

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this joint announcement, make no representation as to its 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 joint announcement.

This joint announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company, nor is it a solicitation of any vote or approval in any jurisdiction.

This joint announcement is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction.

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

JOINT ANNOUNCEMENT

- (1) 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**
- (2) CONNECTED TRANSACTION OF CWA IN RELATION TO
THE CWA'S PROPORTION**
- (3) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE
AND**
- (4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

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

INTRODUCTION

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 this 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 this 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 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.

As at the date of this joint announcement, the Company has 213,973,500 Share Options which have been vested, entitling Optionholders to subscribe for an aggregate of 213,973,500 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 will 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.

MANDATORY UNCONDITIONAL CASH OFFERS

First Shanghai Securities (the offer agent to the Joint Offerors) will make 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 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 date of this joint announcement 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 or any part 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 joint announcement, 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 date of this joint announcement, 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 the 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, 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.

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 the Composite Document, the Share Options will automatically lapse.

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

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 and the Non-Accepting Share Options.

FINANCIAL RESOURCES

Assuming (i) none of the Share Options are exercised and (ii) the Share Offer is accepted in full, the maximum cash consideration for the Offers is approximately HK\$339.2 million, of which the maximum amount payable by Mr. Duan is approximately HK\$315.4 million for Mr. Duan's Proportion and the maximum amount payable by Sharp Profit is approximately HK\$23.8 million for the CWA's Proportion.

Assuming (i) all of the Share Options are exercised and (ii) the Share Offer is accepted in full, the maximum cash consideration for the Offers is approximately HK\$388.4 million, of which the maximum amount payable by Mr. Duan is approximately HK\$361.2 million for Mr. Duan's Proportion and the maximum amount payable by Sharp Profit is approximately HK\$27.2 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.

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.

INDEPENDENT BOARD COMMITTEE

The Board has established the Independent Board Committee, 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 Offer Optionholders in respect of the Offers and as to 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.

INDEPENDENT FINANCIAL ADVISER

The Board, with the approval of the Independent Board Committee, has appointed Amasse Capital Limited as the Independent Financial Adviser to advise 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.

DESPATCH OF COMPOSITE DOCUMENT

Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, (i) the terms and details of the Offers; (ii) the recommendations from the Independent Board Committee with respect to the Offers; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee, together with the forms of acceptance of the Offers, if any, are required to be despatched to the Shareholders and the Optionholders within 21 days of the date of this joint announcement. If the Composite Document cannot be despatched within 21 days of the date of this joint announcement, the Joint Offerors and the Company will seek the consent from the Executive for an extension of time to despatch the Composite Document and further announcement will be made by the Joint Offerors and the Company in this regard as and when appropriate.

CONNECTED TRANSACTION OF CWA

Mr. Duan is a substantial shareholder and a director of CWA and thus a connected person of the CWA Group under the Listing Rules. The making of the Share Offer by Sharp Profit (or procure to be made on its behalf), being the CWA's Proportion, will constitute a deemed connected transaction for the CWA Group under Rule 14A.20 of Chapter 14A of the Listing Rules. Since all the applicable percentage ratios under the Listing Rules are below 5%, the transaction involving acceptance of the CWA's Proportion in the Share Offer will be subject to the reporting and announcement requirements but is exempt from circular (including independent financial adviser's advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing the Shareholders, the Optionholders and potential investors of the Company of the Offers.

The Directors make no recommendation as to the fairness or reasonableness of the Offers or as to the acceptance of the Offers in this joint announcement, and strongly recommend the Offer Shareholders and any Offer Optionholders not to form a view on the Offers and/or before deciding whether or not to accept the Offers unless and until they have received and read the Composite Document, including the recommendation of the Independent Board Committee to the Offer Shareholders and any Offer Optionholders in respect of the Offers and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offers.

Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

INTRODUCTION

Notice of Exchange under the Exchangeable Bonds and Completion of the EB Exchange

The Joint Offerors and the Company (upon receipt of notification from Mr. Duan) jointly announce that, 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 this 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 this 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 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.

As at the date of this joint announcement (assuming no Share Options have been exercised), the Joint Offerors and the Joint Offerors Concert Parties who or which are interested in an aggregate of 1,187,718,004 Shares, representing approximately 55.51% of the total issued share capital of the Company.

As at the date of this joint announcement, the Company has 213,973,500 Share Options which have been vested, entitling Optionholders to subscribe for an aggregate of 213,973,500 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 will 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.

MANDATORY UNCONDITIONAL CASH OFFERS

First Shanghai Securities (the offer agent to the Joint Offerors) will make 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 date of this joint announcement 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 or any part 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 joint announcement, 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 date of this joint announcement, 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 the 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, 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.

