DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

東江環保股份有限公司

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 00895)

CHANGE IN USE OF PROCEEDS

References are made to the (i) the announcement of Dongjiang Environmental Company Limited* (the "**Company**") dated 27 May 2022; (ii) the circular of the Company dated 23 June 2022 (the "**Circular**"); (iii) the poll results announcement in relation to the third extraordinary general meeting in 2022, the first A Shares class meeting in 2022 and the first H Shares class meeting in 2022 of the Company dated 12 July 2022; (iv) the announcements of the Company dated 16 August 2022, 6 September 2022, 28 September 2022, 9 January 2023 and 1 February 2023; and (v) the completion announcement of the Company dated 15 May 2023 in relation to, among others, the Proposed Non-public Issuance of A Shares.

Capitalised terms used in this announcement shall have the same meanings as defined in the Circular, unless the context requires otherwise.

CHANGE IN USE OF PROCEEDS

The net proceeds from the Proposed Non-public Issuance of A Shares were approximately RMB1,194.31 million (the "**Net Proceeds**").

As at 30 November 2025, the Company had used approximately RMB613.91 million, representing approximately 51.40% of the Net Proceeds, and the remaining balance of the Net Proceeds was approximately RMB580.40 million (the "**Unutilized Net Proceeds**").

On 22 December 2025, at the eleventh meeting of the eighth session of the Board and the eighth meeting of the eighth session of the audit and risk management committee of the Board (the "**Audit and Risk Management Committee**"), each of the Board and the Audit and Risk Management Committee have resolved to change the use of the Unutilized Net Proceeds. Details of the original allocation of the Net Proceeds, the utilized Net Proceeds as at 30 November 2025 and the revised allocation of the Unutilized Net Proceeds are set out as follows:

Proposed use of proceeds	**Original allocation of the Net Proceeds**		**Utilized amount of the Net Proceeds as at 30 November 2025**	**Unutilized Net Proceeds as at 30 November 2025**	**Revised allocation of the Unutilized Net Proceeds**		**Expected timeline for use of the Unutilized Net Proceeds**
	(RMB' million)	%	*(RMB' million)*	*(RMB' million)*	*(RMB' million)*	%	
Development of the Green Recycling Centre (Phase 1) located in Petrochemical Industrial Area, Dananhai, Jieyang* (揭陽大南海石化工業區)	410.00	34.33	145.75	264.25	–	–	–
Expansion of the sewage treatment facilities (phase 2) located in Jiangling County, Jingzhou, Hubei Province* (湖北省荊州市江陵縣)	165.00	13.82	71.01	93.99	10.00	1.72	By December 2028
Smart digitalization development project	184.31	15.43	24.61	159.70	–	–	–
Modification and upgrade of hazardous waste treatment project	95.00	7.95	32.54	62.46	62.46	10.76	By December 2028
Replenishment of general working capital	340.00	28.47	340.00	–	507.94	87.52	By December 2028
Total	**1,194.31**	**100.00**	**613.91**	**580.40**	**580.40**	**100.00**	

Note:

1. The Company intends to reserve approximately RMB10.00 million to pay the outstanding survey and design fees and quality guarantee deposits payable for expansion project of the sewage treatment facilities (phase 2) located in Jiangling County, Jingzhou, Hubei Province* (湖北省荊州市江陵縣). The remaining unutilized net proceeds originally allocated to such project will be used to replenish general working capital.

2. The Company intends to use the unutilized net proceeds originally allocated to the development of the Green Recycling Centre (Phase 1) located in Petrochemical Industrial Area, Dananhai, Jieyang* (揭陽大南海石化工業區) and the smart digitalization development project to replenish general working capital.

REASONS FOR AND BENEFITS OF CHANGE IN USE OF PROCEEDS

Development of the Green Recycling Centre (Phase 1) located in Petrochemical Industrial Area, Dananhai, Jieyang* (揭陽大南海石化工業區)

It was planned for the project to construct a landfill with a total capacity of approximately 139,300 cubic meters in Phase I, comprising Area A (56,600 cubic meters) and Area B (82,700 cubic meters). Area A of the landfill in Phase 1 of the Green Recycling Centre located in Petrochemical Industrial Area, Dananhai, Jieyang* (揭陽大南海石化工業區) project was completed in March 2023 and a hazardous waste operation license was obtained in April 2023, with an approved landfill capacity of 47,000 tons/year.

