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If you have sold or transferred all your shares in **Kangda International Environmental Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**PROPOSED GRANT OF SHARE OPTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the extraordinary general meeting of Kangda International Environmental Company Limited to be held at Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Thursday, 17 September 2026 is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjournment thereof if they so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

31 August 2026

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Announcements”	the announcements of the Company dated 4 May 2026 and 8 May 2026 in relation to, among other things, the Conditional Grant
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cayman Companies Act”	the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Water”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 855), and a substantial shareholder of the Company which is interested as to approximately 29.03% of the issued share capital of the Company as at the Latest Practicable Date
“Company”	Kangda International Environmental Company Limited (康達國際環保有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 6136)
“Conditional Grant”	the conditional grant of the Share Options by the Board to Mr. Du to subscribe 115,000,000 Shares pursuant to the Share Option Scheme
“Date of Grant”	4 May 2026
“Determination Date”	has the meaning ascribed to it under the section headed “Proposed Grant of Share Options” of this circular
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Thursday, 17 September 2026 or any adjournment thereof, the notice of which is set out on pages EGM-1 to EGM-2 of this circular
“Gearing Ratio Target”	the target for exercisability of the Tranches of the Options comprising the achievement of decreases in the gearing ratio of the Company on a Determination Date
“Grantee” or “Mr. Du”	Mr. Du Lindong, an executive Director and the chairman of the Board, being the grantee of the Options
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	24 August 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Capitalisation Target”	the target for exercisability of the Tranches of the Options comprising the achievement of increases in Market Capitalisation of the Company on a Determination Date
“Net Profit Target”	the target for exercisability of the Tranches of the Options comprising the achievement of increases in net profit of the Company for the financial years ending 31 December 2026, 2027 and 2028
“Operational Target”	has the meaning ascribed to it under the section headed “Proposed Grant of Share Options” of this circular
“Options” or “Share Options”	option(s) to subscribe for Shares granted or to be granted pursuant to the Share Option Scheme
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 9 June 2025
“Share Option Scheme Mandate Limit”	has the meaning ascribed to it under the section headed “Proposed Grant of Share Options” of this circular
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche”	one of the three portions of the Conditional Grant
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED

康達國際環保有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6136)

Executive Directors:

Mr. DU Lindong, *Chairman*
Mr. LI Zhong
Ms. LIU Yujie
Mr. DUAN, Jerry Linnan

Registered office:

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

Independent Non-executive Directors:

Mr. CHAU Kam Wing Donald
Mr. PENG Yongzhen
Mr. LIEW Fui Kiang

Principal Place of Business in

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

31 August 2026

To the Shareholders

Dear Sir/Madam,

**PROPOSED GRANT OF SHARE OPTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the Announcements in relation to, among other things, the Conditional Grant, which is subject to the approval of the Shareholders at the EGM. The purpose of this circular is to provide you with information in respect of Conditional Grant, the recommendation of the independent non-executive Directors, in relation to the Conditional Grant and the notice of the EGM.

PROPOSED GRANT OF SHARE OPTIONS

As disclosed in the announcement of the Company dated 4 May 2026, the Company granted 115,000,000 Options to Mr. Du under the Share Option Scheme, subject to the acceptance by Mr. Du. A summary of the terms and conditions of the grant of the Options is set forth below:

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- Date of Grant : 4 May 2026 (the “**Date of Grant**”)
- Name of Grantee : Mr. Du Lindong, an executive Director and the chairman of the Board
- Number of Options granted : 115,000,000
- Exercise price of Options granted : HK\$0.73 per Share, which is not less than the higher of: (1) the closing price of HK\$0.72 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Date of Grant; (2) the average closing price of HK\$0.73 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and (3) the nominal value of HK\$0.01 per Share
- Consideration of Options granted : HK\$1.00 to be paid by the Grantee upon the acceptance of the Options
- Validity period of the Options : One (1) year from the respective vesting date of the Options
- Vesting period of the Options : Subject to the fulfilment of the performance targets as set out below, all the Options granted shall vest in three tranches on 1 April 2027 (for the 1st Tranche); 1 April 2028 (for the 2nd Tranche); and 1 April 2029 (for the 3rd Tranche).

The first Tranche of the Options granted to the Grantee may vest within 12 months of the Date of Grant with the total vesting period of more than 12 months.

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The Remuneration Committee and the Board are of the view that the vesting arrangement (including a vesting period of less than 12 months for part of the Options granted) is appropriate considering that (i) the Options are subject to performance-based vesting conditions in lieu of time-based vesting criteria, which is a circumstance prescribed under the Share Option Scheme where the Board may at its discretion grant a shorter vesting period to an employee participant; (ii) the vesting of the Options is subject to fulfillment of the specific performance targets as set out below; and (iii) the proposed grant of Options to the Grantee is intended to motivate and incentivise the Grantee to contribute to the operation, development and strategic growth of the Group. The Remuneration Committee and the Board are of the view that the proposed grant of the Options to the Grantee with the vesting arrangement as designed aligns with the purpose of the Share Option Scheme.

Performance targets of the Options : Subject to the fulfillment of the performance targets, the Options shall vest in three tranches:

Tranche	Financial year	Mandatory performance target	Additional performance targets (Number of Options to be vested assuming fulfillment of one or more of the respective additional performance target(s))			Total number of Options to be vested (assuming all performance targets are fulfilled)
			Market capitalisation target (Note 1)	Net Profit Target (Notes 2 and 3)	Gearing Ratio Target (Notes 2 and 4)	Number of wastewater treatment project disposal contract signed (the "Operational Target") (Notes 2 and 5)
1	For the year ending/as at 31 December 2026	Not less than HK\$2,500 million	Not less than RMB268.0 million (Number of Options to be vested: 18,400,000)	Not higher than 65.2% (Number of Options to be vested: 13,800,000)	Not less than 3 (Number of Options to be vested: 13,800,000)	46,000,000
2	For the year ending/as at 31 December 2027	Not less than HK\$3,750.0 million	Not less than RMB300.0 million (Number of Options to be vested: 13,800,000)	Not higher than 64.2% (Number of Options to be vested: 10,350,000)	Not less than 3 (Number of Options to be vested: 10,350,000)	34,500,000
3	For the year ending/as at 31 December 2028	Not less than HK\$5,625.0 million	Not less than RMB348.0 million (Number of Options to be vested: 13,800,000)	Not higher than 63.2% (Number of Options to be vested: 10,350,000)	Not less than 3 (Number of Options to be vested: 10,350,000)	34,500,000
Total						115,000,000

LETTER FROM THE BOARD

Notes:

- (1) The fulfillment of the Market Capitalisation Target is a mandatory vesting condition. The Market Capitalisation Target shall be calculated based on the average market capitalisation of the Company over the fifteen (15) trading days immediately prior to and including 31 December 2026, 2027 or 2028 (the “**Determination Date(s)**”), as applicable.

In the event that the Company fails to meet the prescribed Market Capitalisation Target for one or more earlier tranche(s), but subsequently attains the prescribed Market Capitalisation Target for a later tranche, the Market Capitalisation Target(s) for such earlier tranche(s) shall be deemed to have been fulfilled on the Determination Date of that later tranche and the Options attributable to the earlier tranche(s), subject to the fulfillment of one or more of the additional performance target(s) of the respective tranche(s), will be vested.

- (2) The three additional performance targets: Net Profit Target, Gearing Ratio Target and the Operational Target, shall be assessed independently. Subject to the fulfillment of the mandatory Market Capitalisation Target, the vesting condition of the Options allocated to a particular additional performance target will be met upon the fulfillment of that particular additional performance target.
- (3) “Net Profit” refers to profit for the year of the Group to be recorded and disclosed in the annual results announcements for the financial years ending 31 December 2026, 2027 and 2028.

In the event that the Company fails to meet the prescribed Net Profit Target for an earlier tranche, but subsequently attains an aggregate net profit level not less than the aggregate amount of the Net Profit Target for a later tranche together with the Net Profit Target(s) for one or more preceding tranche(s), the Net Profit Target(s) for such earlier tranche(s) shall be deemed to have been fulfilled on the Determination Date of that later tranche, and the Options attributable to the earlier tranche(s) will be vested. For the avoidance of doubt, in the event that the Company records a net loss for an earlier tranche, in determining whether the Net Profit Target(s) for one or more preceding tranche(s) has been fulfilled, the aggregate net profit level of the relevant financial year shall be netted off against the net loss(es) of the Company for the preceding financial year(s).

For illustrative purposes, assuming that the Group recognises net profit of RMB100.0 million for each of the two financial years ending 31 December 2026 and 31 December 2027, the Net Profit Targets for both financial years would not be fulfilled, and accordingly, no Options attributable to the Net Profit Targets would be vested on the vesting dates for those two tranches. In the event that the Group achieves net profit of RMB716.0 million for the financial year ending 31 December 2028, the aggregate net profit for the three financial years would be RMB916.0 million, which meets the aggregate Net Profit Targets for the three financial years. In such circumstances, pursuant to the catch-up mechanism as set out above, the Net Profit Targets for the financial years ending 31 December 2026, 31 December 2027 and 31 December 2028 would all be deemed to have been fulfilled, and the Options attributable to the Net Profit Targets for all three tranches would be vested on 1 April 2029 accordingly.

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- (4) Gearing ratio is calculated using the consolidated total liabilities divided by the consolidated total assets of the Group to be recorded and disclosed in the annual results announcements for the financial years ending 31 December 2026, 2027 and 2028.

In the event that the Company fails to meet the prescribed Gearing Ratio Target for the earlier Tranche, but subsequently attains the prescribed Gearing Ratio Target for a later Tranche, the Gearing Ratio Target(s) for the earlier Tranche(s) shall be deemed to have been fulfilled on the Determination Date of that later Tranche, and the respective Options for the earlier Tranche(s) will be vested.

- (5) The Operational Target shall be calculated on a per-unit basis by the independent company or legal entity holding the concession rights for the wastewater treatment project. The disposal methods include (i) the transfer of equity interests in the project company; or (ii) the transfer of assets relating to the concession rights held by the project company. The Operational Target shall be considered as fulfilled upon signing of a legally-binding agreement in relation to the aforesaid disposal.

For the purpose of this note, “Disposal” refers to the disposal of the project interest, following which the Group no longer owns any equity interest in the project company or any assets relating to the concession rights of the relevant project.

