



Capital Environment Holdings Limited  
首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股票代號 : 03989



2025

ANNUAL REPORT 年報



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# CORPORATE INFORMATION





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Qingsong (*Chairman*)  
Mr. Guo Chaoyang (*General Manager*)

### Non-executive Director

Ms. Hao Chunmei

### Independent Non-executive Directors

Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen  
Dr. Chan Yee Wah  
Dr. Cao Fuguo

## COMMITTEES

### Audit Committee

Dr. Chan Yee Wah (*Chairlady*)  
Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen

### Nomination Committee

Mr. Li Qingsong (*Chairman*)  
Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen  
Dr. Chan Yee Wah

### Remuneration Committee

Mr. Pao Ping Wing (*Chairman*)  
Mr. Cheng Kai Tai, Allen  
Mr. Li Qingsong

## JOINT COMPANY SECRETARY

Ms. Yu Hong  
Ms. Lin Sio Ngo

## AUTHORIZED REPRESENTATIVE

Mr. Li Qingsong  
Ms. Lin Sio Ngo

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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21 Chegongzhuang Street, Xicheng District  
Beijing, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wan Chai, Hong Kong, China

## AUDITOR

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central, Hong Kong

## HONG KONG LEGAL ADVISOR

Commerce & Finance Law Offices in Association  
with Eric Chow & Co.

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking Corporation  
Limited

## SHARE REGISTRARS AND TRANSFER OFFICES

### Principal Registrar in Cayman Islands

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D, P.O. Box 1586  
Gardenia Court, Cayman Bay  
Grand Cayman, KY1-1100  
Cayman Islands

### Branch Registrar in Hong Kong

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road, Hong Kong, China

## CORPORATE WEBSITE

[www.cehl.com.hk](http://www.cehl.com.hk)

## STOCK CODE

03989



# CHAIRMAN'S STATEMENT





# CHAIRMAN'S STATEMENT



**Mr. Li Qingsong**  
*(Chairman)*

The Fourth Plenary Session of the 20th CPC Central Committee pointed out that China should accelerate the green transition in all areas of economic and social development in an effort to build a Beautiful China. It was noted that China must uphold the principle that “lucid waters and lush mountains are invaluable assets” and put this principle into concrete action. Guided by its goals of achieving peak carbon and carbon neutrality, China should make concerted efforts to cut carbon emissions, reduce pollution discharge, expand green ecological spaces, and boost economic growth. China must reinforce its ecological security shields and strengthen its internal momentum for green development. Specifically, efforts should focus on pressing ahead with pollution prevention and control, upgrading the structure and functions of ecosystems, developing a new energy system, working prudently toward peak carbon emissions, and advocating for the shift to eco-friendly production practices and lifestyles. These deployments have set a clear direction and defined key tasks for the development of the environmental protection industry.

In 2025, the global economy remained stable amid a diverging trend, with a growth rate of 3.3%<sup>1</sup> and a gradual decline in inflation. China’s economy maintained steady progress with an annual GDP growth of 5%. The added value of high-tech manufacturing as a percentage of the total added value of industrial enterprises above designated size rose to 17.1%, and the production of new energy vehicles increased by 25.1%<sup>2</sup>. The industry exhibited a clear trend toward green and high-end development. The macroeconomy is evolving in an innovative and optimized direction, presenting structural development opportunities for the environmental protection industry.

<sup>1</sup> International Monetary Fund (IMF), January 2026 World Economic Outlook Update

<sup>2</sup> National Bureau of Statistics of China, January 2026

## CHAIRMAN'S STATEMENT (CONTINUED)

In 2025, the transaction volume in the environmental protection market reached RMB996.8 billion, representing an increase of 8% compared to last year, with service-based projects accounting for over 90%. Pipeline networks and restoration emerged as the major drivers of market growth. Specifically, the pipeline network business led all sectors with a transaction volume of RMB242.2 billion. The restoration business recorded growth driven by the advancement of high-standard farmland construction, achieving a transaction volume of RMB201.2 billion. The environmental sanitation business recorded a transaction volume of RMB176.8 billion, while the sewage treatment business reached RMB140.0 billion. During the same period, the transaction volume of asset-based projects showed a shrinking trend. From the perspective of regional distribution, low-tier cities contributed nearly 50% of the transaction volume in both asset-based and service-based projects, serving as a crucial market pillar. In terms of market players, local state-owned enterprises continued to dominate the market, while private enterprises significantly increased their participation in niche segments such as environmental sanitation and restoration. Overall, the environmental protection market exhibited a trend toward service-oriented development, regional expansion into lower-tier cities, and diversified market players, with policy support and capital investment being key drivers for market growth.

Capital Environment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group") is committed to providing one-stop solutions for environmental-friendly treatment of urban solid waste. The Group provides integrated solid waste treatment services including urban and rural sanitation, domestic waste incineration for power generation, anaerobic treatment of organic waste and site restoration, through the omni-process management of waste "sorting, collection, storage, transportation, treatment and reuse". The Group has three major advantages: firstly, its business covers the entire industry chain from front-end urban sanitation to tail-end organic waste treatment, domestic waste incineration for power generation, and site restoration; secondly, it is able to achieve regional synergy in collaboration with other businesses such as sewage treatment, solid waste treatment, air management and sludge reduction; and thirdly, its services cover the omni-process of "sorting, collection, storage, transportation, treatment and reuse" of urban waste.

In 2025, the Group aligned itself with the work requirements and the outcomes of the rolling strategic decoding exercise from Beijing Capital Eco-Environment Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司) ("Capital Eco Group"), a substantial shareholder of the Company. The Group adopted the annual operational approach of "vigorously advancing market expansion, continuously strengthening business operations, and improving management with concrete actions". It identified "tackling difficulties, improving quality and driving growth" and "innovation, efficiency improvement and upgrade" as its core operating strategies. Guided by the overall operational goal of "one increase, two controls and three improvements", the Group advanced business development and operational excellence by focusing on four key tasks including financial indicators, customer markets, internal operations, and organizational growth. Through continuous efforts to deepen refined operations and project-specific initiatives, the Group achieved its annual revenue and profit targets, with all core operational metrics fully met, providing solid support for the Group's overall annual performance.

In 2025, the Group's turnover for the year amounted to RMB3,704 million, representing a year-on-year increase of 1.02%; and net profit attributable to parent company reached RMB275 million, representing a year-on-year increase of 17.25%. As of 31 December 2025, total assets amounted to RMB21,200 million, and net assets amounted to RMB7,284 million.

The Group secured a cumulative total of 63 projects in the PRC, with a total investment of approximately RMB19,713 million, of which RMB17,790 million had been invested as of 31 December 2025. The facilities are designed with an aggregate annual waste treatment capacity of approximately 14.98 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units.



## CHAIRMAN'S STATEMENT (CONTINUED)

The development journey of the Group has always been aligned with the revitalization of China's environmental protection efforts. Throughout this process, the Group has stayed true to its original aspiration in environmental protection and fulfilled its responsibilities to society and the planet with concrete actions. The Group maintained its position among the "Top Ten Influential Enterprises in the solid waste industry of China" by virtue of its clear strategic positioning and robust operational capabilities. This accolade not only represented the industry's acknowledgement of our long-term dedication to the environmental protection sector, but also testified to the market's strong endorsement of the Group's mission and values.

The year 2026 marks the opening year of China's 15th Five-Year Plan. The fundamentals sustaining China's steady growth in the long run have not changed, which serves as the strongest foundation for the Group's strategic development. Looking ahead to the 15th Five-Year Plan, the Company will advance strategic upgrading and quality improvement by prioritizing high-quality development and adhering to the philosophy of "optimizing existing assets and expanding incremental growth". In terms of optimizing existing assets, the Company will focus on its primary business of incineration for power generation, reduce costs and enhance efficiency by deepening technological upgrading and implementing the Open Competition Mechanism, striving to achieve a dual reduction in electricity consumption at plants and material consumption costs. It will strengthen full-process project management and control, implement refined management of financial review and valuation, and tap into the value of existing assets. It will also accelerate the disposal of underperforming units, consolidate gains from loss turnaround and loss reduction efforts, and optimize its asset structure. In terms of expanding incremental growth, the Company will extend its investment along the industrial chain centered on its incineration business to expand the incineration derivative business and new service offering. With a focus on the deployment of integrated front-end sanitation collection and transportation as well as resource utilization demonstration projects, the Company aims to set benchmarks for regional cooperation. It will also seize policy opportunities arising from the low-carbon development to expand new businesses such as low-carbon consulting services, cultivating future growth engines. In terms of supporting systems, the Company will optimize its cost structure through centralized procurement and seek policy funding support. It will simultaneously advance organizational efficiency enhancement, digital transformation, and talent pipeline development. It will continue to strengthen risk management and control, accelerate the collection of accounts receivable and the resolution of longstanding issues, and solidify the foundation for stable operations, thereby safeguarding the long-term development of the Company.

Last but not least, I would like to extend my sincerest gratitude to the management and all employees for their tireless efforts and outstanding contributions in the past year. I also wish to express my heartfelt appreciation to all Shareholders, members of the Board, stakeholders in Mainland China and Hong Kong for their consistent support to the Group.

**Li Qingsong**  
*Chairman*



# MANAGEMENT DISCUSSION AND ANALYSIS





# MANAGEMENT DISCUSSION AND ANALYSIS



**Mr. Guo Chaoyang**  
*(General Manager)*

In 2026, the global macroeconomy is expected to show resilience amidst multiple divergences. The IMF predicts an estimated global economic growth rate of 3.3% for the year<sup>1</sup>. Surging investment in technology fields such as artificial intelligence (AI) is expected to result in a rise in energy consumption by digital infrastructure, thereby stimulating demand for stable green electricity, creating long-term market potential for the waste incineration for power generation business. The emergence of global supply chain risks is expected to enhance the strategic value of resource recycling, further underscoring the importance of the site restoration business. Prices for energy commodities are expected to fall by about 7%<sup>2</sup>, contributing to cost control in urban-rural environmental sanitation, organic waste treatment and other businesses.

In 2025, China's economy achieved steady development, with its gross domestic product (GDP) reaching RMB140.2 trillion, representing a year-on-year increase of 5%. The share of non-fossil energy increased by approximately 2%, and clean energy power generation grew by 8.8%, fostering a favourable environment for the development of the renewable energy business. The value added of the high-technology manufacturing sector grew by 9.4%, generating demand for high-end environmental treatment solutions. By the end of the year, the permanent urban population reached 954 million, representing an urbanisation rate of 67.89%, which laid the foundation for the urban-rural environmental sanitation market.

<sup>1</sup> IMF, January 2026 World Economic Outlook Update

<sup>2</sup> IMF, January 2026 World Economic Outlook Update



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2025, China's environmental protection market demonstrated steady growth, with total transaction value reaching RMB996.8 billion, representing a year-on-year increase of 8%. Service-oriented projects accounted for more than 90% of the market, serving as the primary driver of market development. By segment, transaction values in areas such as pipeline networks, restoration, environmental sanitation and sewage treatment all exceeded RMB100 billion. Among these, the pipeline network segment led with a transaction value of RMB242.2 billion, while the restoration segment showed remarkable growth momentum, driven by high-standard farmland construction.

From an industry perspective, the waste incineration for power generation sector recorded new capacity of 9,200 tonnes per day, with an investment value of RMB8.6 billion, representing a decrease of 23% compared to the previous year. This sector has seen new capacity fall below 10,000 tonnes per day for two consecutive years, indicating that the sector is moving towards a stable state. The urban-rural environmental sanitation sector achieved a transaction value of RMB176.8 billion, representing a year-on-year decrease of 8%, with 80% of the total being short-cycle projects. Affected by policy adjustments, the number of concession projects decreased significantly. The site restoration sector posted a transaction value of RMB201.2 billion, representing a 1.06-fold increase year-on-year, primarily driven by high-standard farmland construction. Supported by policy initiatives, the energy conservation, peak carbon and carbon neutrality, and organic waste treatment segments achieved structural growth.