Given that the annual waste production of industrial projects which are operational in the industrial park area of the project is far lower than the planned capacity, the utilization rate of capacity of Area A in the landfill has been at a low level. Furthermore, due to market competition, the unit price for landfill collection and transportation has also decreased significantly, putting continuous pressure on the project company's operating results. As a result, to date, no construction work has commenced on Area B in the landfill. Taking into account the fact that the prevailing environment is unlikely to support a significant improvement in the utilization rate of capacity of Area A in the short term, and in order to further improve the efficiency of the use of the Unutilized Net Proceeds, the Company intends to terminate such project and use the unutilized net proceeds originally allocated to such project to replenish general working capital.

Expansion of the sewage treatment facilities (phase 2) located in Jiangling County, Jingzhou, Hubei Province* (湖北省荊州市江陵縣)

As affected by other lawsuits brought against the Company, the designated account for the funds raised for the project was frozen (see the Company's announcement dated 20 August 2024 for details). To ensure the smooth progress of the project, the Company has paid for project expenses in the total amount of approximately RMB 52.18 million using its own funds.

As at the date of this announcement, final acceptance inspection and project settlement audit have been completed for the expansion of the sewage treatment facilities (phase 2) located in Jiangling County, Jingzhou, Hubei Province* (湖北省荊州市江陵縣) project. Therefore, the company intends to close such project. Other than the reservation of approximately RMB10.00 million for such project to pay outstanding survey and design fees and quality guarantee deposits payable, the remaining unutilized net proceeds originally allocated to such project will be used to replenish general working capital.

Smart digitalization development project

The project's sub-modules, namely the Smart Hazardous Waste Management Project, the Smart Hazardous Waste Factory Project, and the Digital Collaborative Office Project, have been partially completed. The Smart Cloud Platform Project and the Cloud Data Center Project have also been launched with partial functionalities.

The Company originally planned to use the Net Proceeds for its digital transformation project to improve operational efficiency, accelerate service response and reduce operating costs. However, in recent years, market competition in the hazardous waste industry has intensified, while at the same time the Company has faced increasing pressure on its results due to factors such as declining collection and transportation prices for harmless disposal, rising collection and transportation rates for resource recovery, and substantial depreciation and amortization from new capacity for construction. Continuing with the digital transformation project would inevitably drive the Company's production and operating costs up, occupy valuable cash flow, and would be unlikely to bring direct economic benefits in the short term, potentially leading to even larger losses. To change the current unfavourable situation as soon as possible and to concentrate resources on transformation and turnaround from loss, the Company plans to reduce further investment in projects with low economic returns and therefore intends to terminate the smart digitalization development project and use the remaining unutilized net proceeds originally allocated to such project to replenish general working capital.

Replenishment of general working capital

After the termination of the Phase I Project of the Green Recycling Centre located in Petrochemical Industrial Area, Dananhai, Jieyang* and the smart digitalization development project, and the completion of the expansion project of the sewage treatment facilities (phase 2) located in Jiangling County, Jingzhou, Hubei Province*, in order to improve the efficiency of the use of the Unutilized Net Proceeds, and adhering to the principle of maximisation of shareholders' interests, while also considering the Company's actual condition, the Company intends to use a total of RMB 507.94 million (including interest) of the Unutilized Net Proceeds to replenish its general working capital.

The change in the use of proceeds is a prudent decision made by the Company based on business development needs and the actual conditions of the projects. This will help improve the Company's capital utilization efficiency, optimize resource allocation, and provide financial support for the Company's daily production and operation as well as other business development. The change in the use of proceeds will not have an adverse impact on the Company's normal operations, will not harm the interests of the Company and all the Shareholders, and is conducive to the Company's long-term development.

Save as disclosed in this announcement, the Company does not currently anticipate any other material change to the use and plan of the Unutilised Net Proceeds.

The aforementioned change in use of proceeds is subject to the approval by the Shareholders at an extraordinary general meeting to be held by the Company.

GENERAL

A circular containing details of the change in use of proceeds will be despatched to the Shareholders in due course.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Dongjiang Environmental Company Limited*
Wang Bi'an
Chairman

Shenzhen, the PRC
22 December 2025

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Wang Bi'an, Mr. Li Xiangli and Mr. Zhu Lintao; three non-executive Directors, being Mr. Wang Shi, Mr. Liu Xiaoxuan and Mr. Jia Guorong; and three independent non-executive Directors, being Mr. Lee Kwok Tung Louis, Mr. Li Jinhui and Ms. Xiang Ling.

* *For identification purposes only*