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 the Composite Document, the Share Options will automatically lapse.

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.

The Share Offer Price

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 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;
- (e) 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;
- (f) 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; and

- (g) 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.

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 represent approximately 1.50% of the total issued share capital of the Company as at the date of this joint announcement, and with respect to the Non-Accepting Share Options, being an aggregate of 50,000,000 Share Options.

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 owed by him, representing approximately 0.47% of the total issued share capital of the Company as at the date of this joint announcement, 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 0.47% of the total issued share capital of the Company as at the date of this joint announcement, 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 0.47% of the total issued share capital of the Company as at the date of this joint announcement, and 16,000,000 Share Options (and any Shares which may be issued upon the exercise of such Share Options); and
- (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, representing approximately 0.09% of the total issued share capital of the Company as at the date of this joint announcement, and 2,000,000 Share Options (and any Shares which may be issued upon the exercise of such Share Options).

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

Assuming (i) none of the Share Options are exercised and (ii) the Share Offer is accepted in full, the maximum cash consideration for the Offers is approximately HK\$339.2 million (based on the Share Offer Price of HK\$0.348 per Offer Share and the total of 952,016,996 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 163,973,500 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\$315.4 million for Mr. Duan's Proportion and the maximum amount payable by Sharp Profit is approximately HK\$23.8 million for the CWA's Proportion.

Assuming (i) all of the Share Options are exercised, in which case, the Company will issue 213,973,500 new Shares and (ii) the Share Offer is accepted in full, the maximum cash consideration for the Offers is approximately HK\$388.4 million (based on the Share Offer Price of HK\$0.348 per Offer Share and the total of 1,115,990,496 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\$361.2 million for Mr. Duan's Proportion and the maximum amount payable by Sharp Profit is approximately HK\$27.2 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.

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.

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 the 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.

Taxation Advice

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

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 the 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.

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, 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.

INFORMATION ON THE GROUP

The Company

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 Information

Set out below is the audited consolidated financial information of the Group for the financial years ended 31 December 2023 and 31 December 2024 as extracted from the annual reports of the Company for the year ended 31 December 2023 and 31 December 2024, prepared in accordance with the International Financial Reporting Standards:

	For the year ended 31 December 2024 (RMB'000) (audited)	For the year ended 31 December 2023 (RMB'000) (audited)
Revenue	2,261,282	2,216,381
Profit for the year before taxation	236,243	233,954
Profit for the year after taxation	170,881	130,228
	As at 31 December 2024 (RMB'000) (audited)	As at 31 December 2023 (RMB'000) (audited)
Net assets	6,019,845	5,850,032

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 this joint announcement but before the Offers (assuming none of the Share Options have been exercised); and (ii) immediately after the EB Exchange Completion and as at the date of this joint announcement but before the Offers (assuming all the Share Options have been exercised).

	(i) Immediately after EB Exchange Completion and as at the date of this joint announcement but before the Offers (assuming no Share Options have been exercised)		(ii) Immediately after EB Exchange Completion and as at the date of this joint announcement but before the Offers (assuming all Share Options have been exercised)	
	Number of Shares	Approx. percentage of total issued share capital (%)	Number of Shares	Approx. percentage of total issued share capital (%)
Shareholders				
Joint Offerors whose Shares are excluded from the Offers				
Mr. Duan (<i>Note 1</i>)	546,728,004	25.55	546,728,004	23.23
CWA Group (<i>Note 2</i>)	608,990,000	28.46	608,990,000	25.87
Sub-total of Shares which are not Offer Shares	1,155,718,004	54.01	1,155,718,004	49.10
Undertaking Shareholders who have undertaken not to accept the Offers				
Certain Directors of the Company				
Mr. Li Zhong (<i>Note 3</i>)	10,000,000	0.47	26,000,000	1.10
Ms. Liu Yujie (<i>Note 3</i>)	10,000,000	0.47	26,000,000	1.10
Mr. Duan, Jerry Linnan (<i>Note 3</i>)	10,000,000	0.47	26,000,000	1.10
Mr. Chau Kam Wing Donald (<i>Note 3</i>)	2,000,000	0.09	4,000,000	0.17
Sub-total of Non-Accepting Shares	32,000,000	1.50	82,000,000	3.48
Other Directors of the Company whose Shares are included in the Offers				
Mr. Chang Qing (<i>Note 4</i>)	2,000,000	0.09	4,000,000	0.17
Mr. Peng Yongzhen (<i>Note 4</i>)	2,000,000	0.09	4,000,000	0.17
Mr. Zhou Wei (<i>Note 4</i>)	—	—	16,000,000	0.68
Public Shareholders whose Shares are included in the Offers				
Public Shareholders (including employees of the Group (<i>Note 5</i>))	948,016,996	44.31	1,091,990,496	46.39
Total	2,139,735,000	100	2,353,708,500	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.
- (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 27.40% of the total issued shares of CWA as at the date of this joint announcement.
- (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 date of this joint announcement, Mr. Li Zhong, Ms. Liu Yujie, Mr. Duan, Jerry Linnan and Mr. Chau Kam Wing Donald hold 16,000,000, 16,000,000, 16,000,000 and 2,000,000 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 2,000,000 Shares, respectively, at the exercise price of HK\$0.30 per Share.
- (4) As at the date of this joint announcement, Mr. Chang Qing, Mr. Peng Yongzhen and Mr. Zhou Wei, each a Director of the Company, hold 2,000,000, 2,000,000 and 16,000,000 Shares Options, respectively, which are vested and would entitle them to subscribe for 2,000,000, 2,000,000 and 16,000,000 Shares, respectively, at the exercise price of HK\$0.30 per Share.
- (5) As at the date of this joint announcement, employees of the Group hold an aggregate of 143,973,500 Share Options, which are vested and would entitle them to subscribe for 143,973,500 Shares at the exercise price of HK\$0.30 per Share.
- (6) The percentages are subject to rounding adjustments and may not add up to 100%.