In the event that the Company fails to meet the prescribed Operational Target for an earlier Tranche, but subsequently attains an aggregate level of Operational Target not fewer than the aggregate number of Operational Target for the later tranche together with the Operational Target(s) for one or more preceding tranche(s), the Operational Target(s) for the earlier tranche(s) shall be deemed to have been fulfilled on the Determination Date of that later tranche, and the Options attributable to the earlier tranche(s) will be vested.

Clawback
mechanism

- : The Options granted are not subject to any clawback mechanism but shall lapse and/or be cancelled (to an extent not already exercised) under various scenarios provided under the Share Option Scheme. The remuneration committee of the Board considers that a specific clawback mechanism is not necessary, having considered that the lapse and cancellation of the Options under various scenarios has already been provided for under the Share Option Scheme, which would adequately safeguard the Company’s interests.

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- Lock-up undertaking : Unless otherwise approved by the Board, for any Shares held by the Grantee upon the exercise of the Options, the Grantee undertakes not to sell, or otherwise transfer or dispose of, either directly or indirectly, any such Shares (the “**Lock-up Undertaking**”) so long as he remains as a director of the Company. In the event that the Grantee ceases to be a director of the Company, the Grantee undertakes to comply with the Lock-up Undertaking for a further period of six (6) months after such cessation.
- Financial assistance : No financial assistance shall be provided by the Group to the Grantee to facilitate the purchase of Shares under the Share Option Scheme.

The grant of Options to the Grantee have been approved by all the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

Pursuant to Rule 17.03D(1) of the Listing Rules and the Share Option Scheme, where the total number of Shares issued and to be issued upon exercise of the Options or awards granted to a person (excluding lapsed options and awards) in any 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue, such grant must be approved by Shareholders in general meeting. The grantee and his close associates (or associates if the grantee is a connected person) must abstain from voting at the general meeting.

As at the Latest Practicable Date, Shares to be issued upon exercise of the 115,000,000 Options proposed to be granted to the Grantee represent approximately 4.98% of the Shares in issue. As the total number of Shares issued and to be issued upon exercise of the Options proposed to be granted to the Grantee would in a 12-month period exceed 1% of the Shares of the Company in issue, the proposed grant of the Options carrying the rights to subscribe for 115,000,000 Shares to the Grantee is subject to the approval by the independent Shareholders where the Grantee and his associates shall abstain from voting in such resolution at the general meeting pursuant to the Listing Rules. The proposed grant of the Options to the Grantee shall not take effect or be exercisable until such approval is obtained.

Following the Conditional Grant, the Company will have utilised approximately 53.74% of the existing maximum number of Shares which may be allotted and issued upon exercise of all share options granted and to be granted under the Share Option Scheme, being 213,973,500 Shares (the “**Share Option Scheme Mandate Limit**”). Assuming that the Grantee accepts such grant and the grant of Options is approved by the independent Shareholders at the general meeting, the number of Shares available for future grants under the Share Option Scheme Mandate Limit is 98,973,500 Shares.

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REASONS FOR THE CONDITIONAL GRANT OF SHARE OPTIONS

The basis for determining the performance targets for the Conditional Grant

The performance targets for the Conditional Grant was determined through a comprehensive evaluation of the Company's long-term strategic objectives. Specifically, the performance targets were designed to align with the Company's overarching goal of sustaining growth by focusing on the fundamental financial health of the Company, enhancing long-term shareholders' value, and rewarding key contributors who help achieve these targets. These include the achievement of the mandatory Market Capitalisation Target, which is a key indicator of the Company's financial performance, as it reflects the market's assessment of the Company's operating results and growth prospects. The Board and the Remuneration Committee have reviewed and confirmed that the performance targets are reliable indicators for ensuring the Company's long-term profitability and financial stability, and align with the overall purpose of the Share Option Scheme, which aims to incentivise long-term growth and profitability of the Group.

In determining the allocation of Options to be vested upon fulfillment of each additional performance target, the Board has taken into account the nature, importance and relative weighting of each performance target in contributing to the Group's overall business objectives. In particular, the net profit target has been assigned a higher weighting of 40%, as the Board considers net profit to be the most direct and objective indicator of the Group's financial performance and operational effectiveness. The Board is of the view that profitability reflects the combined outcome of revenue generation, cost control and operational efficiency, and is therefore a key benchmark in assessing management performance of the Group. The remaining 60% of the Options have been allocated equally between the gearing ratio target and the Operational Target, as the Board considers that both targets are of comparable importance to the Group's current strategy. The gearing ratio target reflects the Group's focus on debt reduction and maintaining a healthy and sustainable capital structure, while the Operational Target aligns with the Group's strategy to streamline operations and realise value from underperforming assets.

The Board considers that a higher allocation to the 1st Tranche to be appropriate and justified as the Options were granted in May 2026, Mr. Du will have a relatively shorter performance period of less than one year prior to the Determination Date of the 1st Tranche. As such, although the performance targets for the 1st Tranche are not quantitatively higher, the Board considers that the shorter timeframe for achievement increases the level of execution challenge, as Mr. Du would need to deliver measurable results within a compressed period. Notwithstanding the shorter initial performance period, the Board is of the view that the performance conditions are not short-term focused. The vesting of the Options is subject to a multi-layered performance targets, including the mandatory Market Capitalisation Target and the requirement to satisfy additional performance targets, which extend across three financial years ending 31 December 2028. As such, achieving the first-year performance target alone would not enable Mr. Du to realise the full economic benefit of the Options and the overall structure continues to incentivise sustained performance and long-term value creation. The Board therefore considers that the proposed grant of Options effectively aligns Mr. Du's interests with the long-term strategy of the Group. The Remuneration Committee further

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considers that the allocation does not result in a disproportionate emphasis on short-term performance, as the performance targets across all tranches operate as an integrated framework with built-in checks and balances, ensuring that the Grantee's performance is assessed on a holistic basis, including the Group's profitability, financial position and strategic execution. The Remuneration Committee has reviewed the allocation of the Options among the three tranches and considered the arrangement to be fair and reasonable, having taken into account the shorter effective performance period for the 1st Tranche and the fact that the overall vesting structure remains subject to the fulfilment of multiple performance conditions over the entire performance period.

The Board also recognises the potential dilution effect that the Conditional Grant may have on the Shareholders. For this reason, it was agreed by the Board that the Options would be split into three Tranches with each Tranche only vesting if the Company achieves a set of carefully considered and, in the view of the Board, performance targets (i.e., a combination of the mandatory Market Capitalisation Target and an additional performance target as described above) which are designed to increase shareholder value and improve the financial position and profitability of the Group. If all three Tranches of the Options vest, that means that the Company will have achieved a market capitalisation in excess of HK\$5.63 billion (representing an approximate 3.4 fold growth over the HK\$1.66 billion market capitalisation of the Company as of the Date of Grant). In this regard, the Conditional Grant is intended to be a long-term incentive mechanism that reflects Mr. Du's strategic importance to the Group's future success and encourages sustained value creation over the vesting period. The Board and the Remuneration Committee are of the view that the Conditional Grant would be beneficial to all Shareholders, including minority Shareholders, despite the potential dilution impact to the shareholding interests of the Shareholders as it aligns Mr. Du's interests with the long-term goals of the Group and incentivises Mr. Du to create value for the Shareholders in the long-run. Further, the relatively extended vesting period would encourage and retain Mr. Du to make contributions to the long-term growth and profits of the Group, which aligns with the purpose of the Share Scheme and effectively promotes the long-term growth and success of the Group.

Market Capitalisation Target

The Board acknowledges that market capitalisation is influenced by multiple factors and is not solely determined by the performance of any individual director. Market capitalisation reflects, among other things, the Company's profitability, growth prospects, capital efficiency, risk profile, industry positioning, management credibility and corporate governance, and therefore represents a holistic valuation of the Company.

Mr. Du, as the Chairman and an executive Director, has a leading role in the formulation and execution of the Group's overall strategy, including initiatives relating to cost optimisation, realisation of under-performing assets and the enhancement of operational and financial efficiency of the Group. The Board considers that improvements in these areas, if successfully implemented, are expected to be reflected in the Company's valuation over time. Accordingly, upon Market Capitalisation Target being reached, the Market Capitalisation Target will be regarded as satisfied without the need for further qualitative assessment or attribution analysis. The Board considers that this approach provides a clear and objectively.

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The Board recognises that external factors, including macroeconomic conditions (such as interest rates and inflation), market sentiment, industry trends, liquidity of the Shares and geopolitical developments cannot be precisely quantified and may at times lead to share price movements that are not directly attributable to the Company's operational performance and are generally outside the control of the Company and its management. Notwithstanding the above, the Board considers that market capitalisation remains a holistic and reliable indicator that incorporates investors' overall evaluation of the Company's operational and financial performance, sustainability and growth prospect, which is consistent with prevailing market practice.

In assessing the appropriateness of adopting the Market Capitalisation Target as part of the performance targets, the Board (including the Remuneration Committee) has reviewed the historical relationship between the Company's market capitalisation and its financial performance over the past five financial years from 2021 to 2025. The Board noted that, over the above period, the Company's market capitalisation demonstrates a gradually declining trend from approximately HK\$1,690.4 million as at 31 December 2021 to approximately HK\$588.4 million as at 31 December 2023, followed by a recovery to approximately HK\$695.4 million as at 31 December 2024 and to approximately HK\$1,107.4 million as at 31 December 2025, which is generally consistent with the movement in the Group's net profit and profitability levels over the same period. The table below sets out the movements in the financial conditions of the Company as a whole which is generally consistent with the fluctuations in the Company's market capitalisation:

	As at 31 December/For the year ended 31 December				
	2021	2022	2023	2024	2025
Market capitalisation					
<i>(HK\$ in million)</i>	1,690.4	1,241.0	588.4	695.4	1,107.4
Profit for the year					
<i>(RMB in million)</i>	418.2	240.0	130.2	170.9	243.5
Operating cash flow					
<i>(RMB in million)</i>	320.2	368.4	292.9	403.1	681.1
Earnings per share					
<i>(RMB in cents)</i>	19.29	11.01	5.83	7.85	10.81

While the Board acknowledges that historical market capitalisation may have been affected by external factors, including macroeconomic conditions, market sentiment, liquidity of the Shares and geopolitical developments which are outside the control of the Company, the Board considers that the above analysis demonstrates that, when viewed over a multi-year horizon, the Company's market capitalisation has generally reflected investors' assessment of the Group's underlying financial performance and business outlook. As such, the Board considers that market capitalisation is not intended to function as a precise or standalone performance target, but rather as a high-level, forward-looking and aggregated indicator that captures investors' overall expectations of the Company's sustainability and long-term prospects, particularly when considered together with other financial and operational targets. The Remuneration Committee has considered the above analysis and is satisfied that, notwithstanding the influence of external factors, the historical data demonstrates a reasonable

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degree of alignment between market capitalisation and the Group's financial performance over time, and that its use, in conjunction with other performance targets, provides a fair and balanced basis for assessing management performance of the Grantee.