Overall, the environmental protection market continued to grow steadily with the support of policy and funding. However, there was a clear divergence among sectors: the restoration and pipeline network sectors served as the engines of market growth, while traditional asset-heavy businesses such as waste incineration experienced slowing growth. The market reflected a trend towards service-oriented and short-cycle development.

Since entering the field of solid waste treatment in 2011, Capital Environment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), has closely followed the development guidance of national policies to actively seize policy benefits and market opportunities, and implemented the strategic planning of Capital Eco Group, a substantial shareholder of the Company. Adhering to the operating philosophy of "vigorously promoting market expansion, continuously strengthening business operations, and solidly advancing management enhancement", and guided by the business strategy of "tackling difficulties, improving quality and driving growth" and the management strategy of "innovation, efficiency improvement and upgrade", the Group anchored itself to the overall goal of "one increase, two controls and three improvements", continuously made in-depth adjustments to its business structure to enhance profitability. The Group focused on its core environmental protection business, continuously consolidated the core position of its waste incineration for power generation business, and actively promoted the development of asset-light businesses such as urban-rural environmental sanitation, site restoration, and energy conservation, peak carbon and carbon neutrality. All business segments together achieved a vertical synergy with waste incineration as the core, and a horizontal synergy among various types of waste, forming a comprehensive structure for solid waste treatment business. The Group created a diversified value-driven model of "investment + operation + service" to develop both asset-light and asset-heavy operations, supporting Capital Eco Group to improve a systematic treatment ecosystem across "water, solid waste, air and energy" sectors.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During 2025, adhering to the operating strategies of “tackling difficulties, improving quality and driving growth” and “innovation, efficiency improvement and upgrade”, the Group strived to expand its business scale. Using key performance indicators such as return on equity (ROE) as a guide, the Group continuously tapped into the optimisation potential of its existing assets across all aspects of operations and management, achieving remarkable results. Specifically, the Group’s turnover amounted to RMB3,704 million, representing a year-on-year increase of 1.02%. Net profit attributable to the parent company reached RMB275 million, representing a year-on-year increase of 17.25%, of which the incineration, environmental sanitation and restoration businesses generated profit attributable to the parent company of RMB357 million, RMB18 million, and RMB35 million, respectively.

The Group secured a total of 63 projects in the PRC, including 27 waste-to-energy projects, 3 waste landfill projects, 6 organic waste treatment projects, 18 cleaning, collection and transportation and management projects, 6 comprehensive hazardous waste treatment projects, 1 waste electrical appliances dismantling project and 2 biomass power generation projects. The total investment was approximately RMB19,713 million, of which RMB17,790 million had actually been invested (as of 31 December 2025). The facilities are designed with an aggregate annual waste treatment capacity of approximately 14.98 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 1.20 million units. During the reporting period, a total of 57 projects were in operation or in trial operation, including 27 waste-to-energy and biomass power generation projects, 2 waste landfill projects, 18 cleaning, collection and transportation and management projects, 1 dismantling project, 6 organic waste treatment projects, and 3 comprehensive hazardous waste treatment projects.

### REMARKABLE ACHIEVEMENTS IN EFFECTIVELY TACKLING DIFFICULTIES

The Group was committed to optimising its asset structure by disposing of underperforming businesses and assets and focusing on enhancing the operational quality of its core projects. By stepping up its efforts in key areas, the Group enhanced the operational efficiency of its existing projects and achieved business breakthroughs in a number of key areas. By implementing measures to enhance quality and increase efficiency, the Group witnessed remarkable improvements in its operations, with certain projects recording profit and revenue growth and most projects seeing better operating conditions. The Group tackled operational difficulties, achieving breakthrough resolutions to longstanding issues at 8 subsidiaries. The Group steadily advanced the streamlining of underperforming assets by implementing the strategy of “advancing, divesting, maintaining and piloting”, leading to the successive withdrawal from waste landfill operations in areas such as Weng’an and Shangrao.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EVIDENT EFFECT OF COMPREHENSIVELY IMPROVING QUALITY

The Group effectively strengthened the management and control over its key projects, achieving remarkable results in full lifecycle management. 2 projects were completed, 3 projects were settled, and 3 projects underwent final accounting. The Group actively facilitated the issuance of approval for commercial operation for the Pu'er and Nanle incineration projects, and successfully completed the price adjustment for the Ningbo Kitchen Waste Treatment Project, laying a solid foundation for performance growth. In terms of project construction, 4 out of 5 planned projects were completed as scheduled. The land allocation procedures for the Xinye transfer station are currently being advanced. Through the implementation of a series of measures, the Group effectively enhanced the production efficiency of its incineration projects. The on-grid electricity per tonne of waste grew from 297 kWh/tonne in 2024 to 310 kWh/tonne (adjusted for steam supply), and overall capacity utilisation rate rose to 86%. Multiple projects increased waste treatment volumes through optimised operations and management, advancing the goal of complete waste collection coverage. In addition, the Group further optimised its cost control via strategies such as centralised procurement and loan refinancing. Total savings achieved through centralised and integrated procurement amounted to RMB35.49 million. 2 centralised procurements were completed in collaboration with Beijing China Sciences Runyu Environmental Technology Co., Ltd., 2 new categories of spare parts were added to centralised procurement, and an MRO platform was piloted. Indicators such as diesel consumption per unit in the incineration business declined, with unit costs for key factors across various business segments remaining below target levels, while administrative expenses were standardised. At the same time, 178 technological transformation projects are progressing in an orderly manner, with 134 completed, including 6 quality and efficiency improvement projects. All 6 technology-oriented technological transformation projects under the Open Competition Mechanism have been concluded, achieving positive results in areas such as desulfurisation system optimisation. The implementation of three major water treatment protocols was promoted, clarifying "five key approaches" for standardised equipment management, and driven the transformation of operation and maintenance management towards execution-driven models.

### FRUITFUL RESULTS IN INNOVATIVE INCREMENT

The Group has applied for 28 patents and 6 software copyrights in the field of technological innovation, including 16 invention patents. A total of 31 patents have been granted, including 8 invention patents, and 6 software copyrights have been duly registered. The Group has also published 1 national standard (for waste incineration flue gas treatment equipment). The Group has been honoured with a first-class prize for invention and entrepreneurship achievements, and has applied for 3 provincial and ministerial-level science and technology awards as well as the Huaxia Technology Award, demonstrating recognition of its innovation capabilities. Currently, the joint project under the Open Competition Mechanism has been completed. Intelligent unmanned vehicles have been deployed in the Huashan area and their performance has been evaluated, providing technological support for enhancing business efficiency. The incineration derivative business secured new contracts totaling RMB306 million, establishing a solid business footprint. The environmental sanitation segment secured new contracts totaling RMB106 million in annualized value, maintaining continuous cooperation with long-standing clients in Beijing's core areas for over five years. The site restoration business segment secured new contracts totaling RMB488 million, with strategic deployment in high-standard farmland projects. New business types were developed for the energy conservation, peak carbon and carbon neutrality business, with revenue from green electricity certificate trading improving cash flow. In terms of new business exploration, the Group has conducted feasibility studies and research centred on multiple directions and compiled reports. Meanwhile, the Group is advancing the preparations for the second phase of existing projects in an orderly manner to ensure their swift implementation.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SIGNIFICANT ACHIEVEMENTS IN SYSTEMATIC UPGRADE

The Group actively promoted the development of excellence in the incineration for power generation business and the standardisation of anaerobic digestion and water treatment processes. By organising technical exchange meetings, the Group enhanced power generation indicators, improved the management system for urban-rural environmental sanitation, and promoted refined management and relevant construction initiatives. During the year, the Group improved its management enhancement mechanism by delegating tasks to departments to enhance management across all lines of business. Furthermore, the Group optimised its organisational management system by adjusting the market expansion structure, establishing a new investment and M&A department with clearly defined authorities, and refining the layout of its city-based companies by setting up a new company in Kaifeng to solidify its organisational foundation. The Group made significant achievements in information technology promotion: the safety management system covered all existing operational companies; the intelligent environmental sanitation platform was fully implemented in environmental sanitation project companies; the operational monthly report system commenced trial operations; and the engineering management system launched key node management functions, continuously enhancing its informatisation support capabilities. The Group strengthened its talent pipeline development by conducting over 2,000 training sessions throughout the year, with total training hours exceeding 4,000 hours. Through organising 19 themed lectures on compliance to enhance risk awareness among all employees, coupled with targeted cultivation of reserve talents, cross-departmental exchange and training, and dynamic job adjustments, the Group built an integrated talent ecosystem encompassing “selection, development, utilisation, and retention”, laying a solid human resources foundation for the implementation of its corporate strategy.

### COMPREHENSIVE SAFETY SYSTEM

The Group focused on the development of its safety management system, systematically strengthening its defence against safety risks through a closed-loop management model integrating mechanism establishment, investigation and rectification, as well as training and education. A safety objective responsibility letter system was implemented, with detailed job-specific accountabilities to consolidate primary safety responsibilities. A total of 22 safety management regulations were newly formulated or revised, and a core system list was issued, accompanied by risk control manuals and operating procedures. Throughout the year, 76 safety inspections and special investigations were conducted, leading to the precise identification and rectification of 1,381 hazards, with key controls implemented for high-risk operations such as confined spaces. Safety performance was integrated into the key performance indicator (KPI) assessment system, forming a long-term accountability mechanism. During the year, remarkable achievements were made in traffic safety management. By organising 45 themed meetings, investigating and handling 40 violations, and releasing over 70 safety awareness videos, awareness of traffic regulations was continuously reinforced among all employees. Concurrently, the emergency management system was enhanced, with the annual emergency drill successfully completed. 3 professional safety skills training sessions were conducted to systematically enhance employees’ safety operation capabilities.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### DIVERSIFIED FINANCING METHODS

The Group maintains good cooperative relationships with a number of financial institutions, comprehensively considering its short-, medium- and long-term funding needs to reasonably match its capital structure and safeguard the security of its funds. In 2025, leveraging the sound financial policies and moderately accommodative monetary policies in China, the Company continued to secure reductions in borrowing interest rates from external financial institutions, effectively achieving a reduction in financing costs. In 2025, the Group secured total outstanding bank credit facilities of RMB11,550 million, including RMB920 million at the headquarters level and RMB10,630 million at the level of individual project companies, providing robust financial support for the Group's sustainable business development. In addition, the Group actively applied for policy funding support, securing a total of RMB129 million in tax rebates and related policy incentive funds throughout the year, supplementing the funds required for its business development.

To capitalise on the market window of declining interest rates for public corporate bonds, the Group completed the registration and insurance of RMB2 billion in panda bonds during the year, with a 3-year term and an annual coupon rate of 2.00%. The successful insurance of the panda bonds represented an important step for the Group to broaden its direct financing channels and optimise its debt structure. It not only effectively reduced the Group's financing costs and further optimised its capital structure, but also fully demonstrated the high recognition by the capital market of the Group's operating performance, credit standing, and development prospects. This has continuously enhanced the Group's financing capabilities in the public markets and provided financial support for its stable operation and sustainable development.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

The Group attaches great importance to the potential environmental impact arising from its daily operations and has formulated the "Environmental Management Measures" (《環境管理辦法》), covering a wide range of areas including environmental pollution prevention and control, environmental information management, energy conservation and emission reduction, cleaner production, and environmental emergency response. This framework establishes a comprehensive environmental protection management system spanning the entire process of "source control – process management – end-of-pipe treatment". The Group strictly complies with relevant environmental protection laws and regulations, collaborates with local environmental protection authorities to identify and mitigate potential environmental risks promptly. In addition, the Group actively implements the principles of energy conservation and emission reduction in areas such as waste discharge and resource utilisation, striving to prevent and reduce adverse environmental impacts. The Group continuously researches and applies various environmental protection technologies to improve its environmental performance, reduce negative environmental impacts, and contribute to the achievement of sustainable development.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group fully recognises the long-term and significant impacts and risks that climate change poses to its business operations. The Group has established a climate risk management process according to the disclosure procedures set out in the “Implementation Guidance for Climate Disclosures under HKEX ESG reporting framework”. The Group has conducted climate risk identification and analysis following the framework for “climate-related risks, opportunities and financial impacts” proposed by the TCFD. Through qualitative approaches such as data analysis, management interviews and internal discussions, the Group has assessed the financial impacts of each type of risk, prepared a risk inventory under different climate scenarios, and formulated the “Climate Change Policy”, which clearly sets out measures for mitigation, adaptation, resilience building, and disclosure of climate change matters, thereby enhancing the Group’s resilience to climate-related risks and seizing opportunities arising from climate change. The Board assumes full responsibility for the Group’s sustainability policies, strategies and performance, and reviews and oversees the Group’s climate change related risks and opportunities on an annual basis. Currently, the Group is continuously advancing data disclosure across certain categories of Scope 3 emissions to further enhance climate resilience.

