000 and nil Non-Accepting Shares, respectively, at the exercise price of HK\$0.30 per Share.
- (2) As at the Latest Practicable Date, Mr. Chang Qing and Mr. Peng Yongzhen, each a Director of the Company, each holds 4,000,000 Shares, respectively.
- (3) As at the Latest Practicable Date, Mr. Zhou Wei, a Director of the Company, holds (i) 5,000,000 Shares and (ii) 11,000,000 Share Options which are vested and would entitle him to subscribe for 11,000,000 Shares, at the exercise price of HK\$0.30 per Share.

## 4. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) the Company had no shareholding in Sharp Profit and CWA or any convertible securities, warrants, options or derivatives in respect of shares of Sharp Profit;
- (ii) save for (i) Mr. Li Zhong who is interested 37,813,457 shares in CWA (representing approximately 2.32% of the total issued shares of CWA (excluding treasury shares) as at the Latest Practicable Date), which consists of 8,606,000 shares held by Mr. Li Zhong and 29,207,457 shares held by his spouse, Ms. Lu Hai, and (ii) Ms. Liu Yujie holds 12,000,000 shares in CWA (representing approximately 0.74% of the total issued shares of CWA (excluding treasury shares) as at the Latest Practicable Date), none of the Directors was interested in any shares of Sharp Profit and CWA or any convertible securities, warrants, options or derivatives in respect of shares of Sharp Profit and CWA;

- (iii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (v) neither the Company nor any of the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, save for any borrowed Shares which have been either on-lent or sold;
- (vi) there were no Shares, convertible securities, warrants, options or derivatives in respect of the Shares that were managed on a discretionary basis by any fund managers (other than exempt fund managements) connected with the Company; and
- (vii) there was no understanding, arrangement or agreement which constituted a special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder on the one hand, and the Company, its subsidiaries or associated companies on the other.

## **5. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS**

During the Relevant Period:

- (i) except from the exercise of Share Options, none of the Directors had dealt for value in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares; and
- (ii) none of the Company and the Directors had dealt for value in any shares in Sharp Profit and CWA or any convertible securities, warrants, options or derivatives in respect of shares in Sharp Profit and CWA.

During the Offer Period and up to the Latest Practicable Date:

- (i) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers), had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) no person who has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code as at the Latest Practicable Date had dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company; and
- (iii) no fund manager (other than exempt fund managers) connected with the Company had dealt for value in any Shares or any convertible securities, warrants, options or derivatives of the Company.

#### **6. ARRANGEMENTS AFFECTING DIRECTORS AND INTENTIONS OF DIRECTORS ON THE ACCEPTANCE OF THE OFFERS**

As at the Latest Practicable Date:

- (i) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (ii) there was no agreement or arrangement between any Director and any other person which is conditional or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (iii) no material contract had been entered into by the Joint Offerors in which any Director has a material personal interest; and
- (iv) Mr. Li Zhong, Ms. Liu Yu Jie, Mr. Duan, Jerry Linnan and Mr. Chau Kam Wing Donald have irrevocably undertaken to the Joint Offerors not to accept the Offers with respect to the Non-Accepting Shares and the Non-Accepting Share Options. Mr. Chang Qing and Mr. Peng Yongzhen do not intend to accept the Share Offer in respect of the Shares held by them as at the Latest Practicable Date. Mr. Zhou Wei intends to accept the Offers in respect of the Shares and Share Options held by him as at the Latest Practicable Date.

## 7. SERVICE CONTRACTS WITH THE DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which: (a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the Offer Period; (b) are continuous contracts with a notice period of 12 months or more; or (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

Name of the Director	Date of service contract	Term of service contract	Remuneration payable under the service contract
Mr. Zhou Wei	10 April 2024	3 years	HK\$240,000 per year

There is no variable remuneration payable to Mr. Zhou Wei under his service contract with the Company or any of its subsidiaries or associated companies.