For the purpose of assessing the Market Capitalisation Target at each Determination Date, the market capitalisation of the Company will be determined based on the prevailing market price of the Shares multiplied by the total number of issued Shares as at the relevant Determination Date, and will not exclude the impact of corporate actions, including but not limited to the issuance of new Shares by the Company. The Board has considered whether adjustments should be made to exclude the impact of corporate actions and is of the view that no such adjustments are necessary taking into consideration that market capitalisation represents the aggregate market value of the Company as assessed by investors with all relevant factors considered at the relevant time, including changes in share capital structure. The Board considers that any corporate actions undertaken by the Company, such as equity fund raising, are typically implemented for commercial and strategic purposes, including to support business expansion, improve liquidity or strengthen the financial position of the Group and therefore form part of the Company's overall value. In particular, the Board considered that issuance of new Shares does not necessarily result in an increase in market capitalisation as such issuance may be subject to market perception, pricing discount and dilution considerations. Furthermore, corporate actions on equity should comply with the List Rules and applicable laws and regulations, and in certain circumstances subject to (independent) Shareholders approval. As such, the impact of corporate actions on market capitalisation is not mechanical and remains subject to investor assessment and market conditions.

Based on the review of the Comparables (as defined below) that adopted market capitalisation as a performance target, the Board considers that assessing market capitalisation targets without adjustment for corporate actions is consistent with the prevailing market practice observed from the Comparables. In addition, the Board considers that market capitalisation, being a measure of the aggregate market value of an issuer's equity, inherently reflects both the prevailing share price and the number of issued shares. As such, corporate actions such as share consolidations and share subdivisions would not ordinarily affect an issuer's market capitalisation in themselves. Accordingly, the Board and the Remuneration Committee consider that it is appropriate not to make any adjustment to the Market Capitalisation Targets for corporate actions and that such approach is consistent with market practice adopted in comparable performance-linked equity incentive arrangements.

The Market Capitalisation Targets of HK\$2,500 million, HK\$3,750 million and HK\$5,625 million for the respective Tranches were determined by the Board with reference to a combination of the Company's prevailing market capitalisation, targeted growth and the Group's underlying business fundamentals as well as the strategic development plan of the Group. In determining the targets, the Board has taken into account the Company's recent market capitalisation levels, which amounted to approximately HK\$1,107.4 million as at 31 December 2025, and has applied a progressive and step-up growth approach, under which each subsequent target represents a meaningful increase over the prior level. In particular, the targets represent approximate increases of 2.3 times, 3.4 times and 5.1 times over the market capitalisation level as at 31 December 2025, respectively, which the Board considers to be challenging. In addition, the Market Capitalisation Targets have been structured to reflect a

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compounding growth, with each subsequent target representing a 50% increase over the preceding target. The Board considers that this approach provides a clear and progressively more demanding benchmark that requires sustained improvement in the Company's financial performance and market valuation over the performance period. The Remuneration Committee has reviewed the above and concurs with the Board that the Market Capitalisation Targets are fair and reasonable, having regard to (i) the market capitalisation of the Company; (ii) the Group's historical performance and recent recovery trend; and (iii) the need to set targets that are challenging yet achievable in order to incentivise meaningful performance.

For the purpose of considering whether adoption of the Market Capitalisation Targets is broadly in line with market practice, the Board has conducted a market review based on publicly available information on the website of the Stock Exchange. Such review covered companies listed on the Stock Exchange which have adopted market capitalisation or share price-linked metrics as performance targets for the vesting of share options or similar equity-linked awards. The Group, on a best effort basis, has identified certain comparable grants (the “**Comparables**”) which fall within the aforesaid criteria, as summarised below:

Date of announcement	Company (stock code)	Grantee	Approximate percentage of the share options/ awards granted to the number of issued shares of the company	Market capitalisation/ share price as at date of grant	Target increase
8 April 2026	Vala Inc. (2051)	Directors and employees	8% (of which 4% was granted to an individual director)	Share price: HK\$0.66	Approximately 355% to 1,718% increase
28 January 2026	Zhejiang Taimei Medical Technology Co., Ltd. (2576)	Directors and employees	10% (of which 3.03% was granted to an individual director)	Share price: HK\$4.86	Approximately 27% to 100% increase
22 January 2026	Wanka Online Inc. (1762)	Directors and senior management	9.18% (of which 3.44% was granted to an individual director)	Approximately HK\$1.57 billion	Approximately 150% to 660% increase
29 July 2025	Cornerstone Technologies Holdings Limited (8391)	Directors and senior management	12.35% (of which 4.75% was granted to an individual director)	Approximately HK\$429.1 million	Approximately 133% increase

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Date of announcement	Company (stock code)	Grantee	Approximate percentage of the share options/ awards granted to the number of issued shares of the company	Market capitalisation/ share price as at date of grant	Target increase
12 June 2025	VISEN Pharmaceuticals (2561)	Director	0.38%	Share price: HK\$48.25	50% to 200% increase
3 April 2023	Everest Medicines Limited (1952)	Directors and employees	0.17%	Approximately: HK\$4.39 billion	Approximately 185% to 310% increase

As illustrated by the Comparables, both the size of grants and the targeted increase thresholds vary considerably depending on the issuers' specific circumstances. In particular, the Market Capitalisation Targets adopted by the Company require a significant and progressive increase in market capitalisation, which is towards the higher end of the range of thresholds observed in the Comparables. The Board considers that such targets are deliberately set at a demanding level and are not readily achievable without substantial and sustained improvements in the Group's overall performance, financial position and market perception.

In determining the Market Capitalisation Targets, the Board did not adopt a purely formulaic approach. Instead, the Board considered a combination of factors, including (i) the Company's market capitalisation of approximately HK\$1.1 billion as at 31 December 2025; (ii) the Group's recovery in profitability and operating cash flow during the year ended 31 December 2025; (iii) the strategic initiatives to improve profitability, optimise asset allocation and strengthen the balance sheet; and (iv) the need to establish meaningful and demanding performance targets capable of creating substantial shareholder value. The Board adopted a progressive growth framework, under which each subsequent Market Capitalisation Target represents a 50% increase over the immediately preceding target. Based on the market capitalisation of approximately HK\$1.1 billion as at 31 December 2025, the first, second and third Market Capitalisation Targets represent approximately 2.3 times, 3.4 times and 5.1 times the Company's market capitalisation as at such date, respectively. In assessing the appropriateness of the Market Capitalisation Targets, the Board and the Remuneration Committee reviewed publicly available disclosures of listed issuers which adopted share price or market capitalisation performance conditions in connection with grants of share options. The targeted increases adopted by the Comparables ranged from approximately 27% to 1,718% over the relevant benchmark levels. Against this background, the increases implied by the Market Capitalisation Targets fall within the range observed in such performance-linked incentive arrangements and, in particular, are broadly comparable to those adopted by certain issuers which imposed more demanding long-term shareholder value creation targets. Furthermore, none of the Market Capitalisation Targets has previously been achieved by the

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Company in the past five financial years. In particular, the highest market capitalisation of the Company among the respective year-end figures during the five-year period from 2021 to 2025 was approximately HK\$1,690.4 million as at 31 December 2021. Accordingly, each of the Market Capitalisation Targets of HK\$2.5 billion, HK\$3.75 billion and HK\$5.625 billion exceeds the highest market capitalisation level achieved by the Company during the relevant historical period. The Board considers that achievement of the Market Capitalisation Targets will require substantial improvements in the Group's profitability, operational performance, financial position and market recognition beyond historical levels. While the precise actions and market developments required to achieve such targets cannot be quantified with certainty, the Board believes that attainment of the Market Capitalisation Targets would necessitate successful execution of the Group's strategic initiatives, continued improvement in financial performance and sustained investor confidence over an extended period.

The Board emphasises that the Market Capitalisation Targets are not applied as a standalone metric, but operate in conjunction with other performance targets, including net profit, gearing ratio and operational targets, forming a multi-dimensional and balanced performance framework.

The Board considers that the adoption of the Market Capitalisation Target as a mandatory performance target is fair and reasonable, taking into account that market capitalisation is a widely recognised measure of shareholder value of a company and aligns incentives of the Company's management with the interests of Shareholders. Furthermore, market capitalization reflects investors' assessment of the Company's sustainability, performance and long-term prospects, instead of solely historical performance.

Despite certain Comparables utilise share price targets, the Board considers such Comparables to be relevant because market capitalisation and share price are closely linked measures of shareholder value. In particular, market capitalisation is calculated by multiplying the share price by the number of issued shares of the issuer. Accordingly, where there is no material change in the share capital structure of an issuer, an increase in market capitalisation corresponds directly to an increase in share price. The Board further consider that both share price targets and market capitalisation targets seek to measure the extent of shareholder value created over a specified period and reflect investors' assessment of an issuer's profitability, growth prospects, financial position and future outlook. As such, both metrics serve substantially the same underlying purpose in performance-linked equity incentive arrangements, namely aligning management incentives with long-term shareholder value creation. For illustrative purposes, based on the Company's issued share capital as at the Latest Practicable Date and assuming no change in the Company's capital structure, the Market Capitalisation Targets of HK\$2.5 billion, HK\$3.75 billion and HK\$5.625 billion correspond to implied share prices of approximately HK\$1.08, HK\$1.63 and HK\$2.44 per Share, respectively. The Board therefore considers that grants adopting share price targets provide a meaningful reference point when assessing the level of performance required under the Market Capitalisation Targets and the overall reasonableness of the Conditional Grant.