The Group carried out various key tasks in an orderly manner according to its scientific operational plan. During the year, the Group completed domestic waste disposal of 11,120,000 tonnes and hazardous waste disposal of 47,900 tonnes, providing a total of 2,818 million kWh of on-grid electricity.

### THE GROUP’S KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

#### Employees

The Group deeply understands that talent is the core element of corporate development and has always adhered to the management philosophy of “people-oriented, seeking truth and pragmatism, pioneering and innovative, and standardised management”. The Group has established a comprehensive employee management system that clearly defines the responsibilities and obligations at each job level, covering remuneration and benefits, occupational health and safety, employee training and development, and other aspects of human resource management. The Group continuously improves management effectiveness, safeguards the legitimate rights and interests of employees, nurtures professional talents aligned with its strategic development needs, and strives to foster an employee-centred corporate culture that focuses on their holistic development.

#### Customers

The Group has always adhered to the customer-centric business philosophy, maintaining interaction with customers through extensive communication platforms, listening to and responding to customer feedback, and regarding the provision of high-quality, efficient and safe services to customers as its top priority and responsibility while striving to do so more effectively. The Group has consistently followed a customer-centric approach, aiming to maximise customer satisfaction. By combining internal driving forces with externally gathered resources, the Group integrates sustainable development strategies into every project, pursues high-quality development model, and remains steadfastly anchored to long-term value. The Group is committed to building a sustainable ecosystem featuring win-win collaboration between customers and partners, and striving to maintain its competitiveness and leading position in the ever-changing market environment.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Suppliers

The Group is committed to incorporating the concept of sustainable development into its supply chain management, and adheres to the principle of “openness, fairness and impartiality” to ensure that all suppliers enjoy equal opportunities. In the meantime, the Group has set clear requirements for the categorisation, registration, rights and obligations, as well as assessment and evaluation of suppliers. Relevant headquarters departments and subsidiaries are responsible for implementing regulatory documents such as the “Supplier Management Measures” (《供應商管理辦法》), the “Procurement Management Measures” (《採購管理辦法》) and the “Centralised Procurement Management Measures” (《集中採購管理辦法》), handling supplier complaints, and conducting daily supervision of and periodic reviews on supplier management activities. In addition, the Group actively extends its sustainable development culture and related policies to the supply chain, striving to promote collaborative management and mutual supervision between employees and partners to jointly advance the standardisation of supply chain management.

### BUSINESS OUTLOOK FOR 2026

2026 marks the inaugural year of the 15th Five-Year Plan and a critical turning point for the Group to cross the development inflection point and achieve breakthroughs. The Group must heighten its risk awareness, adhere to bottom-line thinking, and spare no effort in advancing business development with the attitude that “not a moment can be wasted, not a step can be paused”, ensuring a strong start for the 15th Five-Year Plan. In terms of market expansion, the Group will focus on its core waste incineration business, intensify investment and mergers and acquisitions efforts, and deeply explore value in core segments such as the incineration derivative business, urban-rural environmental sanitation services, and site restoration business to achieve simultaneous growth in business scale and operational effectiveness. In terms of operational efficiency, the Group will prioritise the promotion of refined management in project operations, optimise cash flow control and safety management systems through initiatives such as revenue enhancement, expenditure reduction, cost cutting, and efficiency improvement, and consolidate the foundation for sustainable business development. In terms of management innovation, by anchoring core business processes, the Group will continue to optimise systems and procedures, strengthen management fundamentals, and enhance its risk resilience and stable operational capabilities. In terms of strategic planning, the Group will formulate a 15th Five-Year development plan, focusing on quality improvement and efficiency enhancement on the business front, while deepening innovation empowerment on the management front. Guided by the principle of “pursuing excellence”, the Group will plan from a high starting point, collaborate effectively, and implement all tasks to drive the Group towards high-quality development.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

#### Financial Performance

For the year under review, the Group's revenue from its continuing operation of the waste treatment and waste-to-energy business was approximately RMB3,704,155,000, representing an increase of approximately 1.02% from approximately RMB3,666,591,000 for the corresponding period in 2024 and remaining basically flat. The flat performance was mainly due to the construction projects transitioned to commercial operation, resulting in a decrease in construction revenue. At the same time, the Group focused on developing its cleaning, collection and transportation business, which expanded its business revenue.

For the year under review, the Group's gross profit margin was approximately 36.63%, representing an increase from approximately 35.70% for the corresponding period in 2024. This was primarily due to the gradual commencement of operations of various projects of the Group, resulting in a steady increase in operating revenue. At the same time, the Company implemented cost reduction and efficiency enhancement measures, achieving lower costs. The Group's selling and administrative expenses decreased by approximately 10.04% to approximately RMB366,865,000 compared to the corresponding period in 2024. The decrease was mainly due to the effective implementation of loss-turnaround measures and the significant results achieved from cost reduction and efficiency enhancement measures.

For the year under review, net profit attributable to owners of the Company was approximately RMB274,503,000, representing an increase of approximately 17.25% as compared to RMB234,123,000 for the corresponding period in 2024. This was mainly due to the Group implemented the cost reduction and efficiency enhancement measures during the year, which improved gross profit and reduced selling and administrative expenses.

#### Financial Position

As at 31 December 2025, the Group had total assets of approximately RMB21,199,938,000 and net assets attributable to owners of the Company were approximately RMB6,942,078,000.

The gearing ratio (calculated as total liabilities divided by total assets) was 65.64%, representing a decrease of 0.88% from 66.52% as at 31 December 2024. The current ratio (calculated as current assets divided by current liabilities) was approximately 2.79, representing an increase from approximately 1.37 as at 31 December 2024, mainly attributable to the Group issuing RMB2,000,000,000 of three-year corporate bonds during the year, while repaying significant bank borrowings and amounts due to related parties matured during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Resources

The Group finances its operations primarily with internally generated cash flows, debt financing and bank loan facilities. As at 31 December 2025, the Group's cash and bank balances and pledged bank deposits amounted to approximately RMB500,069,000, representing a decrease of approximately RMB202,173,000 as compared to approximately RMB702,242,000 as at 31 December 2024. The decrease was mainly due to the Group carrying out borrowing replacement and repayments during the year, resulting in a relatively significant net cash outflow from financing activities. Currently, most of the Group's bank balances are denominated in RMB and US\$.

Details of the maturity profile of interest-bearing bank and other borrowings as at 31 December 2025 are set out in note 27 to the financial statements.

### Borrowings

As at 31 December 2025, the Group had outstanding borrowings of approximately RMB8,961,129,000, representing a decrease of approximately RMB1,686,082,000 as compared to approximately RMB10,647,211,000 as at 31 December 2024. The borrowings comprised secured loans of approximately RMB6,755,564,000 and unsecured loans of approximately RMB2,205,565,000. The borrowings are denominated in RMB and US\$. Approximately 22.14% and 77.86% of the borrowings bear interest at fixed rate and variable rate, respectively.

As at 31 December 2025, the Group's undrawn borrowing facilities amounted to approximately RMB1,528,610,000. As at 31 December 2025, the Group's bank and other loans of RMB1,983,692,000 were charged at fixed interest rates.

Finance costs decreased by approximately 7.40% from RMB425,156,000 for the corresponding period in 2024 to approximately RMB393,695,000. The decrease was mainly due to the Group completing loan replacement and interest rate reductions for certain projects during the year.

### Foreign Exchange Exposure

The majority of the Group's sales, purchases and operating expenses were denominated in US\$, HK\$ and RMB. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in prompt and appropriate hedging activities when needed. During the year ended 31 December 2025, the Group did not enter into any currency hedging transactions.

### Pledge of Assets

As at 31 December 2025, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements and RMB34,348,000 of leasehold land and buildings.

In addition, as at 31 December 2025, bank deposits of RMB5,339,000 were pledged due to a litigation case and RMB6,599,000 were mainly pledged to secure service concession arrangements as required by the local governments.

### Capital Commitment Arrangements

As at 31 December 2025, the Group had capital commitments of approximately RMB90,569,000 in respect of construction works under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Guarantees

As at 31 December 2025, the Group provided performance guarantees of approximately RMB49,604,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC. As at 31 December 2025, the Group had no material contingent liabilities.

### Financial management and treasury policy

The Group adopted prudent funding and treasury management policies while maintaining an overall healthy financial position. The Group's source of funding was raised by cash generated from operating activities, bank borrowings, shareholder loan and bonds issuance. The Group's treasury policies mainly include managing capital liquidity and yield to safeguard the healthy development of the principal businesses of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

### Employee Information

As at 31 December 2025, the Group had a total of 3,330 employees, with a male to female ratio of 3.2 : 1, mainly based in Chinese Mainland. Total staff costs amounted to RMB510 million, which included basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund, the portion of social insurance and housing provident fund contributions that the employer is obligated to pay, or regular contributions to the Mandatory Provident Fund Schemes on behalf of employees. The Group regularly reviews its remuneration policy, which is linked to the performance of individual employees and based on the salary trends prevailing in the aforesaid region. In addition, the Group continues to provide trainings (including professional skills training, production safety training, etc.) and development plans.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the year ended 31 December 2025. As at 31 December 2025, there were no treasury shares held by the Company.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this report, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2025.

### FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group had no future plan for material investments or purchase of capital assets during the year ended 31 December 2025.

### SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2025, there were no significant investments held by the Group.

### CHANGES IN ACCOUNTING ESTIMATES

On 12 March 2026, the Board has approved the change in accounting estimates in relation to the default position in the expected credit loss model for trade receivables, by changing from “Generally, trade receivables except those due from the Ministry of Finance of the PRC are full impairment provided if the ageing is more than three years and are not subject to enforcement activity” to “A 100% loss rate shall be applied to trade receivables except those due from the Ministry of Finance of the PRC if the ageing is more than five years” (the “**Change in Accounting Estimates**”) which shall take effect from 31 December 2025.

The Change in Accounting Estimates is accounted for prospectively, and has no effect on all the Group’s historical revenue and cash flows, nor on the Group’s financial position and operating results in prior years. Please refer to the announcement of the Company dated 12 March 2026 for details.

### EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no material events which could have an impact on the Company since 31 December 2025 and up to the date of this report.



# BOARD OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Li Qingsong**, aged 54, a senior engineer and economist, has been appointed as the chairman of the Board of the Company with effect from 25 July 2025. He was appointed as an executive Director and executive general manager of the Company in August 2021. Subsequently, on 20 December 2023, he was re-designated from executive general manager to chief executive officer, with his term of office expiring on 17 September 2025. Mr. Li holds a bachelor's degree in port and waterway engineering from the Department of Geography of Zhejiang University, a master's degree in hydraulics and river dynamics from the Department of Water Conservancy of Tsinghua University and a master's degree in business administration from the School of Business Administration of the Chinese University of Hong Kong. Mr. Li had successively acted as an engineer at the Institute of Environmental and Sanitary Engineering Technology (環衛工程技術研究所) of the Urban Construction Design and Research Institute (城市建設研究院) of the Ministry of Construction, the investment manager of the investment and development department, the deputy general manager of Nanjing branch, the general manager of Nanjing branch and the general manager of the investment and development department of southern region of Beijing Capital Eco-Environment Protection Group Co., Ltd., the general manager of Hunan Capital Investment Co., Ltd. (湖南首創投資有限責任公司) and assistant to general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd.. He has extensive experience in investment and financing management.