As at the date of this joint announcement, the total issued shares of the Company is 2,139,735,000. Save as disclosed in this section, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

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 27.40% of the total issued share capital of CWA as at the date of this joint announcement.

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 28.46% of the total issued share capital of the Company.

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.

INTENTIONS 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 date of this joint announcement, the Joint Offerors will continue with its existing principal businesses following the close of the Offers and do not intend to discontinue the employment of employees of the Group or dispose of or re-deploy the fixed assets of the Company other than those in its ordinary and usual course of 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. 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. 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 date of this joint announcement, 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

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, upon closing 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.

In order to ensure that, within a reasonable period after the close of the Offers, not less than 25% of the Company's total number of issued Shares will be held by the public, Mr. Duan will undertake to the Stock Exchange to take appropriate steps within a reasonable period following the close of the Offers to ensure that at least 25% of the total number of issued Shares will be held by the public.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

REASONS AND BENEFITS FOR CWA IN TAKING UP CWA'S PROPORTION IN THE SHARE OFFER

CWA, through its wholly-owned subsidiary, Sharp Profit, is the substantial shareholder of the Company, holding approximately 28.46% of the total issued share capital of the Company as at the date of this joint announcement 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.

CONNECTED TRANSACTION OF CWA

The Share Offer will be jointly made by Mr. Duan and Sharp Profit (or procure to be made on their behalf), and Mr. Duan is a substantial shareholder and a director of CWA and thus a connected person of the CWA Group under the Listing Rules. The making of the Share Offer by Sharp Profit (or procure to be made on its behalf), being the CWA's Proportion, will constitute a deemed connected transaction for the CWA Group under Rule 14A.20 of Chapter 14A of the Listing Rules. Since all the applicable percentage ratios under the Listing Rules are below 5%, the transaction involving acceptance of the CWA's Proportion in the Share Offer will be subject to the reporting and announcement requirements but is exempt from circular (including independent financial adviser's advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The maximum consideration payable for the CWA's Proportion is approximately HK\$27.2 million, based on the taking up of a maximum of 78,119,000 Offer Shares each at the Share Offer Price, which will be settled in cash in the Share Offer.

COMPOSITE DOCUMENT

It is the intention of the Company and the Joint Offerors to combine the offer document and the offeree board circular in the Composite Document. Pursuant to Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things, (i) the terms and details of the Offers; (ii) the recommendations from the Independent Board Committee with respect to the Offers; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee, together with the forms of acceptance of the Offers, if any, are required to be despatched to the Shareholders and the Optionholders within 21 days of the date of this joint announcement. If the Composite Document cannot be despatched within 21 days of the date of this joint announcement, the Joint Offerors and the Company will seek the consent from the Executive for an extension of time to despatch the Composite Document and further announcement will be made by the Joint Offerors and the Company in this regard as and when appropriate.