Based on the issued share capital of the Company as at the Latest Practicable Date and assuming no further issuance and allotment of Shares, achievement of the Market Capitalisation Target represents a share price of approximately HK\$2.4, representing a

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significant increase of over three times of the share price of the Company of HK\$0.72 as at the Date of Grant. In light of the above, the Board is of the view that the Market Capitalisation Target, when applied together with the additional performance targets, represents a holistic and appropriate performance indicator. The structure ensures that the Options will vest only if both (i) a minimum level of shareholder value creation is achieved; and (ii) at least one operational or financial performance target is satisfied, which would align the incentives of the management with the Company's long-term performance, financial stability and Shareholders' interests.

Implied Value of the Options

The table below sets out the implied value of the Options under each Tranche by reference to the Market Capitalisation Target applicable to the relevant Tranche, assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date to the relevant Determination Date; and (ii) all Options under the relevant Tranche become vested and exercisable:

Tranche	Market Capitalisation Target	Implied Share Price ⁽¹⁾	Exercise price	Number of Options	Implied Value of Options ⁽²⁾
1st Tranche	HK\$2,500 million	HK\$1.08	HK\$0.73	46,000,000	approximately HK\$16.1 million
2nd Tranche	HK\$3,750 million	HK\$1.63	HK\$0.73	34,500,000	approximately HK\$31.1 million
3rd Tranche	HK\$5,625 million	HK\$2.44	HK\$0.73	34,500,000	approximately HK\$58.9 million
Total				115,000,000	approximately HK\$106.1 million

Notes:

1. Calculated by dividing the applicable Market Capitalisation Target by the existing issued share capital of 2,307,008,500 Shares, assuming no change in the Company's capital structure.
2. Calculated as the difference between the implied share price and the exercise price of HK\$0.73 per Share, multiplied by the number of Options comprised in the relevant Tranche.

The above implied values are for illustrative purposes only and do not represent the fair value of the Options under any recognised valuation methodology. The actual value ultimately realised by Mr. Du, if any, will depend on, among other things, the extent to which the performance targets are achieved.

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In assessing whether the Conditional Grant is fair and reasonable, based on the Comparable Grants and the Comparables reviewed, the implied value of the relevant equity incentives granted to directors ranged from approximately HK\$3.4 million to approximately HK\$640 million. Against such range, the aggregate implied value of the Conditional Grant of approximately HK\$106.1 million falls within the lower end of the range observed from the Comparables. The Board noted that the reviewed precedents generally involved grants to executive directors, chairmen of the board or chief executives who were responsible for the overall management, strategic direction and long-term performance of the relevant issuers. Similar to such precedents, the Conditional Grant is intended to align Mr. Du's interests with those of the Shareholders and to incentivise the delivery of sustained improvements in the Group's financial and operational performance. The Remuneration Committee also took into account that the implied value of approximately HK\$106.1 million represents a theoretical value based on the full achievement of all Market Capitalisation Targets and assumes that all Options become vested and exercisable. Such value is not guaranteed and can only be realised if the Company achieves substantial improvements in market capitalisation, profitability, financial position and operational performance over the performance period. Having considered (i) the range of implied values observed from the reviewed market precedents; (ii) Mr. Du's role as chairman and executive Director with overall responsibility for the strategic development and performance of the Group; (iii) the demanding performance conditions attached to the Conditional Grant; and (iv) the substantial shareholder value creation required before any benefit may be realised by Mr. Du, the Board and the Remuneration Committee consider that the Conditional Grant is broadly comparable to performance-linked equity incentive arrangements granted to directors of the Comparables and is fair and reasonable.

Net Profit Target

The specific Net Profit Targets for the three years ending 31 December 2028 were determined by the Board with reference to (i) the Group's historical financial performance, including recent profit levels for the two financial years ended 31 December 2025; (ii) the underlying factors for the previous growth in net profit level of the Group, including the relatively low profit base in earlier years; and (iii) the Group's business strategy, under which the Group intends to reduce capital-intensive construction activities and focus on improving operational efficiency and profitability.

In assessing the appropriate levels of the Net Profit Targets, the Board has reviewed the Group's net profit over the past six financial years from 2021 to 2025, as follows:

	For the year ended 31 December										
	2025		2024		2023		2022		2021		2020
	RMB (in million)	Growth rate (%)	RMB (in million)	Growth rate (%)	RMB (in million)	Growth rate (%)	RMB (in million)	Growth rate (%)	RMB (in million)	Growth rate (%)	RMB (in million)
Net Profit	243.5	42.5	170.9	31.2	130.2	(45.7)	240.0	(42.6)	418.2	(11.1)	470.3

In determining the Net Profit Targets, the Board and the Remuneration Committee considered the Group's historical financial performance, recent recovery trend and future business strategy. In particular, the relatively high profit growth rates of approximately 31.2% and 42.5% recorded in FY2024 and FY2025 were achieved against a relatively low profit base. The decline in profitability during FY2021 to FY2023 was partly attributable to the adverse

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impact of the COVID-19 pandemic and the associated economic disruption, which affected the Group's business operations and overall profitability during those periods. As market conditions gradually recovered from the COVID-19 pandemic, the Group's profitability improved in FY2024 and FY2025. Accordingly, the Board considers that the recovery growth rates recorded during those two financial years should not be viewed as a suitable benchmark for future profit growth, as they were partly attributable to the low base effect resulting from the depressed profit levels recorded during and immediately after the pandemic period, and future profit growth would depend on successful implementation of the Group's strategies including, among others, continuing improvement in operation efficiency while countering the negative impact on revenue and net profit caused by disposals of projects. The Net Profit Targets of RMB268.0 million, RMB300.0 million and RMB348.0 million for FY2026, FY2027 and FY2028, respectively, representing an increase of approximately RMB24.5 million or 10.1% over FY2025 for FY2026; an increase of approximately RMB56.5 million or 23.2% over FY2025 for FY2027; and an increase of approximately RMB104.5 million or 42.9% over FY2025 for FY2028. The Board considered these targets by reference to the Group's recent recovery in profitability. Although the Group recorded relatively strong profit growth during FY2024 and FY2025, the Board did not assume that such growth rates would continue indefinitely. In addition, the Board also considered the Group's strategic direction to focus on improving operational efficiency, optimising project portfolio allocation, strengthening cash flow management and reducing financing costs. The Board believes that continued implementation of these measures would support sustainable growth in profitability without requiring significant expansion of the Group's operating scale. The Remuneration Committee further considered whether the Net Profit Targets are sufficiently challenging yet achievable. While the targeted annual growth rates are lower than the recovery growth achieved in FY2024 and FY2025, the targets are calculated based on an already improved profit base of RMB243.5 million of FY2025 and require the Group to deliver continuous profit growth over three consecutive financial years. The Remuneration Committee is therefore of the view that the Net Profit Targets represent meaningful performance improvements over historical levels and require sustained execution of the Group's strategic initiatives, while remaining realistically achievable having regard to the Group's business model and operating environment.

The Group's net profit experienced a declining trend from the financial year ended 31 December 2020 to the financial year ended 31 December 2023, mainly attributable to the reduction in revenue from construction services and the increase in operating costs such as chemical and electricity, followed by a recovery phase during the financial year ended 31 December 2024 and 2025, during which net profit increased by approximately 31.2% and 42.5%. The Board considers that the Group has entered into a stabilisation and recovery phase, with improving profitability supported by operational optimisation and cost control measures.

The table below sets out the Net Profit Targets and the respective growth rate:

	For the year ended 31 December					
	2028		2027		2026	
	<i>RMB (in million)</i>	<i>Growth rate (%)</i>	<i>RMB (in million)</i>	<i>Growth rate (%)</i>	<i>RMB (in million)</i>	<i>Growth rate (%)</i>
Net Profit	348.0	16.0	300.0	11.9	268.0	10.1

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The Board considers that the growth rates are moderate and sustainable, having regard to (i) the Group's recent recovery trend; (ii) the transition of the Group's business strategy towards comprehensive cost management and operational efficiency-driven growth; and (iii) the nature of the Group's municipal wastewater treatment business, which is characterised by stable but not explosive growth profile.

The Board notes that the relatively high percentage growth rates of 31.2% and 42.5% recorded for the years ended 31 December 2024 and 2025 were primarily attributable to the Group's lower profit absolute amount recorded in 2023, which is the lowest from 2020 to 2025, as well as specific business conditions and revenue contributions during prior years, which are not expected to recur. In particular, during the financial years from 2020 to 2022, the proportion of revenue from construction services to the Group's revenue is 31% to 48%, which dropped to 8% in the year ended 31 December 2023 as construction work of BOT arrangements entered into in prior years are substantially completed and the corresponding wastewater treatment plants commenced operation. Historically, construction services, particularly wastewater treatment plant construction under BOT arrangements, typically generated higher revenue within a relatively short period, given their project-based nature, and accordingly contributed to faster growth in net profit during the relevant periods. As it is the Group's strategy to strictly control capital expenditure, resulting in a significant reduction in the proportion of revenue contributed by construction services (particularly wastewater treatment plant construction under BOT arrangements), and focus on wastewater treatment plant operation, the increase in net profit for the years ended 31 December 2024 and 2025 were primarily driven by cost saving and operation optimisation and not by increases in revenue from construction services. Accordingly, the Board is of the view that the relatively high percentage growth rates of 31.2% and 42.5% recorded for the years ended 31 December 2024 and 2025 were primarily owing to the lower profit absolute amount recorded in 2023, which is not expected to recur and therefore should not be taken as the sole reference point for assessing the sustainability of future growth. Instead, the Net Profit Targets have been set with reference to the Group's more recent recovery trend and normalised operating conditions, together with its forward-looking business strategy.

Against this backdrop, the Board expects that future profit growth will be driven primarily by improvements in operational efficiency and profitability, rather than significant expansion in operation scale. Accordingly, the Board considers that the targeted annual growth rates of approximately 10.1% to 16.0% for the three financial years ending 31 December 2028 are prudent, sustainable and consistent with the nature of the Group's core business.