**Mr. Guo Chaoyang**, aged 45, is a senior economist with a master's degree. He was appointed as the deputy general manager of the Company in June 2022 and has been appointed as an executive Director and the general manager (exercising the same powers as chief executive officer) of the Company with effect from 17 September 2025. Mr. Guo oversees the overall daily operation and management of the Company, and is responsible for business development, compliance management, project management, and the environmental sanitation business sector of the Company. Mr. Guo Chaoyang has extensive experience in corporate operation and operation management. He has successively held positions including the general manager of the corporate management department and the general manager of the operation and management centre of the Company.

## NON-EXECUTIVE DIRECTOR

**Ms. Hao Chunmei**, aged 55, is a senior accountant, certified public accountant and certified public valuer, was appointed as an executive Director of the Company in April 2018, and subsequently re-designated as non-executive Director in July 2021. Ms. Hao obtained a master's degree in accounting from the Central University of Finance and Economics and a bachelor's degree in mechanical manufacturing from Beihang University. Ms. Hao is currently the chief accountant of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008). Ms. Hao has successively served as a department head of planning and finance department, the general manager of accounting information department, the general manager of the planning and finance department and general manager of the corporate development centre of Beijing Capital Eco-Environment Protection Group Co., Ltd.. Ms. Hao has extensive experience in finance, corporate management, acquisition and merger, and corporate financing.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Pao Ping Wing, JP**, aged 78, was appointed as an independent non-executive Director of the Company in June 2006. Mr. Pao had been actively serving on the consultation and formulation of government policies, including those relating to town planning, urban renewal, public housing and environment matters, etc. for years. Mr. Pao has been appointed as a Justice of the Peace of Hong Kong since 1987. Mr. Pao was an ex-Urban Councilor. He obtained a Master of Science in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983.

Since 1987, Mr. Pao has been an independent non-executive director of companies listed on The Stock Exchange of Hong Kong Limited, and has extensive experience in the field of corporate governance. Currently, he is an independent non-executive director of a number of companies listed on the Stock Exchange, including Sing Lee Software (Group) Limited (stock code: 8076), Soundwill Holdings Limited (stock code: 878), Maoye International Holdings Limited (stock code: 848) and Global International Credit Group Limited (stock code: 1669). Mr. Pao also served as an independent non-executive director of Oriental Enterprise Holdings Limited (stock code: 18) from July 1987 to August 2023, and an independent non-executive director of Zhuzhou CRRC Times Electric Co., Ltd. (stock code: 3898) from June 2006 to June 2023, the shares of which is listed on the Main Board of The Stock Exchange of Hong Kong Limited and the Science and Technology Innovation Board of the Shanghai Stock Exchange.

**Mr. Cheng Kai Tai, Allen**, aged 62, was appointed as an independent non-executive Director of the Company in January 2010. Mr. Cheng is a qualified accountant, a fellow member of Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He has practiced as a Certified Public Accountant in Hong Kong for over 20 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a master's degree of accountancy from Jinan University in Mainland China and is a professional advisor to several international companies of investment management, trading and service industry.

**Dr. Chan Yee Wah**, aged 60, was appointed as an independent non-executive Director of the Company in July 2012. Dr. Chan has more than 25 years of extensive financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is the founding chairlady of Hong Kong Investor Relations Association; Dr. Chan is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Dr. Chan graduated from City University of Hong Kong with a bachelor of arts in accounting (Hons). She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. Dr. Chan is currently the Head of Investor Relations of C C Land Holdings Limited (中渝置地控股有限公司) and an independent non-executive director of Xtep International Holdings Limited (特步國際控股有限公司) (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 1368). Dr. Chan has been an independent non-executive director of WebX International Holdings Company Limited (智雲國際控股有限公司) (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 8521) since 5 December 2023.



## BOARD OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Dr. Cao Fuguo**, aged 59, was appointed as an independent non-executive Director of the Company on 23 May 2023, and holds a doctorate degree in civil and commercial law from Tsinghua University. Dr. Cao is currently a professor of the School of Law, the dean of the PPP Governance Research Institute and a member of the Faculty of Law of the Eighth Academic Committee of Central University of Finance and Economics (中央財經大學), the director of the China Public Procurement Research Institute (中國公共採購研究所), and the director of the Energy Transformation, Low Carbon and Sustainable Procurement Research Center of the Guangdong-Hong Kong-Macao Greater Bay Area (Whampoa) Research Institute (粵港澳大灣區(黃埔)研究院). He is the host and chief expert of the major projects of the National Social Science Fund (國家社科基金重大項目), a new century excellent talent of the Ministry of Education, and a Fulbright visiting scholar. Dr. Cao is also concurrently the legal advisor of the Ministry of Finance, the vice president of the Energy Law Research Association of China Law Society (中國法學會能源法研究會), a member of the Beijing Major Construction Project Advisory Committee (北京市重大建設項目諮詢委員會), an evaluation expert and leader of the evaluation team for the PPP demonstration project of the Ministry of Finance (財政部PPP示範項目), and an independent director of Huaxin Investment Management Co., Ltd. (華芯投資管理有限公司), a fund manager of National Integrated Circuit Investment Industry. He also served as an independent director of Bloomage Biotechnology Corporation Limited (華熙生物科技股份有限公司) (a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange) from March 2019 to June 2025.

Dr. Cao served as a member of the expert group as well as the consultant of the working group of the Chinese government delegation for two law revision projects, namely "Public Procurement Model Law" and "PPP Legislative Model Provisions" of the United Nations Commission on International Trade Law, the president-elect of the International Public Procurement Conference (IPPC), co-chairman of the Ninth International Conference on Public Procurement. He has also participated in the research and drafting of "Chinese Government and Social Capital Cooperation Law" (《中國政府和社會資本合作法》), "Chinese Government Procurement Law" (《中國政府採購法》), "China Tendering and Bidding Law" (《中國招標投標法》), "Beijing Urban Infrastructure Franchising Regulations" (《北京市城市基礎設施特許經營條例》) and "China Energy Law" (《中國能源法》). He has presided over 50 scientific research projects including major projects of the National Social Science Fund, published more than ten books (including monographs, editor-in-chief, and translations), and published more than 70 papers in important domestic and foreign journals such as "Chinese Law" (《中國法學》), "Law Science" (《法學》), "Journal of the National Academy of Administration" (《國家行政學院學報》), "Chinese Administration" (《中國行政管理》), "Fiscal Research" (《財政研究》), "Urban Development Research" (《城市發展研究》), and SSCI/SCI searching journals.

Dr. Cao's main research and teaching fields are commercial law (bilingual teaching of corporate law), fiscal law (public procurement law/PPP law, etc.), economic law, climate change and energy law (Rule of law in energy transition), health law, corporate governance, corporate social responsibility and common prosperity. He has extensive legal knowledge, outstanding research results and teaching experience, covering legal fields such as commercial law, fiscal law and health law, etc., as well as environmental, social and economic fields such as climate change, energy transition, procurement theory and policy, etc..

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### SENIOR MANAGEMENT

**Ms. Yu Hong (郁紅)**, was appointed as the Secretary of the Board and Joint Company Secretary of the Company in December 2024. She is mainly responsible for the Company's administrative management and the workings of the Board. Ms. Yu obtained a master's degree in human resources management from the Division of Population, Graduate School of the Chinese Academy of Social Sciences. Ms. Yu joined the Company in June 2012 and has successively served as deputy general manager of the corporate management department, general manager of the corporate management department, and the director of the office of the board of directors. From February 2018, she serves as the director of the office of the board of directors and also the office director of the Company. Ms. Yu has extensive working experience in corporate management, with over ten years of experience in both areas of environmental protection and capital market, and possesses rich experience in the formulation of corporate development strategies, the promotion of sustainable development policies and the operation of capital market.

**Mr. Dai Xiaodong (戴小東)**, was appointed as a deputy general manager of the Company in June 2022. Mr. Dai is mainly responsible for the technology-related work, investment in incineration-related and organic solid waste projects and engineering and construction management work in the Company. He is also in charge of the investment and development department as well as engineering and management department. Mr. Dai holds a bachelor's degree in engineering and is a senior engineer. Mr. Dai has extensive experience in the area of solid waste treatment. He has worked in Beijing Nanuo Environmental Engineering Co., Ltd. (北京鈉諾環境工程有限責任公司) and Urban Construction Design and Research Institute (中國城市建設研究院). He joined the Company in 2011 and has successively served as the deputy general manager of the engineering and technology department, the general manager of the technical support department, the chief technology officer and the general manager of the technology centre, and the chief technology officer of the Company, and concurrently served as the general manager, the chief technology officer and the general manager of the solution and product department of Beijing Capital Environmental Technology Co., Ltd. (北京首創環境科技有限公司).

**Mr. Yang Minghui (楊明輝)**, was appointed as a deputy general manager of the Company in November 2025. He is mainly responsible for the Company's operation. Mr. Yang holds a bachelor's degree in management. Mr. Yang has extensive experience in corporate operation and operation management. He has worked in ZiGuang Jie Tong Technology Co. Ltd. (紫光捷通科技股份有限公司), Beijing Digital Knowledge World Co., Ltd. (北京數字博識科技有限公司) and Beijing Sursen Electronic Technology Co., Ltd (北京書生電子技術有限公司). He joined the Company in 2011. He has successively served as deputy general manager, general manager and chairman of the board of directors of Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司), a controlled subsidiary of the Company, and deputy general manager of the project management center of Beijing Capital Eco-Environment Protection Group Co., Ltd..

**Ms. Wang Ying (王穎)**, was appointed as the chief accountant of the Company in November 2024. She is fully responsible for the financial management of the Company and assists in overseeing the procurement management department. Ms. Wang holds a bachelor's degree and is a certified public accountant in the PRC. Prior to joining the Company, she served as the financial officer of the Urban Water Treatment Division of Beijing Capital Eco-Environment Protection Group Co., Ltd.. Ms. Wang has many years of profound practical experience in both areas of financial management and capital operation.



# CORPORATE GOVERNANCE REPORT

The Board of directors (the “Directors”) of the Company, believes that high standards of corporate governance are essential to the success of the Company and is committed to maintaining a high level of corporate governance standards and practices. The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the basis of the Company’s corporate governance practices.

The Company has complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2025.

## DIRECTORS’ MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules (the “Model Code”) as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company (“Senior Management”). The Company has conducted a specific enquiry to all Directors, and all directors of the Company confirmed that they have fully complied with the required standards set out in the Model Code for the year ended 31 December 2025.

## BOARD OF DIRECTORS

The Board is primarily responsible for establishing the strategic direction of the Group, setting objective and business development plan for the Group, monitoring the performance of the Senior Management and assuming responsibility for corporate governance. The Board is also responsible for the preparation and presentation of annual and interim results, risk management, major acquisition(s), and other significant operational and financial matters. Both the Board and the Management have clearly defined roles and powers towards internal control, policies and day-to-day operations of the Group’s business. The Senior Management, under the leadership of the Board, are authorized to implement the Group’s strategies and business objectives.

With a view to achieving a sustainable and balanced development, the Company considers the increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Board diversity has been considered in terms of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

## THE MECHANISM WHERE THE BOARD CAN OBTAIN INDEPENDENT VIEWS AND ADVICE

The Company has put in place mechanisms, which are covered by the articles of association of the Company, the terms of reference and the governance structure of each committee, to ensure that the Board is provided with independent views and advice. These mechanisms include, but are not limited to, the election process and selection criteria for Directors (including independent non-executive Directors), the number of independent non-executive Directors, the assessment of the independence of the Company’s independent non-executive Directors, channels seeking for legal and other independent professional advice in the performance of directors’ duties, and the right of Directors to seek further information and documents from the management on matters discussed at Board meetings.