GENERAL

The Joint Offerors confirm that, as at the date of this joint announcement:

- (1) save as for the Share Options and save as disclosed in the section headed "Shareholding Structure of the Company" in this joint announcement, none of the Joint Offerors and the Joint Offerors Concert Parties own or have control or direction over any voting rights in any Shares or hold convertible securities, warrants or options of the Company;
- (2) none of the Joint Offerors and the Joint Offerors Concert Parties have entered into any outstanding derivative in respect of the securities in the Company;

- (3) none of the Joint Offerors and the Joint Offerors Concert Parties had dealt in any Shares, convertible securities, warrants or options of the Company or any derivatives in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the six months preceding the commencement of the Offer Period and up to the date of this joint announcement;
- (4) none of the Joint Offerors and the Joint Offerors Concert Parties have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (5) save for the Irrevocable Undertakings, none of the Joint Offerors and the Joint Offerors Concert Parties have received any irrevocable commitment to accept or not to accept the Offers;
- (6) there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Joint Offerors or the Shares and which might be material to the Offers;
- (7) there are no agreements or arrangements to which the Joint Offerors or any Joint Offerors Concert Party is a party which relate to the circumstances in which it may or may not invoke or seek to invoke any condition to the Offers;
- (8) save for the EB Exchange, the Offer does not involve or otherwise relate to a sale (directly or indirectly) by a vendor of Shares;
- (9) (a) 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 date of this 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 (b) 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; and
- (10) there is no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder; and (b) either (i) any Joint Offerors and any Joint Offerors Concert Party, or (ii) the Company or the Company's subsidiaries or associated companies.

DISCLOSURE OF DEALINGS

Associates of the Joint Offerors and the Company (as defined in the Takeovers Code, including shareholders who own or control 5% or more of any class of relevant securities issued by the Company or the Joint Offerors), are hereby reminded to disclose their dealings in the securities of the Company in accordance with Rule 22 of the Takeovers Code during the offer period.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNINGS

This joint announcement is made in compliance with the Takeovers Code for the purpose of, among other things, informing the Shareholders, the Optionholders and potential investors of the Company of the Offers.

The Directors make no recommendation as to the fairness or reasonableness of the Offers or as to the acceptance of the Offers in this joint announcement, and strongly recommend the Offer Shareholders and any Offer Optionholders not to form a view on the Offers and/or before deciding whether or not to accept the Offers unless and until they have received and read the Composite Document, including the recommendation of the Independent Board Committee to the Offer Shareholders and any Offer Optionholders in respect of the Offers and the letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offers.

Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this joint announcement:

“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
“Closing Date”	the date to be stated in the Composite Document as the first closing date of the Offers or any subsequent closing date as may be announced by the Joint Offerors and approved by the Executive
“Company”	Kangda International Environmental Company Limited (康達國際環保有限公司), a company incorporated in Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 6136)
“Composite Document”	the composite document to be issued jointly by the Joint Offerors and the Company in relation to 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)”	director(s) of the Company
“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 to Mr. Duan which took place on 21 July 2025
“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 delegates 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”	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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Independent Financial Adviser”	the independent financial adviser has appointed to advise 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 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 this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on 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
“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 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
“PRC”	the People’s Republic of China which, for the purpose of this joint announcement only, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 joint announcement
“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
“Shareholder(s)”	registered holder(s) of the Share(s)

“Sharp Profit”	Sharp Profit Investments Limited, a wholly-owned subsidiary of CWA, which directly holds approximately 28.46% of the total issued share capital of the Company as at the date of this joint announcement
“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 published by the SFC, as amended, supplemented or otherwise modified from time to time
“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
“%”	per cent.

In this joint announcement, unless the context requires otherwise, the terms “connected person(s)”, “connected transaction(s)”, “substantial shareholder(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules.

** for identification purposes only*

**Mr. DUAN CHUAN
LIANG**

By order of the board of
directors of
**CHINA WATER AFFAIRS
GROUP LIMITED**
Duan Chuan Liang
Chairman

Sole director of
**SHARP PROFIT
INVESTMENTS LIMITED**
Duan Chuan Liang

By order of the Board
**KANGDA
INTERNATIONAL
ENVIRONMENTAL
COMPANY LIMITED**
Li Zhong
Chairman

Hong Kong, 21 July 2025

Mr. Duan accepts full responsibility for the accuracy of information contained in this joint announcement (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 joint announcement (other than those expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date this joint announcement, 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.

The directors of CWA jointly and severally accept full responsibility for the accuracy of information contained in this joint announcement (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 joint announcement (other than those expressed by the Directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the sole director of Sharp Profit is Mr. Duan.

The sole director of Sharp Profit accepts full responsibility for the accuracy of information contained in this joint announcement (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 joint announcement (other than those expressed by the Directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the Board comprises eight Directors, namely 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.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this joint announcement (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 joint announcement (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 joint announcement, the omission of which would make any statement in this joint announcement misleading.