The Net Profit Targets are based on the Group's reported net profit for the relevant financial years and do not carve out one-off or non-recurring items. The Board will assess the achievement of the Net Profit Targets by reference to the audited consolidated net profit of the Group for each respective financial year. Based on the Company's review of publicly available disclosures of listed issuers which have adopted similar profitability targets as vesting conditions in the 12 months prior to the Date of Grant, it is not uncommon for performance targets to be determined by reference to reported financial results without adjustments for one-off or non-recurring items, particularly where such targets are intended to reflect the issuer's overall financial performance as presented in its audited financial statements. In this context, the adoption of a non-adjusted financial results ensures that the performance targets are based

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on objective and transparent financial metrics and avoids potential ambiguity or inconsistency that may arise from adjustments to exclude items which may not be subject to a clear or consistent definition of being “non-recurring”. In arriving at such view, the Board reviewed publicly available disclosures of listed issuers which had adopted profitability-related performance targets in connection with grants of share options or share awards. In particular, the Board noted that in the cases of (i) Xinyi Energy Holdings Limited (stock code: 3868), (ii) Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (stock code: 2196) and (iii) Denox Environmental & Technology Holdings Limited (stock code: 1452), the relevant profitability performance targets were generally determined by reference to reported financial results rather than adjusted financial metrics. No adjustments were made for one-off or non-recurring items in assessing the relevant profitability targets, save that Shanghai Fosun Pharmaceutical (Group) Co., Ltd. excluded the impact of share-based payment expenses arising from its share incentive schemes. The Board therefore considered it appropriate to adopt a similar approach in assessing the Net Profit Targets under the Conditional Grant. The Board considers that including all items, whether recurring or non-recurring, provides a more comprehensive and faithful assessment of the Group’s financial performance, and appropriately reflects the actual financial results delivered to the Shareholders.

Notwithstanding that certain items recognised in the Group’s financial statements may be regarded as non-recurring or not arising from the ordinary and usual course of business of the Group, such as impairment, extraordinary gain/loss, exchange fluctuation, the Net Profit Targets have been determined and will be assessed based on the Group’s reported net profit without adjustment for such items. The Board considered that it is appropriate and reasonable not to exclude such items, as they form part of the Group’s overall financial performance during the relevant financial year. In particular, as Chairman and an executive Director, Mr. Du is responsible for the overall management, strategic direction and operational decisions of the Group, including those which may give rise to both recurring and non-recurring gains or losses, such as asset disposals, financing arrangements and business restructuring activities. As such, any such items, whether arising from the ordinary course of business or otherwise, are considered to be within the scope of management’s oversight and responsibility. In addition, the Board considered that it is appropriate and reasonable not to exclude one-off items as there is no universally accepted definition of “one-off” items, and any attempt to exclude such items may involve subjective judgment and could lead to inconsistency in assessment. Furthermore, one-off items may have either positive or negative impacts on financial results, and selectively excluding such items could result in biased or distorted performance evaluation. As a senior executive and Chairman, Mr. Du is responsible for the overall management of the Group, including business activities that may give rise to exceptional gains or losses, and proactively identify and response to political, industry and business changes which may lead to risk and opportunities that will cause one-off items in the Group’s financial statements. Accordingly, such items form part of the Group’s overall financial performance and are relevant in assessing management effectiveness. The Remuneration Committee is of the view that it is fair and reasonable as it ensures that the performance of the Group is assessed on a comprehensive basis, reflecting the outcome of all significant business and strategic decisions undertaken under the leadership of Mr. Du.

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In light of the above, the Board considers that evaluating performance based on reported net profit without adjustments provides a consistent and objective benchmark, and is therefore fair and reasonable.

Gearing Ratio Target

The Board considers that gearing ratio (being the consolidated total liabilities divided by the consolidated total assets of the Group) is one of the key indicators of the Group's financial position, capital structure and risk profile. In particular, the gearing ratio reflects the Group's ability to manage its leverage level and financial stability. Mr. Du, as the Chairman and an executive Director, plays a key role in optimising the Group's capital structure, including arranging refinancing, managing debt levels and overseeing the disposal of under-performing assets, all of which have a direct impact on the Group's gearing ratio. Accordingly, the inclusion of gearing ratio as an additional performance target is considered appropriate as it aligns with Mr. Du's key responsibilities and contributions to the Group.

Notwithstanding that the use of gearing ratio as a performance target for the vesting of share options is not commonly adopted among listed issuers in Hong Kong, the Board considers that the inclusion of the gearing ratio as a performance target is appropriate and necessary having regard to the specific circumstances of the Group and should not be assessed solely by reference to general market practice. The Group operates in the environmental protection and wastewater treatment sector which is capital-intensive in nature and characterised by long receivables turnover days, and accordingly places significant emphasis on financial position management and capital efficiency.

In assessing the appropriate levels of the Gearing Ratio Targets, the Board has reviewed the Group's gearing ratios over the past six financial years from 2020 to 2025, as follows:

	As at 31 December					
	2025	2024	2023	2022	2021	2020
Gearing ratio	66.2%	68.6%	69.6%	69.7%	70.4%	71.0%

The Group's gearing ratio has exhibited a gradual decline over the above period. In particular, the Group's gearing ratio had decreased from approximately 71.0% as at 31 December 2020 to 66.2% as at 31 December 2025, representing a reduction of approximately 4.8 percentage points over five years. Such improvement was achieved mainly through the transition of the Group's business strategy from capital intensive construction driven growth towards comprehensive cost management and operational efficiency-driven growth during the last five years, with a series of ongoing financial and operational measures, including cash and financing management to ensure smooth operation, repayment of payables and limiting the growth in total liabilities.

The specific Gearing Ratio Targets of 65.2%, 64.2% and 63.2% as at 31 December 2026, 2027 and 2028, respectively were determined with reference to the Group's historical gearing trend and financial position. Taking into account the historical gearing trend, the Board considers that a further gradual reduction of approximately 1% per annum represents a reasonable, achievable and sustainable target with active management intervention.

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Notwithstanding the gradual decline of gearing ratio in the past five years, the Board considers that further reduction in gearing ratio going forward is not an automatic outcome of debt maturity and will require further management efforts. In particular, the Group's existing portfolio includes projects with relatively long receivables turnover days, which may continue to place pressure on working capital and the financial position of the Group and may lead to credit loss if not actively managed. The Board considers that, unless the Group maintains a sound financial position and generates sufficient operating cash flow to reduce overall liabilities, maturing indebtedness would generally be refinanced, which would not lead to a reduction in gearing ratio. As such, the targeted annual reduction cannot be achieved solely through the natural progression of the Group's financing arrangements. In this regard, the Board considers that Mr. Du's contribution is directly relevant to the achievement of the gearing ratio targets, given his responsibility for overseeing the Group's capital management and strategic initiatives, including refinancing arrangements and asset disposals. As the Chairman and an executive Director, Mr. Du has taken primary responsibility for reviewing the Group's project portfolio and capital structure, including identifying projects where cash recovery is slow and evaluating whether mitigation actions would be employed to reduce credit and impairment risks, or disposal would improve overall capital efficiency and benefit to the Group. He is also expected to be involved in discussions with financing institutions on refinancing and liability management with a view to reducing long-term leverage. These are areas which go beyond routine financial management and require commercial judgement and execution experience. As such, the Board considers that, while the Group has historically reduced its gearing ratio, further reductions will not occur naturally without deliberate action and will depend on measures such as assets restructuring, faster cash recovery and more disciplined capital allocation, which fall within Mr. Du's main responsibilities.

The Remuneration Committee has considered the above and is of the view that it remains appropriate to include gearing ratio as an additional performance target, notwithstanding the historical downward trend. The Remuneration Committee considers that such Gearing Ratio Targets are fair and reasonable as they represent a progressive yet achievable benchmark which require continued management effort and align with the Group's objective to maintain a healthy and sustainable balance sheet.

In evaluating whether the Gearing Ratio Targets are sufficiently challenging yet achievable for incentive purposes, the Remuneration Committee has considered both the Group's historical performance and the operational realities of the Group's business. While the Group's gearing ratio had gradually declined from approximately 71.0% as at 31 December 2020 to 66.2% as at 31 December 2025, the Remuneration Committee noted that the Group continues to operate in a capital-intensive wastewater treatment industry characterised by relatively long receivables turnover cycles, substantial financing requirements and ongoing capital commitments. As such, further reductions in gearing ratio are not expected to occur naturally without proactive management measures, including accelerating cash recovery, enhancing working capital management, strengthening operational cash flow generation and optimising financing arrangements. The Remuneration Committee further considered that the targeted reduction of approximately 1 percentage point per annum represents a meaningful improvement when measured against the Group's current asset and liability base. Based on the Group's consolidated total assets and total liabilities as at 31 December 2025, achieving the prescribed Gearing Ratio Targets would require sustained discipline in liability management

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and capital allocation over the three-year performance period. In particular, the targeted reduction would need to be achieved while maintaining normal business operations and funding the Group's ongoing wastewater treatment projects, which the Remuneration Committee considers to be a demanding but realistic objective. In arriving at its view, the Remuneration Committee also took into account that the Gearing Ratio Targets do not operate on a standalone basis, but form part of a broader performance framework together with other performance targets. Accordingly, the Grantee is required not only to improve the Group's balance sheet position, but also to maintain profitability, operational performance and shareholders' value creation simultaneously. In light of the above, the Remuneration Committee considers that the Gearing Ratio Targets are sufficiently challenging to incentivise meaningful performance, while remaining achievable through successful execution of the Group's business strategy and capital management initiatives.

The inclusion of the gearing ratio target is intended to ensure that Mr. Du's performance is assessed not only by reference to earnings growth, but also by reference to the quality and sustainability of such growth from a balance sheet perspective. In this regard, the gearing ratio target operates in conjunction with the net profit and operational targets to form a comprehensive performance framework which could ensure that improvements in profitability are supported by sound capital management and disciplined asset allocation.

Operational Target

The Group's principal business comprises the design, construction and operation of wastewater treatment and environmental projects. In line with the Group's strategy to optimise its asset portfolio, enhance capital efficiency and strengthen its financial position, the Board considers that the rationalisation of wastewater treatment projects, including the disposal of under-performing assets, forms an integral part of the Group's business strategy. In this regard, "under-performing assets" do not necessarily refer only to projects with low profitability, but also projects which are subject to relatively long receivables turnover days and poor cash flow, resulting in prolonged cash conversion cycles and increased capital being tied up over an extended period, or operation scale is minimal which considered not worthwhile maintain.