The Board has reviewed the implementation and effectiveness of the mechanism during the year. It is considered that the mechanism is effective in ensuring that the Board is provided with independent views and advice.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of the Company comprises two executive Directors, one non-executive Director and four independent non-executive Directors:

### Executive Directors

Mr. Li Fujing<sup>1</sup>  
Mr. Li Qingsong<sup>2</sup> (*Chairman*)  
Mr. Guo Chaoyang<sup>3</sup> (*General Manager*)

### Non-executive Director

Ms. Hao Chunmei

### Independent Non-executive Directors

Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen  
Dr. Chan Yee Wah  
Dr. Cao Fuguo

Notes:

1. Mr. Li Fujing resigned as an executive Director, chairman of the Board, a member and the chairman of the nomination committee and a member of the remuneration committee of the Company, with effect from 25 July 2025.
2. Mr. Li Qingsong was appointed as chairman of the Board, a member and the chairman of the nomination committee and a member of the remuneration committee, with effect from 25 July 2025. He ceased to be the chief executive officer of the Company with effect from 17 September 2025.
3. Mr. Guo Chaoyang was appointed as the executive Director and the general manager (exercising the same powers as chief executive officer), with effect from 17 September 2025. Mr. Guo Chaoyang has obtained legal advice referred to in Rule 3.09D of the Listing Rules on 17 September 2025 and he has confirmed that he understood his obligations as a Director of the Company.

The biographical details of all Directors are set out in the section headed “Board of Directors and Senior Management” of this annual report. Save as disclosed otherwise, none of the members of the Board has any relationship including financial, business, family members or other material/related relationships with each other. Every Director is required to disclose the number and nature of offices held in public companies or organizations and other significant commitments to the Company on an annual basis.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

To comply with Rule 3.10 of the Listing Rules, the Company has appointed four independent non-executive Directors, at least one of whom has the appropriate accounting or related finance management expertise. The Company considers the four independent non-executive directors have the appropriate and sufficient industry or finance experience and qualifications to carry out their duties. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the four independent non-executive Directors. They were free from any business relationship or other circumstances that could materially interfere with the exercise of their independent or objective judgments. The Company is of the view that all the independent non-executive Directors are independent. Also, the four independent non-executive Directors, representing over one-third of the Board, constituted a proper balance of power. Three of the independent non-executive Directors of the Company, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, have served as independent non-executive Directors in the Company for more than 9 years. Despite the length of service, the independence of each of the three independent non-executive Directors, especially in terms of exercising independent judgment and objective challenges to the management, has not been or will not be in any way compromised or affected. The Board is confident that Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah will continue to make valuable contribution to the Company by providing their balanced and objective views to the Board. On 23 May 2023, Dr. Cao Fuguo was appointed as an independent non-executive Director of the Company in compliance with provision B.2.4(b) of the CG Code.

The Board is circulated with relevant information by the Senior Management pertaining to matters to be brought before the Board for decision as well as reports relating to operational, business and financial performance of the Group before each board meeting. At least 14 days' notice or sufficient notice is given to all Directors before each regular board meeting, to give them the opportunity to prepare for their attendance of such meetings and to provide them with the opportunity to include additional matters in the meeting's agenda. Board papers for each regular meeting are dispatched to the Directors at least 3 days before the meeting to ensure they have ample time to review the papers and be adequately prepared for the meeting. Senior Management, responsible for the preparation of the board papers, are invited from time to time to present their papers and to take any questions or address any queries that the members of the Board may have on the papers in the meetings.

The proceedings of the Board at its meeting are conducted by the chairman of the Company or the person acting the role as the chairman of the meetings who ensures that sufficient time is allocated for discussion and consideration of each agenda item and also equal chances are being given to each Director to express their views and share their concerns.

In considering any matters or transactions at any board meeting, the Directors are required to declare any direct or indirect interest in such matters or transactions, and shall abstain from voting at the meeting(s) where appropriate. Minutes of the meetings of the Board will record in detail the matters considered by the Board and the decisions reached. The draft minutes of each meeting of the Board are sent to the Directors for reviews and comments within a reasonable time after the meeting.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year under review, the Company held eleven board meetings and one annual general meeting, and all Directors were entitled to attend such meetings. The attendance of each Director is set out below:

	Meetings attended/held	
	Board meetings	Annual general meetings
<b>Executive Directors</b>		
Mr. Li Fujing <sup>1</sup>	5/5	1/1
Mr. Li Qingsong ( <i>Chairman</i> )	11/11	1/1
Mr. Guo Chaoyang ( <i>General Manager</i> ) <sup>2</sup>	4/4	N/A
<b>Non-executive Director</b>		
Ms. Hao Chunmei	11/11	1/1
<b>Independent Non-executive Directors</b>		
Mr. Pao Ping Wing	11/11	1/1
Mr. Cheng Kai Tai, Allen	11/11	1/1
Dr. Chan Yee Wah	11/11	1/1
Dr. Cao Fuguo	11/11	1/1

Notes:

1. Mr. Li Fujing resigned as an executive Director of the Company on 25 July 2025.
2. Mr. Guo Chaoyang was appointed as an executive Director of the Company on 17 September 2025.

Provision C.2.7 of the CG Code provides that the chairman should hold one meeting with independent non-executive directors at least annually without the presence of other directors. During the year ended 31 December 2025, the chairman of the Company held one meeting with the independent non-executive Directors without the presence of other Directors.

### DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Every newly appointed director will receive comprehensive induction training on appointment and obtain legal advice from a firm of solicitors qualified to advise on Hong Kong law in accordance with Rule 3.09D of the Listing Rules.

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2025, all Directors participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. During the year ended 31 December 2025, based on the training records provided to the Company by the Directors, the trainings and professional development attended by each Director are as follows:

	Type of training
<b>Executive Directors</b>	
Mr. Li Fujing	A, B
Mr. Li Qingsong	A, B
Mr. Guo Chaoyang	A, B
<b>Non-executive Director</b>	
Ms. Hao Chunmei	A, B
<b>Independent Non-executive Directors</b>	
Mr. Pao Ping Wing	A, B
Mr. Cheng Kai Tai, Allen	A, B
Dr. Chan Yee Wah	A, B
Dr. Cao Fuguo	A, B

Notes:

A: attending seminars/workshops/forums/training courses

B: reading newspapers, publications and updates in relation to economic and environmental issues or directors' duties and responsibilities, anti-corruption

### DIRECTOR'S AND SENIOR MANAGEMENT'S LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage for its Directors and Senior Management in connection with potential legal actions related to the performance of their duties.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is responsible for the formulation of overall corporate direction and business development strategy of the Group. He is also responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced.

The general manager (exercising the same powers as chief executive officer) of the Company is responsible for the day-to-day management of the Group and the implementation of the strategies approved by the Board.

### NON-EXECUTIVE DIRECTOR

The non-executive Director has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to retirement by rotation in accordance with the memorandum and articles of association of the Company.

### DIVERSITY

The Company recognises and embraces the benefits of having a diverse board, and sees increasing diversity at Board level as an essential element in maintaining an effective Board to enhance the quality of its performance. The Board has adopted the board diversity policy (the “Board Diversity Policy”) since March 2014 with an aim to promote broad experience and diversity on the Board. Such policy was revised by the Board in October 2022 and would be reviewed annually.

In designing the Board’s composition, the Company seeks to achieve board diversity by taking into account a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, and any other factors as the Board may from time to time deem relevant and applicable.

The Board currently has seven members, including five male Directors and two female Directors, achieving the gender diversity of the Board at 28.6%. The Board targets to maintain at least the current level of female representation. The members of the Board belong to different age groups, have different lengths of service with the Group and possess experience, expertise and qualifications in different industries.

The nomination committee will review this policy, as appropriate, to ensure the effectiveness of this policy. The nomination committee will review the composition of the board of directors at least once a year. The Board is of the view that it satisfies the Board Diversity Policy.

As of 31 December 2025, the Senior Management of the Company comprises 4 individuals, with a male to female ratio of 50% to 50%. As the Group is principally engaged in provision of waste treatment technologies and services, the ratio of the number of male to female employees among all staffs (excluding Senior Management) is approximately 3.2% to 1%. The Group recognises, and endeavours to protect, the rights of its employees and is committed to providing equal opportunities. The Group engages in transparent and fair recruitment practices, and fair remuneration and disciplinary decisions without regard to gender, age, family position, or ethnic background.

### BOARD COMMITTEES

#### Corporate Governance Functions

The Board is responsible for performing the corporate governance functions within its terms of reference. Such duties of the Board include:

- (i) to develop and review corporate governance policies and practices of the Company and make recommendations to the Board;
- (ii) to review and monitor the training and continuous professional development of Directors and Senior Management;
- (iii) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct applicable to Directors and employees; and



## CORPORATE GOVERNANCE REPORT (CONTINUED)

- (v) to review the Company's compliance with the Corporate Governance Code contained in the Appendix C1 to the Listing Rules and disclosures in the Corporate Governance Report.

During the year ended 31 December 2025, the Board has performed its corporate governance duties in accordance with its terms of reference.

### Nomination Committee

The Board established the nomination committee (the "Nomination Committee") on 15 June 2006 with written terms of reference. During the year under review, the Nomination Committee comprises four members, the majority of whom are independent non-executive Directors. The chairman of the Nomination Committee is Mr. Li Qingsong, an executive Director and the chairman of the Board of the Company and other members are three independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah. The principal roles and functions of the Nomination Committee include:

- to review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually, assist the Board in maintaining a board skills matrix, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of the independent non-executive Director of the Company;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer of the Company;
- to review the Board Diversity Policy of the Company and recommend to the Board on any revisions to it, as appropriate, to ensure its effectiveness; and
- to support the Company's regular evaluation of the Board's performance.

All nominations of new directors and Directors for re-election at annual general meeting are first considered by the Nomination Committee, its recommendations would then be put forward for the Board's decision. Subsequently, all those Directors are subject to election or re-election by the Shareholders at annual general meetings pursuant to the memorandum and articles of association of the Company. In considering the new appointment or re-election of Directors, the Nomination Committee will mainly focus their decisions on attributes such as integrity, loyalty, industry exposure and professional and technical skills together with the ability to contribute time and effort to carry out their duties effectively and responsibly.

During the year under review, the Nomination Committee held four meetings to deal with the following matters, among others: (i) the review of the Nomination Policy and the Board Diversity Policy; (ii) the review of the structure, size and composition of the Board; (iii) the assessment of the independence of the independent non-executive Director; (iv) the re-nomination of Mr. Li Fujing, Ms. Hao Chunmei, Mr. Pao Ping Wing and Dr. Cao Fuguo who were retiring at the annual general meeting held on 25 June 2025 as Directors and they were willing for re-election at the same annual general meeting; (v) the nomination of Mr. Li Qingsong as the chairman of the Board, a member and the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company; and (vi) the nomination of Mr. Guo Chaoyang as the executive Director and the general manager of the Company and the nomination of Mr. Yang Minghui as the deputy general manager of the Company.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The attendance records of each member of the Nomination Committee are set out below:

	<b>Meetings attended/held</b>
Mr. Li Fujing <sup>1</sup>	2/2
Mr. Li Qingsong <sup>2</sup> ( <i>Chairman of the Nomination Committee</i> )	2/2
Mr. Pao Ping Wing	4/4
Mr. Cheng Kai Tai, Allen	4/4
Dr. Chan Yee Wah	4/4

Notes:

1. With effect from 25 July 2025, Mr. Li Fujing has ceased to act as a member and the chairman of the Nomination Committee of the Company.
2. With effect from 25 July 2025, Mr. Li Qingsong has been appointed as a member and the chairman of the Nomination Committee of the Company.

### Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 15 June 2006 with written terms of references. During the year under review, the Remuneration Committee comprises three members, the majority of whom are independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Pao Ping Wing, an independent non-executive Director and other members are Mr. Cheng Kai Tai, Allen, an independent non-executive Director and Mr. Li Qingsong, an executive Director and the chairman of the Board. The principal roles and functions of the Remuneration Committee include:

- to make recommendations to the Board on the Company's overall policy and structure for remuneration of all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- either: (i) to determine, with delegated responsibility of the Board, the remuneration packages of individual executive Directors and Senior Management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management. This should include benefits in kind, pension rights and compensation payments (including compensation payable for loss or termination of their office or appointment);
- to make recommendations to the Board of the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment, and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable, and not excessive;



## CORPORATE GOVERNANCE REPORT (CONTINUED)

- to review and approve compensation arrangements relating to dismissal or removal of Directors for their misconduct to ensure that these arrangements are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of their associates is involved in deciding that Director's own remuneration; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year under review, the Remuneration Committee held four meetings to consider and review the remuneration packages, policy and structure for remuneration of all or individual Directors and Senior Management, and made recommendations to the Board on the service agreement, appointment letter and remuneration packages of individual executive Directors and Senior Management.