## 8. MATERIAL CONTRACTS

The Group had, within the two years before the Offer Period and up to and including the Latest Practicable Date, entered into the following contracts (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group), which is or may be material:

- (a) the equity transfer agreement dated 16 November 2023 entered into between 重慶康達環保產業(集團)有限公司 (Chongqing Kangda Environmental Protection Industry (Group) Co., Ltd.\*) (“**Chongqing Kangda**”), an indirect wholly-owned subsidiary of the Company and 深圳金達環境控股有限公司 (Shenzhen Goldtact Environmental Holdings Limited\*) (“**Shenzhen Goldtact**”), an indirect non-wholly owned subsidiary of CWA, in respect of the disposal of 31% registered capital of 中原水務集團有限公司 (Zhongyuan Water Group Co., Ltd.\*) by Chongqing Kangda to Shenzhen Goldtact for a consideration of RMB144,884,503.80. For further details, please refer to the announcement of the Company dated 16 November 2023;
- (b) the asset transfer agreement dated 18 November 2024 entered into among Chongqing Kangda and Pingdingshan Kangda Environmental Protection Water Company Limited\* (平頂山康達環保水務有限公司) (“**Pingdingshan Kangda**”), as transferors, Wugang City Jieyuan Environmental Technology Company Limited\* (舞鋼市潔源環保科技有限責任公司) (“**Wugang City Jieyuan**”), as transferee, and the People’s Government of Wugang City (the “**Wugang Government**”) in relation to the transfer of (i) the concession right in relation to the Wugang Zhulan Wastewater Treatment Plant (舞鋼市朱蘭污水處理廠) situated at Wugang City of Henan Province, the PRC (the “**Wastewater Treatment Plant**”); (ii) the Wastewater

Treatment Plant and its ancillary facilities; (iii) the outstanding wastewater treatment fee (including overdue interests and charges) owed by the Wugang Government to Pingdingshan Kangda; and (iv) all rights and obligations of the Transferors under the Concession Agreement, for a consideration of RMB57.0 million, from Chongqing Kangda to Wugang City Jieyuan. For further details, please refer to the announcement of the Company dated 18 November 2024;

- (c) the equity transfer agreement dated 23 December 2024 entered into between Chongqing Kangda, as vendor, and Zhongshan City Xiaolan Water Company Limited\* (中山市小欖水務有限公司), as purchaser, in relation to the transfer of 100% registered capital of Zhongshan Kangda Water Company Limited\* (中山康達水務有限公司) for a consideration of RMB96,050,900. For further details, please refer to the announcement of the Company dated 23 December 2024; and
- (d) the equity transfer agreement dated 26 June 2025 entered into between Chongqing Kangda, as vendor, and Liangshan Chengfa Water Group Co., Ltd.\* (梁山城發水務集團有限公司) (“**Liangshan Chengfa**”), as purchaser, in relation to the transfer of 100% registered capital of Liangshan Kangda Water Company Limited\* (梁山康達水務有限公司) for a consideration of RMB80,000,000. As at the Latest Practicable Date, Liangshan Chengfa does not hold any Shares. For further details, please refer to the announcement of the Company dated 26 June 2025.

## 9. MATERIAL LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened by or against any member of the Group.

## 10. CONSENTS AND QUALIFICATIONS OF EXPERT

The following are the names and qualifications of each of the experts who has been named in this Composite Document or who has given a report, opinion or advice, which is contained in or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
First Shanghai Securities	the offer agent to the Joint Offerors in respect of the Offers. First Shanghai Securities is a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities



First Shanghai Capital	the financial adviser to the Joint Offerors in respect of the Offers. First Shanghai Capital is a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity
Amasse Capital Limited	the Independent Financial Adviser appointed by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code for the purpose of advising the Independent Board Committee and the Offer Shareholders and Offer Optionholders in respect of the terms of the Offers and as to acceptances. Amasse Capital Limited is a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities.

Each of the abovenamed experts has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the opinion, letter or report (as the case may be) and references to its name, in the form and context in which they are included.