For the purpose of the Group's internal portfolio review, the Board does not apply any single quantitative threshold in determining whether a project should be considered for disposal. Instead, the Board assesses each project on a holistic and case-by-case basis, taking into account a combination of operational, financial and strategic factors. In evaluating the profitability of a project, the Board will consider factors including the project's profit margin, internal rate of return and return on investment relative to other projects within the Group's portfolio. In evaluating receivables recovery and capital efficiency, the Board will consider factors including receivables turnover days, ageing profile of trade receivables, expected timing of cash collection and the extent to which capital remains tied up in the project relative to the cash inflow generated. In evaluating operational scale, the Board will consider factors including revenue contribution, treatment capacity, utilisation rate, management resources required, further expansion and upgrading opportunity and the strategic importance of the project to the Group. The Board emphasises that a project will not be identified for disposal

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solely because one factor is present. Rather, the Board will evaluate all relevant circumstances and determine whether continuing to hold the project remains in the overall interests of the Group from a financial, operational and strategic perspective.

Set out below is a summary of the number of disposals undertaken by the Group over the past five financial years and their corresponding revenue contribution to the Group:

	For the year ended 31 December				
	2025	2024	2023	2022	2021
Number of wastewater treatment project disposal contract signed	2	3	0	1	1
Revenue contribution of disposed projects (<i>% of total revenue</i>)	1.4%	1.6%	—	-0.2%	0.4%

The Board is of the view that the number of wastewater treatment project disposal contract entered into is an appropriate performance indicator as it reflects the Group's ability to identify, negotiate and execute asset optimisation initiatives. Such disposals require careful commercial judgment and execution as they may have potential implications on the Group's market capitalisation, financial performance and gearing position. Any disposals undertaken by the Group will be subject to the disclosure requirements under the Listing Rules, where applicable. In particular, where a disposal constitutes a notifiable transaction, the Company will publish an announcement in accordance with the relevant requirements under Chapter 14 of the Listing Rules, setting out the principal terms of the transaction, reasons for and benefits of the disposal and its financial impact on the Group. Where applicable, the Company will also seek Shareholders' approval and issue a circular in compliance with the Listing Rules. For disposals which do not constitute notifiable transactions, the Company will continue to comply with its general disclosure obligations, including the publication of periodic financial results and management discussion and analysis where material developments in the Group's business and financial position, including the impact of such disposals, will be disclosed. The Board considers that, through such disclosure framework, information relating to disposals will be made available to investors in a timely and transparent manner. Disposals that are not favourably perceived by investors may negatively affect market sentiment which may be reflected in the movement in market price of the Shares, while disposal will reduce revenue of the Group and disposal losses may impact net profit of the Group, and disposals below net asset value may adversely affect the Group's gearing ratio. Accordingly, the Board considers that the Operational Targets is directly relevant to Mr. Du's responsibilities in overseeing the Group's strategic planning and asset management.

For the purpose of measuring the Operational Targets, a "wastewater treatment project disposal contract" refers to a legally binding agreement entered into by the Group for the disposal of its equity interest, beneficial interest and/or concession rights in wastewater treatment or related environmental projects.

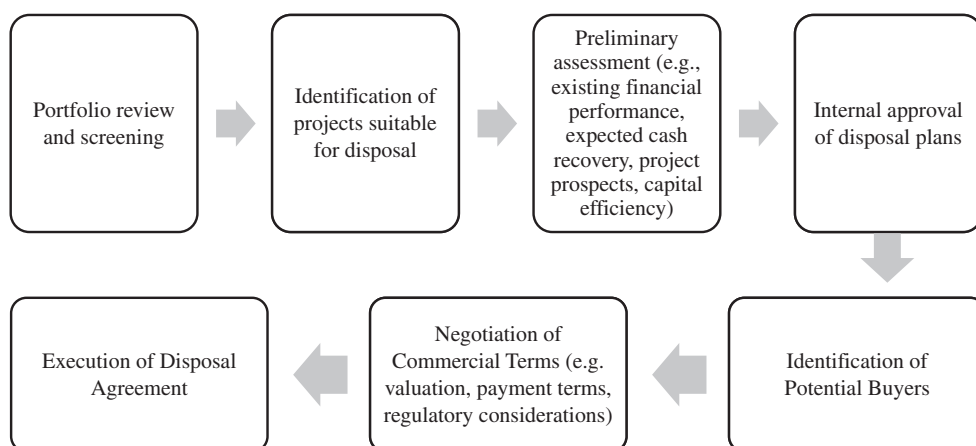
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In the previous five financial years, the Group had entered into a total of seven wastewater treatment project disposal contracts. The Operational Targets for each of the three financial years ending 31 December 2026, 2027 and 2028 were determined by the Board with reference to the Group's historical disposal activities which demonstrated that such transactions are irregular in nature and dependent on the availability of suitable opportunities, as well as the Group's strategic objective of optimising its asset portfolio. Based on the Group's internal portfolio review, the Board has identified a pipeline of projects that may be suitable for restructuring or disposal. The Board estimates that a number of projects currently under review (exceeding 15 projects) which require extra attention of the management and may be considered for disposal over the 3-year period if performances of such projects do not substantially improve. Given the high variation and uncertainty of time required for negotiation and obtaining necessary approval from the local governments, it is considered feasible to enter into approximately 2 to 4 transactions per year, subject to negotiation and market conditions. Having regard to (i) the historical statistics of signed disposal contracts (0 to 3 disposals per year); (ii) the identified pipeline of potential disposals; and (iii) the practical execution capacity of management, the Board considers that setting the target at not less than 3 disposal transactions per year is achievable in light of execution constraints and market conditions and in the interests of the Company.

The historical number of signed disposal contracts as set out above demonstrates that such transactions are not recurring or mechanical in nature, but are highly dependent on the availability of suitable opportunities. In particular, no disposals were completed in 2023 despite the existence of projects within the portfolio, as market conditions were not favourable. In contrast, in 2024, the Group recorded three disposals, which reflected an improved market sentiment. The variation across years reflects the fact that disposals require the alignment of multiple factors, including asset readiness, buyers' interest, pricing, negotiation process and regulatory considerations. The Board therefore considers that disposal activities are inherently opportunistic and transaction-specific, and most importantly should benefit the Group as a whole, rather than forming part of a fixed or recurring operating cycle.

LETTER FROM THE BOARD

To assist Shareholders in understanding the Board's decision-making process, the key business cycle for the identification and disposal of wastewater treatment projects is summarised below:



The Board considers that the execution of such disposal contracts requires careful evaluation, negotiation and sound commercial judgment, as inappropriate or premature disposals may have adverse implications on the Group's financial performance, market perception and financial position. In particular, disposals pursued primarily with a view to increasing the number of transactions, rather than assessing their commercial merits, could in turn adversely affect the Group's profitability, financial stability and market valuation. Accordingly, the Operational Targets have been set with a view to promoting value-oriented and strategically justified disposals, rather than simply maximising the number of disposal contracts. The Remuneration Committee considers that the Operational Targets are fair and reasonable, as they incentivise the Grantee to carefully manage and optimise the Group's asset portfolio and capital structure, while ensuring that disposal decisions are made with due regard to their overall financial and strategic impact. The Remuneration Committee is of the view that the Operational Targets do not operate in isolation, but are to be achieved in conjunction with the net profit and gearing ratio targets together with the Market Capitalisation Target as a mandatory vesting condition. As such, a sole focus on increasing the number of disposal contracts would not maximise the number of Options to be vested, as any adverse impact on the Group's profitability, financial position or shareholders' value may result in the corresponding performance targets not being fulfilled. In this respect, the performance targets provides an effective system of checks and balances which ensures that such disposals are undertaken in a commercially justified and sustainable manner, and not merely for the purpose of satisfying a single performance target. The achievement of the Operational Targets is intended to incentivise strategic portfolio optimisation rather than the mere increase in the number of disposal transactions. Accordingly, when identifying projects suitable for disposal and formulating the disposal plans, the Board will consider whether the disposals were consistent with the Group's objective of improving capital efficiency, reducing credit risk, enhancing cash flow profile or optimising resource allocation. When a disposal is proposed for approval, the Board will consider whether the terms of disposal are commercially justifiable and aligned with the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

The execution of disposal transactions shall be subject to an internal evaluation process to ensure that such decisions are made with due regard to the Group's overall financial and strategic position, rather than solely for the purpose of achieving the Operational Targets. Prior to proceeding with any disposal, the Board will consider whether the transaction is commercially and strategically justified having regard to the specific circumstances of the assets and prevailing market conditions. This includes assessing the cash flow profile and capital recovery cycle of the relevant project, the extent to which capital is locked up in receivables and whether the impacts of the disposal on the Group's cash conversion efficiency and financial flexibility. Particular emphasis is placed on whether the disposal would result in a net improvement to the Group's balance sheet, rather than merely generating short-term transaction activity. In addition, the Board will review the commercial terms of the disposal, including valuation, consideration structure and settlement terms, with a view to ensuring that the transaction is conducted on normal commercial terms and is in the interests of the Company. Where appropriate, reference may be made to market benchmarks or third-party valuations. The Remuneration Committee has considered the above framework and is satisfied that the process ensures that disposals are not undertaken solely to meet numerical targets as achieving the Operational Targets alone would not result in vesting of the Options. As such, any disposal that is not strategically justified may adversely affect other performance metrics, which would ultimately reduce the overall vesting outcome.

In determining to grant the Share Options solely to Mr. Du, the Board and the Remuneration Committee had taken into account Mr. Du's strategic role following his appointment in February 2026, particularly in leading and implementing the Company's overall strategic direction, leadership of the Board, and management oversight of the Group's operations, including its core wastewater treatment business. The Board considers that Mr. Du's role is distinct from that of other executive Directors that Mr. Du's responsibilities are not only Group-wide and strategic, but also involve in-depth study and evaluation of business units, and to direct and monitor work plans for operation enhancement and/or divestment. Mr. Du shall focus in areas such as capital structure optimisation and financing strategy, project portfolio review and asset rationalisation and alignment of operational performance with financial and capital efficiency objectives. Such responsibilities involve strategic decision-making across the Group's entire asset base and balance sheet and require experience in capital management, restructuring and investment decision-making. Mr. Du has also taken up management positions in certain subsidiaries of the Group in the PRC, and shall devote extra time and effort to the transmission of the Group's strategies to specific business units, and to monitor and assess the implementation. Mr. Du was selected as the sole grantee having regard to his unique role and expected contribution at the current stage of the Group's development. In particular, Mr. Du is primarily responsible for driving the Group's strategic transformation, including improving capital and operation efficiency and optimising the asset portfolio, the performance targets attached to the Conditional Grant (including market capitalisation, net profit, gearing ratio and operational targets) are directly linked to areas under his oversight and the Conditional Grant is intended to incentivise strategic leadership and overall Group-level performance, as well as monitoring and assessing the execution results at individual business unit level. Accordingly, the Board considers that it is appropriate for the Conditional Grant to be made to Mr. Du alone, given that the targeted outcomes are most directly influenced by his role and responsibilities.

