

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.

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.

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.

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.

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

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.

	For the six months ended 30 June		For the year ended 31 December		
	2025	2024	2024	2023	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(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>	1,136,702	1,077,593	2,160,205	2,123,024	2,723,107
— <i>Water Environment Comprehensive Remediation Segment</i>	15,749	13,803	22,133	43,438	114,410
— <i>Rural Water Improvement Segment</i>	14,042	24,115	78,944	49,919	59,072
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

	As at 30 June 2025 <i>RMB'000</i> (unaudited)	As at 31 December 2024 <i>RMB'000</i> (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.

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.

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.

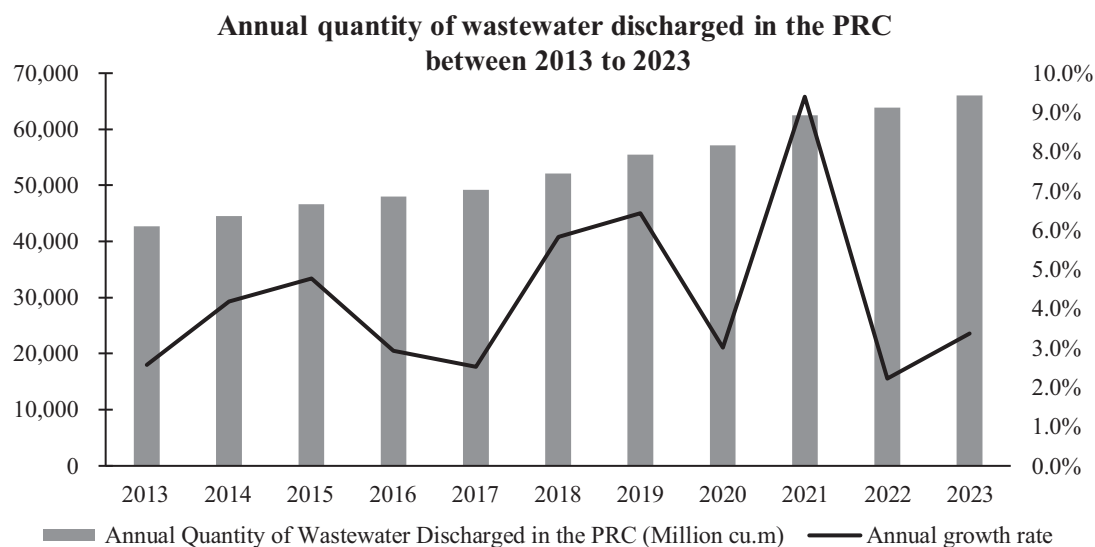
Historical dividend payout by the Company

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.

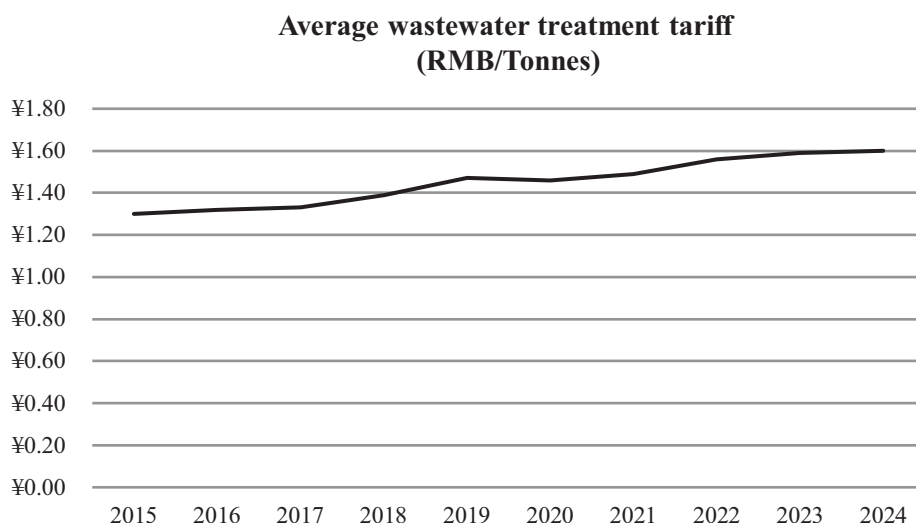
Annual volume of wastewater discharged in the PRC



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

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.

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.