The attendance records of each member of the Remuneration Committee are set out below:

	<b>Meetings attended/held</b>
Mr. Pao Ping Wing ( <i>Chairman of the Remuneration Committee</i> )	4/4
Mr. Cheng Kai Tai, Allen	4/4
Mr. Li Fujing <sup>1</sup>	2/2
Mr. Li Qingsong <sup>2</sup>	2/2

Notes:

1. With effect from 25 July 2025, Mr. Li Fujing has ceased to act as a member of the Remuneration Committee of the Company.
2. With effect from 25 July 2025, Mr. Li Qingsong has been appointed as a member of the Remuneration Committee of the Company.

As an incentive to attract, retain and motivate employees and Senior Management to strive for future business development and expansion of the Group, an annual appraisal was conducted by the Company and employees have been rewarded with a performance bonus based on the results of such annual appraisal.

### **Audit Committee**

The Company established the audit committee (the "Audit Committee") on 15 June 2006 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely, Dr. Chan Yee Wah, Mr. Pao Ping Wing, and Mr. Cheng Kai Tai, Allen respectively. Dr. Chan Yee Wah is the chairlady of the Audit Committee. All members of the Audit Committee possess the necessary qualifications or experience in financial matters and are well versed in the accounting and financial areas, which are crucial to their key roles and functions. The principal roles and functions of the Audit Committee include:

- to consider and recommend to the Board on the appointment, re-appointment and removal of external auditor, and to approve their remuneration and employment terms, and any matter relating to their resignation and dismissal;
- to maintain an appropriate relationship with the Group's external auditor;

## CORPORATE GOVERNANCE REPORT (CONTINUED)

- to review the financial information of the Group;
- to oversee the Group’s financial reporting system, risk management and internal control systems;
- to maintain an appropriate arrangement allowing employees of the Group to draw attention to improprieties in financial reporting, internal monitoring or otherwise; and
- to act as the key representative body for overseeing the Group’s relations with the external auditor.

More details on the duties of the Audit Committee are set out in terms of reference.

During the year under review, the Audit Committee held five meetings with the Group’s Senior Management and external auditor. The attendance records of each member of the Audit Committee are set out below:

	<b>Meetings attended/held</b>
Dr. Chan Yee Wah ( <i>Chairlady of the Audit Committee</i> )	5/5
Mr. Pao Ping Wing	5/5
Mr. Cheng Kai Tai, Allen	5/5

The work performed by the Audit Committee during the year under review includes:

- reviewing the interim report and interim results announcement for the six months ended 30 June 2025;
- reviewing the annual report and annual results announcement for the year ended 31 December 2024;
- reviewing the accounting principles and practices adopted by the Group and other financial reporting matters;
- discussing with the external auditor any significant findings and audit issues;
- discussing with the Management the effectiveness of the overall risk management and internal control systems of the Group, including financial, operational and compliance controls;
- reviewing all significant business affairs managed by the executive Directors; and
- making recommendations to the Board on the change of the external auditor, and to approve the remuneration and terms of engagement of the external auditor.

Minutes of the meetings of the Audit Committee have recorded the details of the matters considered by the members of the Audit Committee and the decisions reached. Drafts of these minutes were sent to the members of the Audit Committee for reviews and comments within a reasonable time after meeting.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### AUDITOR'S REMUNERATION

For the year ended 31 December 2025, the auditor's remuneration paid or payable in respect of the audit services and non-audit services provided by the auditor to the Group were as follows:

	<i>RMB'000</i>
Audit service	3,270
Non-audit service	1,030
Total	4,300

### RISK MANAGEMENT AND INTERNAL CONTROLS

#### Goals and objectives

The Board acknowledges that it is responsible for overseeing the risk management and internal control systems on an ongoing basis and reviewing their effectiveness. Such risk management and internal control systems include a defined management structure with limits of authority, and are designed for the Company to identify and manage the significant risks it faces in achieving its business objectives (including environmental, social and governance risk), safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

#### Main features of the risk management and internal control systems

The Company's risk governance structure clarifies the function of unified leadership to guarantee the overall work efficiency and the performance of their respective duties among departments and mutual cooperation, strengthen the internal control to improve its power of execution and builds the review mechanism of internal control to facilitate the effective operation of the system. The Company's risk governance structure and the main duties of each level of the structure are summarized as follows:

#### Board of Directors

- to determine the nature and extent of the risks the Company is willing to take in achieving the strategic objectives;
- to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems;
- to oversee the Management in the design, implementation and monitoring of the risk management and internal control systems; and
- to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### *Management*

- to be responsible for exhaustive risk identification and management, including the collection of risk information, the identification and evaluation of risks;
- to develop the main management guidelines and operations of daily business processes of the Company, including the management methods of internal control, operating control manuals, operating control evaluation manuals, management rules, day-to-day execution and information disclosure; and
- to be responsible for carrying out the internal control process and self-check.

### *Internal Audit Department*

The internal audit department performs the Company's internal audit function, and is responsible for the Company's risk management and internal control management function, including:

- to be responsible for leading the construction of internal control;
- to lead the risk assessment and build up the risk register;
- to formulate the risk-oriented internal audit plan and perform independent internal control supervision and assessment; and
- to be responsible for reporting to the Audit Committee the results of internal control supervision and assessment.

### **Procedures for Identifying, Assessing and Managing Significant Risks**

The Company's procedures for identifying, assessing and managing significant risks are summarized as follows:

### *Internal Environment*

- in line with the Company's own internal development needs and the regulatory requirements of the regulatory authorities, the Company has adopted an internal control system with its own characteristics to gradually improve the standard of its corporate governance.

### *Risk Assessment*

- to identify the Company's risks based on the risk preference and risk tolerance of the Company determined by the Board; and
- to prioritize the risks in accordance with their likelihood of occurrence and impact on the business.

### *Control Activities*

- with reference to the basic standards for enterprise internal control and related guidelines, the Company has established sound management rules and processes.

### *Information and Communication*

- to regularly report to the Board the results of risk monitoring, including the risk register, internal audit plan and work report prepared by external independent consultants.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### *Monitoring*

In accordance with the internal control and management methods of internal control, the Company:

- sets up the internal control organization system;
- formulates the specific procedures, methods and work requirements for risk identification, construction, evaluation and issue of evaluation report; and
- includes the internal control evaluation into the performance appraisal system of the Company to ensure the effectiveness of internal control.

During the year, the Board has engaged an external independent internal control consultant to conduct various agreed upon reviews over the Company's certain major risk management and internal control systems and reported the findings of the reviews and recommendations to the Board to assist the Board in performing the annual review in terms of the effectiveness of risk management and internal control systems for the year ended 31 December 2025. The Board will conduct an annual review of the risk management and internal control systems.

Pursuant to code provision D2.1 of the CG Code, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2025, including the financial, operational and compliance controls, and considers that the relevant systems are effective and adequate.

### *Inside Information*

The Company has formulated the policy for the handling and dissemination of inside information. The Company regularly reminds the Directors and employees of proper compliance with all policies on inside information. In addition, the Company also performed the internal training on disclosure requirements for listed companies in Hong Kong to update the relevant employees of latest regulatory requirements. The Company will regularly review and update the guidelines or policies to ensure compliance with regulatory requirements.

### *Whistleblowing Policy and Policies and Systems of Anti-corruption Laws and Regulations*

The Company has established a whistleblowing policy that encourages employees and business-related third parties to report any violation of duties or misconduct within the Company and its subsidiaries in good faith, and to raise concerns of the Company's Audit Committee about any possible improprieties concerning the Company in anonymity.

The Company adopted the Implementation Measures for Punishment and Prevention of Corruption in 2019 and amended the Measures for Accountability for Illegal Operation and Investment in 2023, to be strict compliance with the Company's management system and regulate the conduct of employees and Senior Management, in order to prevent and eliminate all kinds of corrupt practices.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### LEGAL COMPLIANCE

In order to promote the legal compliance and comprehensively improve the legal governance capabilities and level of the Company, the Company formally confirmed the establishment of the legal compliance leading group and the legal compliance committee (the "Legal Compliance Committee") under it in January 2019.

During 2025, under the leadership of the legal compliance leading group of the Company, the main tasks of the Legal Compliance Committee are as follows:

- regularly holds meetings of the Legal Compliance Committee;
- 100% of the contracts, systems and significant decisions of the Company are fundamentally subject to legal review;
- completes the target set in the 2025 letter of responsibility for cleaning up cases;
- the legal compliance department carried out a centralized inspection as to the legal compliance by project subsidiaries, thus making recommendations on the rectification of the problems identified and supervising the completion of rectification; and
- organizes legal staff to attend professional training regularly and conducts a full promotion on the legal compliance of the Company.

### JOINT COMPANY SECRETARY

The joint company secretaries of the Company are Ms. Yu Hong and Ms. Lin Sio Ngo.

Ms. Lin is the manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司) and is responsible for assisting Ms. Yu in discharging her duties as the joint company secretary of the Company. Ms. Lin's principal contact person in the Company is Ms. Yu Hong.

During the year ended 31 December 2025, Ms. Yu Hong and Ms. Lin Sio Ngo had confirmed that they had taken no less than 15 hours of relevant professional training, in compliance with the requirements under Rule 3.29 of the Listing Rules.

All Directors are able to seek advice and services from the company secretary on the procedures of the Board and all applicable laws, rules and regulations, and corporate governance matters. The company secretary assists the chairman to prepare agendas and papers of the Board for meetings and disseminates such documents to the Directors and board committees in a timely manner. The company secretary is responsible for maintaining formal minutes of the meetings of the Board and the meetings of board committees.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### CORPORATE CULTURE

The Board is committed to maintaining high corporate governance standards, actively promoting a corporate culture that is aligned with the Group's long-term objectives, values and business strategies at all levels of the Group in a top-down manner and integrating such corporate culture into its daily operation.

- Helping customers succeed: We pledge to provide our professional and systematic waste treatment services for our clients, lead the development of the industry and contribute to the future of China's waste treatment industry.
- Upholding integrity: We believe the development of a company should be in harmony with the economy, society and the environment as a whole.
- Keeping innovating: We value technological advancements and thus we are committed to research and development. We also work closely with top international equipment and technology providers, ensuring our leadership position in know-how and quality services.
- Sharing responsibility and benefits: We establish solid partnerships with several international renowned environmental management companies, creating synergy as we search for the most appropriate comprehensive environmental treatment solutions for plants operated by ourselves or our clients.

The Board evaluated and monitored the implementation and progress of the corporate culture and was satisfied with the progress of promotion.

### SHAREHOLDERS' RIGHTS

#### Convening of extraordinary general meeting on requisition by Shareholders

Pursuant to article 58 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such a meeting shall be held within two months after the deposit of such requisition. If within 21 days from the date of such deposit the Board fails to proceed to convene such a meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

#### Procedures for putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. Proposals of Shareholders may also be put forward to the Board in writing through contacting the company secretary by way of telephone number, email address or the address of the Company's principal place of business in Hong Kong, as stated in our website.

#### Procedures for Shareholders proposing an individual person for election as a Director

As regards the procedures for proposing an individual person for election as a Director, please refer to the "Procedures for Election of Directors" made available under the Corporate Governance section of the Company's website at [www.cehl.com.hk](http://www.cehl.com.hk).



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Procedures for putting forward enquiries to the Board

Annual general meetings and EGMs provide an effective platform for Shareholders to communicate with the Board. Members of the Board (including members of the Audit Committee, the Remuneration Committee and the Nomination Committee) attended Shareholders' meetings and make themselves available to answer Shareholders' questions. Enquiries of Shareholders may also be put forward to the Board in writing through contacting the company secretary of the Company by way of telephone number, email address or the address of the Company's principal place of business in Hong Kong, as stated in our website.