## 11. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Wong Wan Sing.
- (ii) The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iii) The address of the principal place of business of the Company in Hong Kong is Suite 6409, 64/F Central Plaza 18 Harbour Road, Wanchai, Hong Kong.
- (iv) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (v) The Independent Financial Adviser is Amasse Capital Limited whose registered office address is at Room 1201, Prosperous Building, 48–52 Des Voeux Road Central, Hong Kong.
- (vi) In case of inconsistency, the English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese text.

**12. DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection (i) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk); and (ii) on the website of the Company at <http://en.kangdaep.com/>, from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of Sharp Profit;
- (c) the 2022 Annual Report, the 2023 Annual Report, the 2024 Annual Report and the 2025 Interim Results Announcement;
- (d) the letter from First Shanghai Securities, the text of which is set out on pages 12 to 23 of this Composite Document;
- (e) the letter from the Board, the text of which is set out on pages 24 to 31 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 34 to 60 of this Composite Document;
- (h) the service contracts of the Directors referred to in the section headed “7. Service Contracts with the Directors” in this Appendix III;
- (i) the material contracts referred to in paragraph headed “8. Material Contracts” in this appendix;
- (j) the Irrevocable Undertakings;
- (k) the list of dealings in the Company’s securities by the Joint Offerors and the Joint Offerors Concert Parties during the Relevant Period;
- (l) the written consents as referred to in the section headed “10. Consents and Qualifications of Experts” in this Appendix III; and
- (m) this Composite Document and the accompanying Forms of Acceptance.

## 1. RESPONSIBILITY STATEMENTS

Mr. Duan accepts full responsibility for the accuracy of information contained in this Composite Document (other than the information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of CWA jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than the information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

Mr. Duan, the sole director of Sharp Profit accepts full responsibility for the accuracy of information contained in this Composite Document (other than the information relating to the Group), and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. DISCLOSURE OF INTERESTS IN THE COMPANY'S SECURITIES

For the purpose of paragraphs 2 to 4 in this Appendix IV, “interested” or “interest” has the same meaning as ascribed thereto under Part XV of the SFO.

As at the Latest Practicable Date, save as disclosed below, neither the Joint Offerors nor the Joint Offerors Concert Parties owned or controlled any Shares, convertible securities, warrants, options or derivatives in respect of any Shares:

<b>Name</b>	<b>Number of Shares</b>	<b>Percentage of shareholding</b>
Mr. Duan	546,728,004	25.01%
CWA Group <sup>(Note 1)</sup>	608,990,000	27.86%
<b>Total</b>	<b>1,155,718,004</b>	<b>52.87%</b>

*Note:*

- (1) Sharp Profit, a wholly-owned subsidiary of CWA Group, holds 608,990,000 Shares and CWA is therefore deemed to be interested in the Shares held by Sharp Profit under the SFO. Mr. Duan, directly and indirectly, through Asset Full Resources Limited, is interested in approximately 27.50% of the total issued shares of CWA (excluding treasury shares) as at the Latest Practicable Date.

Save as disclosed above, Mr. Duan (in his personal capacity and as the sole director of Sharp Profit) was not interested in any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

### **3. DEALINGS IN THE COMPANY'S SECURITIES**

Save for (i) the EB Exchange and (ii) the exercise of the Share Options, the Joint Offerors, the sole director of Sharp Profit, the directors of CWA, and the Joint Offerors Concert Parties had not dealt in any Shares, convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.