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Notwithstanding Mr. Du's relatively short tenure, his appointment was made to address the Company's immediate strategic needs, in particular the need to further enhancement of capital and operational efficiency, optimise the Group's asset portfolio and strengthen its overall financial position, especially in light of projects with extended receivables recovery cycles and the need to improve cash flow and balance sheet efficiency. The Board considers that Mr. Du's experience in capital management, asset restructuring and strategic execution is directly relevant to these priorities and his contribution is therefore expected to be critical to the Company's future performance.

The Board and the Remuneration Committee have also considered the Company's historical grants of share options to its directors and employees in 2019 and 2024, which represented approximately 5.7% and 10.0% of the then issued share capital of the Company, respectively. Such historical grants were made to a broader group of participants without performance target and the number of options granted to any individual director thereunder was approximately 0.49% (for 2019) and 0.75% (for 2024), respectively, of the then prevailing number of issued shares. By contrast, the Conditional Grant is made to a single individual who is responsible for driving the Group's strategic transformation at the overall level, and is subject to a more stringent and multi-layered performance framework, including a mandatory market capitalisation condition and additional performance targets relating to profitability, gearing ratio and operational execution. The historical grants are not direct comparables to the Conditional Grant. Instead, the historical grants were considered as a reference in assessing the Company's historical remuneration practices and the scale of equity incentives previously adopted by the Company. While the historical grants provide relevant background regarding the Company's past use of equity incentives, the Remuneration Committee's assessment of the fairness and reasonableness of the Conditional Grant was based primarily on the performance-linked nature of the grant, the role of Mr. Du and the expected value creation required before any economic benefit can be realised from the exercise of the Options.

Taking into account the inclusion of such performance targets as vesting conditions, the Board (including the independent non-executive Directors) considers that the Conditional Grant (being approximately 5% of the issued share capital of the Company over a three-year period) is reasonable and proportionate, and reflects a more conservative and performance-linked approach. The Board is of the view that the structure of the Conditional Grant appropriately aligns the interests of the Grantee with those of the Company and its Shareholders by linking potential rewards to the achievement of sustained improvements in the Group's financial performance, capital structure and operational efficiency, and is therefore in the long-term interests of the Company and its Shareholders as a whole.

The Board considers that Mr. Du's historical remuneration does not necessarily reflect his expected role, scope of responsibilities or the specific challenges faced by the Group at its current stage of development. As such, the Conditional Grant (including the size and potential value of the Options if vested and exercised in full) was not determined merely with reference to Mr. Du's historical remuneration packages in his prior roles. In particular, the Conditional Grant is intended to incentivise Mr. Du to deliver new and measurable contributions to the Group, rather than to replicate or benchmark against past compensation arrangements in other organisations. Instead, the Board has adopted a performance-linked approach, under which the value to be realised by Mr. Du is contingent upon the achievement of multiple performance

LETTER FROM THE BOARD

targets, including the Market Capitalisation Target (as a mandatory condition) and at least one of the additional targets relating to profitability, gearing ratio and operational target. As such, the potential economic value of the Options is not guaranteed and is directly linked to the extent of performance achieved over time.

The Board had also reviewed publicly available precedents involving grants of share options and share awards to directors and senior management of Hong Kong listed issuers. In conducting such review, the Board placed greater emphasis on precedents where the grantee held a leadership role comparable to that of Mr. Du, including serving as an executive director, chairman of the board, chief executive officer or a combination thereof, given that such individuals are typically responsible for the overall strategic direction, business performance and long-term value creation of the relevant issuer. It is there is no uniform market standard regarding the size of equity incentives granted to directors and that the size of grants varies significantly depending on factors such as the issuer's market capitalisation, stage of development, responsibilities of the grantee and the performance conditions attached to the relevant awards. The Board further noted that, in the cases of (i) Vobile Group Limited (stock code: 3738), (ii) China Star Entertainment Limited (stock code: 326), (iii) Emperor Capital Group Limited (stock code: 717) and (iv) Hans Group Holdings Limited (stock code 554), grants of 28,000,000, 164,000,000, 337,042,286 and 243,763,800 share options, representing approximately 6.10%, 6.67%, 5.0% and 5.56% of the then issued share capital of the relevant issuers, respectively, were made to executive directors and/or chairmen of the board in 2021, 2023, 2025 and 2026. In particular, there was no performance target applied in the cases of Emperor Capital Group Limited and Hans Group Holdings Limited. The Board considers that these precedents demonstrate that equity incentive grants of a comparable magnitude have been awarded to senior executives who bear primary responsibility for the management, strategic development and long-term performance of listed issuers. Accordingly, the Board considers that the size of the Conditional Grant is fair and reasonable and appropriately aligns Mr. Du's interests with the long-term interests of the Company and its Shareholders.

The Remuneration Committee has reviewed the proposed remuneration package of Mr. Du, comprising fixed remuneration and the Conditional Grant, and considers that it is fair and reasonable and commensurate with his roles and responsibilities, having regard to prevailing market conditions, given Mr. Du has assumed a Group-wide strategic role as the Chairman and an executive Director with primary responsibility for capital structure optimisation, asset portfolio rationalisation and overall financial management, which are critical to the Group's transformation and long-term performance. The Remuneration Committee considers that such responsibilities are broader and more strategic in nature compared to typical operational roles and warrant an incentive structure that is heavily performance-linked. The Remuneration Committee has also considered the scale of the Conditional Grant in its context. While the Options may represent a meaningful potential value if fully vested, such value is entirely conditional upon the achievement of the prescribed performance targets. By way of illustration, the Market Capitalisation Targets require the Company's market capitalisation to increase to HK\$2,500 million, HK\$3,750 million and HK\$5,625 million, respectively, representing significant increases over the current level. In addition, the other performance targets require sustained improvements in net profit, continued reduction in gearing ratio and the successful execution of asset optimisation initiatives. The Remuneration Committee considers that the vesting of the Options is therefore highly contingent upon the delivery of substantial and

LETTER FROM THE BOARD

sustained improvements across multiple aspects of the Group's performance and is not achievable through short-term measures or focus on a single metric. As such, the Conditional Grant is designed to align the interests of Mr. Du with those of the Company and its shareholders by linking potential rewards directly to the creation of long-term shareholder value. The Remuneration Committee has considered the potential economic value of the Conditional Grant by reference to the implied value of the Options under each Tranche as set out above. As set out above, the aggregate implied value of all 115,000,000 Options amounts to approximately HK\$106.1 million. However, the above implied value does not represent an immediate or guaranteed benefit to Mr. Du. Any value capable of being realised by Mr. Du is entirely contingent upon the achievement of the prescribed performance targets and the continued appreciation of the Company's share price above the exercise price of HK\$0.73 per Share.

The Conditional Grant is intended to provide a means by which the Grantee could benefit from the possible increases in the value of the Shares in the future. It also forms part of the remuneration of the aforesaid Grantee. Such grants will encourage Mr. Du to work towards enhancing the value of the Company and the Shares for the benefits of the Company and Shareholders as a whole by continuously contributing his work performance, expertise and strategic guidance to the Group in building the long-term success of the Group. The Board and the Remuneration Committee are of the view that the Conditional Grant, which include the performance targets, will effectively incentivize Mr. Du by better aligning his interests with those of the Shareholders. The Conditional Grant entails the long-term incentive portion of his remuneration packages, which would motivate him to continuously drive positive results for the Company and its Shareholders. The essence of the Conditional Grants is to align Mr. Du's personal interests with the Company's long-term strategy and value to Shareholders, thereby avoiding short-term behaviors and ensuring the sustainability of the ecosystem development and global expansion of the Company. In assessing the appropriateness of the Conditional Grant, the Board and the Remuneration Committee considered alternative forms of remuneration and incentives, including increases in fixed salary, discretionary cash bonuses and cash-based long-term incentive arrangements. The Board and the Remuneration Committee considered that such alternatives would either involve an immediate cash outflow by the Company or would not provide the same degree of long-term alignment between management interests and shareholder interests. However, the Conditional Grant only provides value to the Grantee if the prescribed performance targets are achieved and the market value of the Shares exceeds the exercise price. Besides, if the Options are exercised in full, the Group will receive approximately HK\$84.0 million in cash which in turn strengthening the Group's liquidity and financial position. Accordingly, the Board and the Remuneration Committee consider the Conditional Grant to be the most appropriate incentive mechanism for promoting long-term value creation and aligning the interests of Mr. Du with those of the Shareholders. The Conditional Grants are considered to be fair and reasonable, as they are designed to promote the sustainable performance of these Directors and employee of the Company, which is in line with the Company's remuneration policies.

LETTER FROM THE BOARD

Mr. Du's background and qualifications

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants, and advisers of our Group and to promote the success of the business of our Group. The Conditional Grant is to provide incentive for his persistent devotion and leadership by further aligning the interests of the Group with him.

Mr. Du holds a bachelor's degree in International Trade from Lanzhou University, the PRC. Mr. Du is currently an executive director and chief executive officer of China Financial International Investments Limited (Stock code: 721) ("**China Financial International**") and was the chairman of China Financial International from 2010 to 2025. He was also the chief executive officer of China Water. Both China Financial International and China Water are listed on the main board of the Stock Exchange. Mr. Du has over 25 years of experience in investment and finance sector in the PRC and he had held senior management positions in various unlisted investment companies incorporated in the PRC. From 2001 to 2005, Mr. Du acted as the general manager of the Southern head office of New Times Trust Co., Ltd. (新時代信託投資公司).