### INVESTOR RELATIONS

Communication with Shareholders is given the highest priority by the Company. To promote and enhance investor relations and communications, the Company has established and maintained intensive communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conferences. Designated members of the Board and the Senior Management are given the specific responsibilities to maintain regular dialogues with institutional investors, potential institutional investors, fund managers, Shareholders and analysts to keep them abreast of the Company's development.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communication between the Board and the Shareholders of the Company in the presence of the Company's external auditor. All Directors and Senior Management of the Group will make special effort to attend, notwithstanding their place of residence. External auditor's presence at the meeting would also allow them to address Shareholders' queries. Notice of general meetings together with relevant circulars shall be dispatched to Shareholders and they are encouraged to attend the annual general meeting and other general meetings. The procedure of general meeting is conducted in compliance with the Listing Rules and the articles of association of the Company, where sufficient time was given to Shareholders for consideration of resolutions proposed and for question and answers, leading to satisfactory communications between the Management and Shareholders. Announcement of the resolutions passed at such meeting was published on both the websites of the Stock Exchange and the Company in a timely manner.

The Board has reviewed the implementation and effectiveness of the Shareholders' communication policy during the year and considered that the policy was able to facilitate an open and ongoing communication with the Shareholders on fair disclosure basis.

During the year ended 31 December 2025, there was no significant change in the articles of association of the Company.

### DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the financial position of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2025, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.



# DIRECTORS' REPORT

The Board of the Company presents its report together with the audited consolidated financial statements for the year ended 31 December 2025.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 57 to 58, respectively, of this annual report.

## DIVIDEND POLICY

The Board aims to not only deliver continuous returns to the Shareholders but also maintain sufficient reserve for the Group's future development. Pursuant to the dividend policy of the Company, the Board will consider various factors in determining whether to declare any dividend and the amount of the relevant dividend, including but not limited to (i) the actual and expected financial results and financial position of the Group; (ii) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Group; (iii) the actual and future operation and liquidity position of the Group; (iv) the Group's debt-to-equity ratio, equity return ratio and committed financial covenants; (v) the general economic and political conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and (vi) any other factors that the Board deems appropriate.

The Company will still review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period. The payment of dividends is also subject to the requirements of the laws of the Cayman Islands and the memorandum and articles of association of the Company.

## DIVIDENDS

The Company has adopted a dividend policy regarding to the declaration and amount of the relevant dividend. The Company will review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period. The payment of dividends is also subject to the requirements of the laws of the Cayman Islands and the memorandum and articles of association of the Company.

Having considered the dividend policy and various factors in determining whether to declare any dividend, the Board did not recommend the payment of a final dividend for the year ended 31 December 2025 (for the year ended 31 December 2024: Nil).

## BUSINESS REVIEW

A review of the business of the Group during the year, the Group's financial summary based on an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are set out under the section headed "Management Discussion and Analysis" on pages 8 to 20 of this annual report. The financial risk management objectives and policies of the Group can be found in note 39 to the consolidated financial statements.



## DIRECTORS' REPORT (CONTINUED)

### RESERVES

The Company's total distributable reserves as at 31 December 2025 amounted to RMB2,463 million, details of which are set out on page 143 of this annual report.

Details of movement in reserves of the Group during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on pages 61 to 62 of this annual report.

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 144 of this annual report.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

### CORPORATE BONDS

On 19 December 2025, the Company publicly issued corporate bonds with an aggregate nominal value of not exceeding RMB2 billion to professional institutional investors in Chinese Mainland. The bonds have a nominal value of RMB100 each, issued at par value, bear interest from 19 December 2025 at 2.00% per annum payable annually in arrears on 19 December of each year from 2026 to 2028. The bonds have a term of 3 years, with the maturity date falling on 19 December 2028. The corporate bonds are listed and traded on the Shanghai Stock Exchange.

Beijing Capital Eco-Environment Protection Group Co., Ltd., a controlling shareholder of the Company, has provided unconditional and irrevocable joint and several liability guarantee for the entire amount of the corporate bonds.

The proceeds from the issue of corporate bonds, after deducting issuance expenses, are intended to be used to repay interest-bearing liabilities. Please refer to the announcement dated 30 December 2024 and the overseas regulatory announcements dated 16 December 2025, 17 December 2025 and 19 December 2025 of the Company for more details.

### BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 27 to the consolidated financial statements.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2025 was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company or any of their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.



## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS

The list of Directors of the Company during the year ended 31 December 2025 and up to the date of this annual report is set out as follows:

#### Executive Directors

Mr. Li Fujing<sup>1</sup>  
Mr. Li Qingsong<sup>2</sup> (*Chairman*)  
Mr. Guo Chaoyang<sup>3</sup> (*General Manager*)

#### Non-executive Director

Ms. Hao Chunmei

#### Independent Non-executive Directors

Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen  
Dr. Chan Yee Wah  
Dr. Cao Fuguo

Notes:

1. Mr. Li Fujing resigned as an executive Director, chairman of the Board, a member and the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, with effect from 25 July 2025.
2. Mr. Li Qingsong was appointed as chairman of the Board, a member and the chairman of the Nomination Committee and a member of the Remuneration Committee, with effect from 25 July 2025. He ceased to be the chief executive officer with effect from 17 September 2025.
3. Mr. Guo Chaoyang was appointed as the executive Director and the general manager, with effect from 17 September 2025.

In accordance with article 86 of the articles of association of the Company, Mr. Guo Chaoyang's appointment will remain valid until and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. In accordance with article 87 of the articles of association of the Company, Mr. Li Qingsong, Dr. Chan Yee Wah and Mr. Cheng Kai Tai, Allen will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and considers them to be independent. Three of independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, have been serving in the Company for more than 9 years. However, the independence of any of them has not been or will not be compromised or affected, especially in terms of the exercise of independent judgment and the provision of objective opinions to the management. The Board is confident that Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah will and continue to make valuable contributions to the Company by providing balanced and objective opinions to the Board. On 23 May 2023, Dr. Cao Fuguo was appointed as an independent non-executive Director of the Company in compliance with code provision B.2.4(b).

## DIRECTORS' REPORT (CONTINUED)

### CHANGES IN INFORMATION OF DIRECTORS

The changes in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's 2025 interim report are as follows:

Name of Director	Particulars of the Changes
Executive Director: Mr. Li Qingsong	Appointed as chairman of the Board, a member and the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company, with effect from 25 July 2025. He ceased to be the chief executive officer of the Company with effect from 17 September 2025.
Independent non-executive Director: Dr. Cao Fuguo	Ceased to be the independent director of Bloomage Biotechnology Corporation Limited (華熙生物科技股份有限公司) (a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange) with effect from 11 June 2025.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and Senior Management are set out on pages 21 to 24 of this annual report.

### PERMITTED INDEMNITY PROVISIONS

Currently, the permitted indemnity provisions (as defined in the Hong Kong Companies Ordinance) in relation to the Directors' and Senior Management' liability insurance are in force.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There are no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisting during the year ended 31 December 2025 and at any time up to the date of this report.

### MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2025.



## DIRECTORS' REPORT (CONTINUED)

### CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, at no time during the year ended 31 December 2025 had the Company or any of its subsidiaries entered into any material contract with any controlling shareholder or any of its subsidiaries, nor had any material contract been entered into for the services provided by any controlling shareholder or any of its subsidiaries.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2025, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2025, according to the information available to the Company and to the best knowledge of the Directors, none of the Directors, chief executives of the Company or their associates had interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The Company has no any share option schemes currently in force.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2025, according to the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register maintained by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholders	Capacity of shareholders	Number of shares/underlying shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding <sup>(Note 1)</sup>
Beijing Capital (Hong Kong) Limited	Beneficial owner <sup>(Note 2)</sup>	6,449,026,736 (L)	45.11%
Beijing Capital Eco-Environment Protection Group Co., Ltd.	Interest of a controlled corporation <sup>(Note 2)</sup>	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited	Beneficial owner <sup>(Note 3)</sup>	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd.	Interest of a controlled corporation <sup>(Notes 2&amp;3)</sup>	9,565,793,808 (L)	66.92%

## DIRECTORS' REPORT (CONTINUED)

Notes:

1. "L" means holding a long position in Shares. Approximate percentage of shareholding is calculated based on the total number of issued shares of the Company of 14,294,733,167 shares as at 31 December 2025.
2. Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Eco-Environment Protection Group Co., Ltd., which was controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Eco-Environment Protection Group Co., Ltd. were deemed to be interested in the shares held by Beijing Capital (Hong Kong) Limited by virtue of the SFO.
3. BCG Chinastar International Investment Limited was a wholly-owned subsidiary of Beijing Capital Group Co., Ltd.. Therefore, Beijing Capital Group Co., Ltd. was deemed to be interested in the shares held by BCG Chinastar International Investment Limited by virtue of the SFO.

Save as the aforesaid, the Company and the Directors were not aware of any person (other than Directors or chief executives of the Company) or corporations who had any interests or short positions in the shares or underlying shares of the Company as at 31 December 2025 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following disclosable continuing connected transaction and connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

#### CONTINUING CONNECTED TRANSACTION

##### Continuing Connected Transaction – Cooperation Framework Agreement

On 11 March 2024, the Company entered into the Cooperation Framework Agreement with Capital Eco Group, a controlling shareholder and a connected person of the Company, pursuant to which the subsidiaries of Capital Eco Group, which fall under the Cooperative Area, shall provide entrusted management services to any subsidiaries and/or branches ("Project Companies") of Beijing Capital Environmental Sanitation Company Limited (北京首創環衛有限公司) ("Capital Environmental Sanitation"), an indirect wholly-owned subsidiary of the Company, in the Cooperative Area. The Company could develop the market of environmental sanitation and work on environmental sanitation projects by leveraging on the marketing network, experience and expertise of members of Capital Eco Group.

The scope of services includes, but is not limited to: (1) recommending suitable candidates to serve as senior management personnel/responsible persons (e.g. general manager, chief financial officer, and finance personnel) of the Project Companies; and (2) subject to the decision-making powers delegated to i) the meetings of shareholders and board of directors; and ii) the executive directors of the Project Companies of Capital Environmental Sanitation and the compliance with the articles of associations of the Project Companies, such senior management personnel/responsible persons shall be entrusted to exercise the statutory management rights and provide management services on the day-to-day business operations of the Project Companies (including but not limited to production arrangements, sales arrangements, development planning arrangements, asset management, financial management, personnel management and budget arrangements). In accordance with the principles of fairness and reasonableness and pursuant to the Cooperation Framework Agreement, the parties shall enter into specific entrusted management agreements on normal commercial terms in respect of the provision of the entrusted management services. The terms and conditions of the specific entrusted management agreements, including but not limited to the pricing policy, shall in all material aspects in compliance with the principles, directions, terms and conditions of the Cooperation Framework Agreement.



## DIRECTORS' REPORT (CONTINUED)

The term of entrusted management lasts from 11 March 2024 to 31 December 2026. It is expected that the annual entrusted management service fee payable under the Cooperation Framework Agreement would not exceed the caps of RMB equivalent of HK\$10,000,000, which shall be satisfied by the general working capital. The pricing policy of the entrusted management service fee shall be determined with reference to 1) labour cost; 2) service fee; and 3) performance fee. The labour cost shall be calculated based on the agreed annual salary of the senior management personnel/responsible persons of the Project Companies nominated by the subsidiaries of Capital Eco Group. The amount of service fee and performance fee payable shall be subject to the annual performance of such senior management personnel/responsible persons, which shall be assessed based on a set of performance appraisal criteria to be agreed by the parties to the specific entrusted management agreement.

For the year ended 31 December 2025, the annual cap for the entrusted management service fee payable under the Cooperation Framework Agreement is set at the RMB equivalent of HK\$10,000,000. The entrusted management service fee payable/paid under the Cooperation Framework Agreement for the year ended 31 December 2025 amounted to RMBNil, which did not exceed the annual cap for that year.