### **4. OTHER INFORMATION**

As at the Latest Practicable Date,

- (a) save as disclosed in the section headed “2. Disclosure of interests in the Company’s securities” in this Appendix IV and the Irrevocable Undertakings, none of the Joint Offerors and the Joint Offerors Concert Parties owned, controlled or had direction over any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;
- (b) none of the Joint Offerors and the Joint Offerors Concert Parties had borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, save for any borrowed Shares which have been either on-lent or sold;
- (c) save for the Irrevocable Undertakings, none of the Joint Offerors and the Joint Offerors Concert Parties had received any irrevocable commitment(s) to accept or reject the Offers;
- (d) save as disclosed in the section headed “Intention of the Joint Offerors in relation to the Group” of the “Letter from First Shanghai Securities”, the Joint Offerors had no intention to transfer, charge or pledge any Offer Shares acquired pursuant to the Offer to any other persons and had no agreement, arrangement or understanding with any third party to do so;
- (e) none of the Directors had been or will be given any benefit as compensation for loss of office or otherwise in connection with the Offers;
- (f) save for the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between the Joint Offerors or any Joint Offerors Concert Parties and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offers;

- (g) there was no agreement or arrangement to which any of the Joint Offeror was a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Offers;
- (h) save for the EB Exchange, the Offers did not involve or otherwise relate to a sale (directly or indirectly) by a vendor of Shares, the subscription for the Exchangeable Bonds has been fully settled by Mr. Duan in accordance with the Subscription Agreement by transferring the Consideration Shares to Kangda Holdings more than six months prior to the Joint Announcement and there is no other consideration, compensation or benefit paid or to be paid by the Joint Offerors or Joint Offerors Concert Parties to Kangda Holdings, its ultimate beneficial owner or any party acting in concert with any of them for the EB Exchange; and there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Joint Offerors or any Joint Offerors Concert Party, other than Kangda Holdings and any party acting in concert with it, and (ii) Kangda Holdings and any party acting in concert with it;
- (i) save for the Irrevocable Undertakings, there was no understanding, arrangement, agreement or special deal between the Joint Offerors or Joint Offerors Concert Parties on one hand and any Shareholder on the other hand; and
- (j) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between any of the Joint Offeror or any Joint Offerors Concert Parties and any other person.

## 5. CONSENTS

First Shanghai Securities and First Shanghai Capital have given and have not withdrawn their written consents to the issue of this Composite Document with the references to their respective names and logos, recommendations and/or letters in the form and context in which they respectively appears.

## 6. GENERAL

- (a) As at the Latest Practicable Date, Mr. Duan is a substantial shareholder and a director of CWA. Sharp Profit is wholly-owned by CWA, which directly holds approximately 27.86% of the total issued share capital of the Company as at the Latest Practicable Date. The principal members of the Joint Offerors Concert Parties in relation to the Offers is Mr. Duan, Sharp Profit and CWA.
- (b) Sharp Profit is a company incorporated in the British Virgin Islands with limited liability. The registered office of Sharp Profit is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. As at the Latest Practicable Date, Mr. Duan is the sole director of Sharp Profit.

- (c) CWA is an investment holding company principally engaged in city water supply operation and construction originally incorporated in the Cayman Islands and re-domiciled in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 855). The registered office of CWA is at Clarendon House, 2 Church Street, Hamilton HM11 Bermuda. As the Latest Practicable Date, the board of directors of CWA comprises four executive directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Mr. Li Zhong and Mr. Duan Jerry Linnan, four non-executive directors, being Mr. Li Hao, Mr. Bai Li, Ms. Wang Xiaoqin and Ms. Liu Yu Jie, and four independent non-executive directors, being Mr. Chau Kam Wing Donald, Mr. Siu Chi Ming, Ms. Ho Ping and Mr. Xiao Zhe.
- (d) The correspondence address in Hong Kong of Mr. Duan is Suite 6408, 64/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (e) The correspondence address in Hong Kong of Sharp Profit is Suite 6408, 64/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (f) The correspondence address in Hong Kong of CWA is Suite 6408, 64/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (g) The registered office of First Shanghai Securities is at 19/F, Rm 2402-04 & 2505-10 Wing On House, 71 Des Voeux Road Central, Hong Kong.
- (h) The registered office of First Shanghai Capital is at 19/F Wing On House, 71 Des Voeux Road Central, Hong Kong.