Set out below is a summary of Mr. Du's employment history, including the positions held by him and his principal roles and responsibilities:

Period	Organisation	Position	Roles and Responsibilities
1992–1995	Hainan Sanya United Securities Company Limited* (海南三亞聯合證券公司) (" Sanya United Securities ")	Office Manager	Assisted in administrative and operational functions and participated in investment and related activities
1995–1997	Hunan Pharmaceutical Group Company* (湖南藥業集團公司) (" Hunan Pharmaceutical ")	General Manager	Led the acquisition of the company and was responsible for overall management and operations following restructuring of the company
1997–2001	Shenzhen Zhongdingxuan Investment Company* (深圳中鼎軒投資公司) (" Shenzhen Zhongdingxuan ")	General Manager	Led acquisition of a real estate project and was responsible for the management and operation of the project
2001–2005	New Times Trust Co., Ltd.* (新時代信託投資公司) (" New Times ")	Head of Southern Region	Participated in restructuring projects and corporate establishment activities, including bankruptcy restructuring and spin-off arrangements

LETTER FROM THE BOARD

Period	Organisation	Position	Roles and Responsibilities
2005–2010	China Water	Chief executive officer	Led acquisitions of water utility businesses and oversaw investment and operational integration of acquired projects
2010–Present	China Financial International	Chief executive officer	Led strategic investments, mergers and acquisitions and corporate restructuring, including joint ventures and acquisition of industrial assets through restructuring

Mr. Du was introduced to the Company by the controlling shareholder of the Company, Mr. Duan Chuan Liang. Save as disclosed above, Mr. Du does not have any business or other relationship with Mr. Duan Chuan Liang.

The Board considers that Mr. Du's experience in the investment and finance sector is directly relevant and valuable to the Group's business operations and current circumstances. In particular, his experience in mergers and acquisitions, corporate restructuring and investment management enables him to identify and evaluate strategic opportunities to optimise the Group's asset portfolio and operational efficiency, including within the wastewater treatment sector. Further, his prior role as chief executive officer of China Water provides him with relevant industry exposure and an understanding of the water and environmental protection business, which is in line with the Group's principal business. In addition, his experience in senior management and corporate governance supports the effective execution of the Group's business strategy, operational management, and stakeholder engagement, including coordination with creditors, investors and business partners.

Based on the above employment history, the Board considered that Mr. Du has accumulated substantial experience in mergers and acquisitions, corporate restructuring, investment management and senior management over more than 30 years. Mr. Du obtained early exposure to mergers and acquisition activities during his tenure at Sanya United Securities, where he participated in investment projects and developed familiarity with transaction structures and execution processes. He subsequently led acquisition and restructuring exercises in Hunan Pharmaceutical and Shenzhen Zhongdingxuan, where he was responsible for post-acquisition management of the company and investment projects. During his tenure at New Times, he gained experience in corporate restructuring and bankruptcy reorganisation, including participation in the restructuring of Baotou Textile Group and the establishment of a securities company through spin-off arrangements. As chief executive officer of China Water, he led multiple acquisitions of water utility companies, including regional water supply and wastewater businesses including but not limited to Xinyu Water Affairs Group Company Limited* (江西新余供水公司) and Huizhou Daya Bay Environment Water Group Co., Ltd. In his current role at China Financial International, he has been responsible for large-scale investment, restructuring and joint venture formation, including the restructuring acquisition of industrial enterprises.

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In the context of the Group's business and strategic direction, the Board considers that Mr. Du's experience is directly relevant to the Group's objective of optimising its asset portfolio and enhancing operational efficiency, particularly in respect of its wastewater treatment projects. In this regard, optimisation of the Group's asset portfolio involves assessment of individual project from different perspectives including but not limited to profitability, rate of return, credit risk, operating efficiency, liquidity, prospects, etc. In addition, optimisation of operational efficiency involves improving the management and performance of projects, including better cost control, resource allocation, financial management and operational discipline, with a view to enhancing profit margins and cash generation on a recurring basis. In deciding which particular project to be disposed of, screening does not primarily focus on projects with lower return characteristics, but also on projects which are capable of generating accounting profits but subject to relatively long receivables turnover cycles, which may increase pressure on the Group's working capital and gearing position. Besides, disposal management involves locating willing buyer, negotiation of terms and seeking approval of local governments. The Board considers that Mr. Du's experience in asset restructuring, capital management and investment discipline is directly relevant to these initiatives, and enables him to evaluate projects not only based on accounting return but also on capital efficiency and cash flow characteristics, which is in line with the Group's strategic shift.

Taking into account the above, the Board considers that Mr. Du's background and expertise are relevant and appropriate to the Group's business operations.

The total of 115,000,000 Options was determined by the Remuneration Committee and the Board after considering, among other things:

- (i) Mr. Du's role as Chairman and executive Director with primary responsibility for the overall strategic direction of the Group;
- (ii) his expected contribution to the Group's strategic transformation, including enhancing capital efficiency, reducing gearing, optimising the project portfolio and improving overall profitability;
- (iii) the challenging nature of the performance targets attached to the Conditional Grant, including the mandatory Market Capitalisation Target and the additional targets relating to net profit, gearing ratio and operational performance;
- (iv) the fact that no value will be realised by Mr. Du unless the relevant performance targets are satisfied and the market price of the Shares exceeds the exercise price of HK\$0.73 per Share; and
- (v) the need to provide a meaningful long-term incentive capable of aligning Mr. Du's interests with those of the Shareholders and motivating him to deliver sustained improvements in the Group's operational and financial performance.

The Remuneration Committee also considered that the Options represent approximately 4.98% of the existing issued share capital of the Company and are subject to a multi-year vesting schedule ending in 2029 together with multiple performance targets. In particular, the

LETTER FROM THE BOARD

mandatory Market Capitalisation Targets require the Company to achieve market capitalisation of HK\$2.5 billion, HK\$3.75 billion and HK\$5.625 billion, respectively, representing significant increases over the Company's market capitalisation as at the Date of Grant.

Having considered the above factors, the Remuneration Committee is of the view that the number of Options granted to Mr. Du is fair and reasonable, appropriately reflects his anticipated contribution to the Group and effectively aligns his interests with the long-term interests of the Company and the Shareholders, as the majority of the potential economic value under the Conditional Grant can only be realised if substantial shareholders' value is created.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately after the exercise of the Options in full under the Conditional Grant:

	As at the Latest Practicable Date		Immediately after the exercise of the Options in full under the Conditional Grant (assuming there is no change in the issued share capital of the Company between the Latest Practicable Date and the date of exercise)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholders				
Sharp Profit Investments Limited	669,672,657	29.03	669,672,657	27.65
Mr. Duan Chuan Liang	861,590,455	37.35	861,590,455	35.57
Directors				
Mr. Li Zhong	26,000,000	1.13	26,000,000	1.07
Ms. Liu Yujie	26,000,000	1.13	26,000,000	1.07
Mr. Duan, Jerry Linnan	26,000,000	1.13	26,000,000	1.07
Mr. Chau Kam Wing Donald	4,000,000	0.17	4,000,000	0.17
Mr. Peng Yongzhen	4,000,000	0.17	4,000,000	0.17
Mr. Du	—	—	115,000,000	4.75
Public Shareholders	689,745,388	29.89	689,745,388	28.48
	<u>2,307,008,500</u>	<u>100.00</u>	<u>2,422,008,500</u>	<u>100.00</u>

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Monday, 14 September 2026 to Thursday, 17 September 2026, both days inclusive, during which period no transfer of Shares can be registered. The record date for entitlement to attend and vote at the EGM is Thursday, 17 September 2026. In order to be qualified for attending and voting at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 11 September 2026.

EGM

Notice of the EGM containing the proposed ordinary resolution to approve, inter alia, the Proposed Grant is set out on pages EGM-1 to EGM-2 of this circular. The resolution will be voted by way of poll at the EGM. A form of proxy for the EGM is enclosed with this circular. If you are unable to be present at the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish and in such event, the proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66 of the Articles of Association, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of the EGM will be taken by way of poll.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the resolution to be proposed at the EGM are in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

GENERAL INFORMATION

In the event of any inconsistencies as between the English version and the Chinese translation of this circular, the English version shall prevail.

Yours faithfully

For and on behalf of the Board

Kangda International Environmental Company Limited

DU Lindong

Chairman

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**Meeting**”) of Kangda International Environmental Company Limited (the “**Company**”) will be held at Suite 6409, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Thursday, 17 September 2026 for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments:

ORDINARY RESOLUTION

“**THAT** the grant of 115,000,000 share options (the “**Share Options**”) by the board of directors of the Company (subject to subsequent Shareholders’ approval) to Du Lindong (“**Mr. Du**”) to subscribe for 115,000,000 ordinary shares of HK\$0.01 each in the capital of the Company (the “**Share(s)**”) at an exercise price of HK\$0.73 per Share under the share option scheme of the Company adopted by the Company on 9 June 2025 (the “**Share Option Scheme**”) and otherwise on such terms as stipulated in the offer letter issued by the Company pursuant to the Share Option Scheme be and is hereby approved and **THAT** the board of directors of the Company be and is hereby authorised to exercise all rights and powers available to it as it may in its sole discretion consider necessary or expedient to give full effect to the grant of the Share Options to Mr. Du and the issue of the Shares upon the exercise of the Share Options by Mr. Du and **THAT** any and all such acts to effect the aforesaid grant be and are hereby approved, confirmed and ratified.”

By order of the Board of the Directors

Kangda International Environmental Company Limited

Du Lindong

Chairman

Hong Kong, 31 August 2026

Registered office:

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

Suite 6409

64/F, Central Plaza

18 Harbour Road

Wanchai, Hong Kong

NOTICE OF EGM

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (if he/she/it is a holder of two or more shares of the Company) to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment or postponement thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned or postponed meeting thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.
4. The transfer books and register of members of the Company will be closed from Monday, 14 September 2026 to Thursday, 17 September 2026, both days inclusive, to determine the entitlement of the shareholders to attend the above meeting, during which period no share transfers can be registered. All transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 11 September 2026.
5. The votes to be taken at the Meeting for the resolutions will be by way of poll.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be adjourned or postponed in accordance with the articles of association. The Company will publish an announcement on the website of the Company at www.kangdaep.com and on the website of the Stock Exchange at www.hkexnews.hk to notify the members of the Company of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the board of directors of the Company comprises seven directors, namely Mr. DU Lindong, Mr. LI Zhong, Ms. LIU Yujie and Mr. DUAN, Jerry Linnan as executive directors; and Mr. CHAU Kam Wing Donald, Mr. PENG Yongzhen and Mr. LIEW Fui Kiang as independent non-executive directors.