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

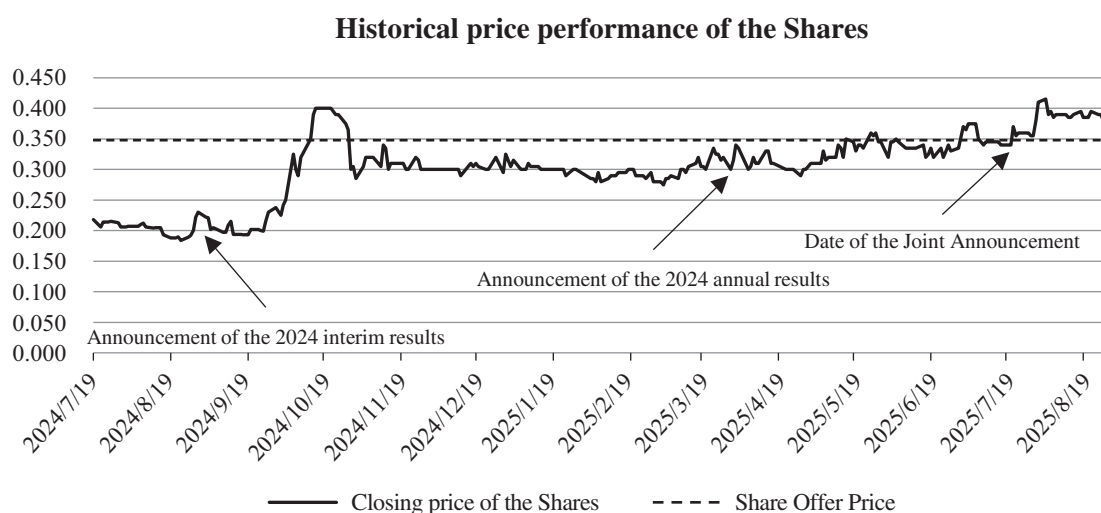
The Share Offer Price of HK\$0.348 per Offer Share represents:

- (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;

- (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.

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)

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.

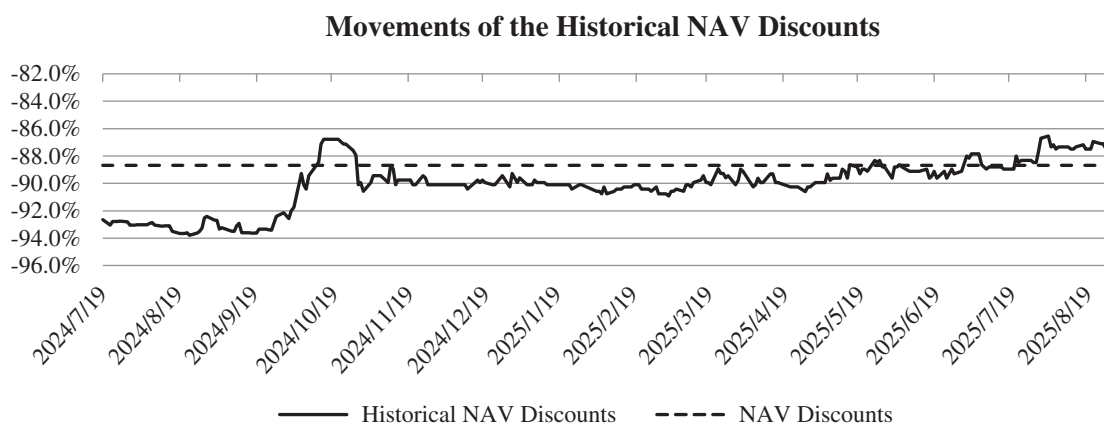
Afterwards, the closing prices of the Shares started to decline and were in general remained stable in the period between 7 November 2024 and the Last Trading Date (i.e. 18 July 2025), the daily closing price of the Shares fluctuated between the range from HK\$0.275 per Share to HK\$0.375 per Share.

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.

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.

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:

Month	Number of trading days in each month <i>Number of days</i>	Average Volume <i>in Shares</i>	Percentage of	Percentage of
			the Average	the Average
			Volume to total	Volume to total
			number of issued Shares as at the end of each respective month %	number of issued Shares held by public Shareholders as at the end of each respective month %
			<i>(Note 1)</i>	<i>(Note 2)</i>
2024				
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%
2025				
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%

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

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
	The Company		863 million	4.07	0.11
			Maximum	6.80	0.31
			Minimum	2.67	0.13
			Average	4.74	0.22
			Median	4.74	0.22

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

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

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.

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.

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.

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.**

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.