



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-

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

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

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.

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.

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:

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

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

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.

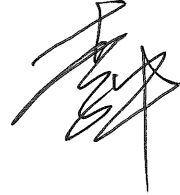
RECOMMENDATIONS

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

A handwritten signature in black ink, consisting of stylized, overlapping strokes that form a cursive representation of the name Li Zhong.