Capital Eco Group is deemed to have an interest in approximately 45.11% of the issued Shares of the Company and is a controlling shareholder and a connected person of the Company. Therefore, the transactions contemplated under the Cooperation Framework Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios in respect of transactions contemplated under the Cooperation Framework Agreement exceed 0.1% but all are below 5%, the transactions contemplated under the Cooperation Framework Agreement are therefore subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

The independent non-executive Directors have reviewed the aforesaid continuing connected transaction and confirmed that such transaction was entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. according to the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board appointed the auditor of the Company to carry out several agreed audit procedures in respect of the continuing connected transaction of the Group. The auditor reported to the Board the actual audit findings of such procedures, and confirmed in a letter to the Board that nothing had come to its attention which causes it to believe that the aforesaid continuing connected transaction: (i) had not been approved by the Board; (ii) was not entered into, in all material respects, in accordance with the pricing policy of the Group; (iii) was not entered into, in all material respects, in accordance with the relevant agreements in respect of such transactions; and (iv) had exceeded the relevant annual cap.

Please refer to the announcements of the Company dated 11 March 2024, 28 March 2024 and 13 June 2024 for more details.

## DIRECTORS' REPORT (CONTINUED)

### CONNECTED TRANSACTIONS

#### Connected Transaction – Equipment Procurement Agreement

Xinjiang Tianfu Waste Incineration Power Generation Company Limited (新疆天富垃圾焚燒發電有限責任公司) (“Xinjiang Tianfu Company”), an indirect wholly-owned subsidiary of the Company, has won the bid for a public tender concerning the procurement for the monitoring room for inspection of water inlet and outlet of the Wastewater Treatment Plant Upgrading and Renovation Project. On 27 May 2025, Xinjiang Tianfu Company (as the vendor) entered into the Equipment Procurement Agreement with Sichuan Qingshi Construction Company Limited (四川青石建設有限公司) (“Sichuan Qingshi Company”) (as the purchaser), pursuant to which Xinjiang Tianfu Company agreed to sell and Sichuan Qingshi Company agreed to purchase the Target Equipment at a consideration of RMB4,189,120. Pursuant to which, Xinjiang Tianfu Company agreed to sell and Sichuan Qingshi Company agreed to purchase 16 sets of each of the Target Equipment. The Target Equipment under the Equipment Procurement Agreement shall be delivered by Xinjiang Tianfu Company within 45 days from the date of the Equipment Procurement Agreement.

Sichuan Qingshi Company is a direct wholly-owned subsidiary of the Capital Eco Group. Capital Eco Group is deemed to have interest in approximately 45.11% of the issued Shares of the Company and is a controlling shareholder and a connected person of the Company. Accordingly, Sichuan Qingshi Company is an associate of Capital Eco Group and thus a connected subsidiary of the Company and the entering into of the Equipment Procurement Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios in respect of transaction contemplated under the Equipment Procurement Agreement exceed 0.1% but all are below 5%, the transaction contemplated thereunder is subject to the reporting and announcement requirements but exempt from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules. The Directors (including the independent non-executive Directors) are of the view that the terms of the Equipment Procurement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole.

The Directors consider that the entering into of the Equipment Procurement Agreement will allow the Group to secure a reliable customer and contribute operating income and cash flow to the Group, while also creating a pathway for the Group to collaborate on providing comprehensive wastewater treatment solutions, thereby facilitating the steady development of the waste treatment business of the Group.

Please refer to the announcement of the Company dated 27 May 2025 for more details.

#### Related Party Transactions

During the year ended 31 December 2025, certain related party transactions as disclosed in note 36 to the consolidated financial statements constituted connected transactions or continuing connected transactions as defined in the Listing Rules. Save as disclosed in this annual report, none of the related party transactions as disclosed in note 36 to the consolidated financial statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

### PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this report.



## DIRECTORS' REPORT (CONTINUED)

### MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 17.32% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 5.31%. Purchase from the Group's five largest suppliers accounted for 13.21% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for 3.11%.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital (excluding treasury shares)) had any beneficial interest in any of the Group's five largest customers or five largest suppliers.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata to its existing Shareholders.

### TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares) during the year ended 31 December 2025. As at 31 December 2025, there were no treasury shares held by the Company.

### CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 25 to 40 of this annual report.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's fulfillment of its environmental and social responsibilities will be set out in the Sustainability Report, which will be uploaded to the website of the Company and the website of the Stock Exchange by the end of April 2026.

### MAIN RISKS AND UNCERTAINTY

The main risks and uncertainties involved in the Group's operations. Compared with developed countries, the solid waste treatment sector in China had a late start with many subdivisions. At present, China's solid waste treatment sector is undergoing a period of strategic adjustment. The traditional end-of-pipe treatment field is basically finalized, while the emerging fields are in the ascendant. The traditional landfill operation has entered a period of decline, while the site restoration market is developing rapidly. The waste incineration industry has become very mature with a complete business model, and the environmental sanitation industry has gradually matured following a rapid development period.

### EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the year ended 31 December 2025.



## DIRECTORS' REPORT (CONTINUED)

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Board and the management, the Group is in compliance with applicable laws and regulations that may have significant effect on the business and operations of the Group. The Group did not record any material losses and impacts arising from non-compliance with laws and regulations during the year ended 31 December 2025. Details are set out in the section headed "Management Discussion and Analysis" of this report.

### KEY RELATIONSHIPS WITH STAKEHOLDERS

The details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company are set out in the section headed "Management Discussion and Analysis" of this report.

### AUDITORS

Ernst & Young retired as auditor of the Company with effect from the conclusion of the annual general meeting of the Company held on 26 June 2025. BDO Limited was appointed as the Company's new auditor following the retirement of Ernst & Young. The consolidated financial statements for the year ended 31 December 2025 have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

*Chairman*

**Mr. Li Qingsong**

Beijing, 18 March 2026



# INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Capital Environment Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Capital Environment Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 57 to 143, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Accounting treatment for service concession arrangements

The Group entered into service concession arrangements with government authorities or their designators in respect of the waste management and waste-to-energy businesses in Chinese Mainland. The arrangements were accounted for in accordance with HK(IFRIC)-Int 12 Service Concession Arrangements. The accounting treatment for service concession arrangements involved significant management judgements and estimates, including the determination of applicable accounting models, prevailing market rates of construction gross margins and discount rates as used in the valuation process, and the determination of the percentage of completion of construction services. As a result, we identified the accounting treatment for service concession arrangements as a key audit matter.

The accounting policies and disclosures for service concession arrangements are included in notes 2.4, 3, 5, 16, 18 and 19 to the financial statements.

#### *Our response:*

Our procedures performed in relation to accounting treatment for service concession arrangements included:

- evaluating the accounting models adopted by the Group and assessing the future guaranteed receipts by reviewing the contract terms of the service concession arrangements; performing a comparison of the inputs to the accounting models with external market data, especially for gross margin, for which we considered the observable market data and comparable companies in the industry; and with the assistance of our internal valuation specialists, evaluating the discount rates; and
- evaluating management's assessment of measuring progress towards complete satisfaction of a performance obligation based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the performance obligation; inquiring management about the status of significant projects under construction and examining independent surveyors' reports; testing the underlying data adopted by the independent surveyors engaged by the Group, which included checking the purchase contracts, invoices and goods delivery notes for construction costs; and obtaining an understanding of and testing management's process of estimating the total budget cost and costs to completion for incomplete construction contracts.

In addition, we assessed the adequacy of the relevant disclosures.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### KEY AUDIT MATTERS *(Continued)*

#### **Impairment of other intangible assets in relation to service concession arrangements**

As at 31 December 2025, the carrying amount of other intangible assets in relation to service concession arrangements was RMB4,583 million, representing waste treatment and waste-to-energy operating rights of the Group to charge local government authorities for treating waste and to charge the other users for products produced during the waste treatment process.

Under HKAS 36, the Group is required to perform impairment testing of other intangible assets in relation to service concession arrangements when an indicator of impairment has been identified. The process requires management to make assumptions to be used in the underlying cash flow forecasts, in particular those related to the future revenue growth rate, operating margins and discount rate. Management performed impairment testing with respect to the assets of those impaired loss-making projects during the operation phase with a total before current year's impairment of RMB732 million as at 31 December 2025 and impairment amounting to RMB63 million was provided for in the current year. Given the level of judgement involved and the significance of the amounts, we considered this as a key audit matter.

The accounting policies and disclosures of impairment of other intangible assets in relation to service concession arrangements are included in notes 2.4, 3 and 16 to the financial statements.

#### ***Our response:***

Our procedures performed in relation to impairment of other intangible assets in relation to service concession arrangements included:

- evaluating the Group's policies and procedures to identify triggering events for potential impairment of assets related to the underperforming cash-generating units and management's assessment on impairment indicators;
- evaluating the methodologies and discount rate used by the Group with the assistance of our internal valuation specialists; comparing the key assumptions used in the impairment test made by management, i.e., the future revenue growth rate over the concession period and operating margin, to the historical performance of the Group, management's business development plan and the future prospects of the business; and
- reviewing the sensitivity analysis for the recoverable amounts of the respective cash-generating units prepared by management.

We also assessed the adequacy of the relevant disclosures, especially for those key assumptions to which the outcome of the impairment test is sensitive.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### KEY AUDIT MATTERS *(Continued)*

#### **Impairment of concession financial assets, contract assets in relation to service concession arrangements (excluding contract assets in relation to intangible assets) and trade receivables**

As at 31 December 2025, the carrying amounts of concession financial assets, contract assets in relation to service concession arrangements (excluding contract assets in relation to intangible assets) and trade receivables were RMB9,399 million, RMB247 million and RMB2,976 million respectively, net of provision for expected credit losses of RMB204 million, RMB391,000 and RMB241 million.

Significant management judgements and estimations are involved in the assessment of expected credit losses after considering historical events, current conditions and forward-looking credit risk information. As a result, we identified the impairment of concession financial assets, contract assets in relation to service concession arrangements (excluding contract assets in relation to intangible assets) and trade receivables as a key audit matter requiring special audit consideration.

The accounting policies and disclosures of impairment of concession financial assets, contract assets in relation to service concession arrangements (excluding contract assets in relation to intangible assets) and trade receivables are included in notes 2.4, 3, 18, 19 and 22 to the financial statements.

#### ***Our response:***

Our procedures performed in relation to impairment of concession financial assets, contract assets in relation to service concession arrangements (excluding contract assets in relation to intangible assets) and trade receivables included:

- obtaining an understanding of management's basis in determining expected credit losses;
- evaluating management's basis of estimation of loss rated by checking ageing profiles and historical settlement patterns on sample basis; and
- evaluating the methodology of expected credit losses calculation and the key parameters used with reference to external available data sources.

In addition, we assessed the adequacy of the relevant disclosures.

### OTHER MATTER

The consolidated statements of the Group for the year ended 31 December 2025, were audited by another auditor who expressed an unmodified opinion on those statements on 21 March 2025.

### OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **BDO Limited**

*Certified Public Accountants*

#### **IP Ka Ming**

Practising Certificate no. P08322

Hong Kong, 18 March 2026



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>REVENUE</b>	5		
– from contracts with customers		3,188,555	3,147,996
– effective interest income on concession financial assets		515,600	518,595
		<b>3,704,155</b>	3,666,591
Cost of sales		<b>(2,347,450)</b>	(2,357,495)
Gross profit		<b>1,356,705</b>	1,309,096
Other income and gains	5	79,587	106,295
Selling expenses		(13,728)	(14,452)
Administrative expenses		(353,137)	(393,378)
Other expenses		(73,945)	(96,023)
Impairment losses on financial and contract assets, net		(228,974)	(152,458)
Finance costs	7	(393,695)	(425,156)
Share of profits of associates		4,679	4,861
<b>PROFIT BEFORE TAX</b>	6	<b>377,492</b>	338,785
Income tax expense	10	(88,847)	(68,215)
<b>PROFIT FOR THE YEAR</b>		<b>288,645</b>	270,570
Attributable to:			
Owners of the parent		274,503	234,123
Non-controlling interests		14,142	36,447
		<b>288,645</b>	270,570
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	12	<b>RMB1.92 cents</b>	RMB1.64 cents
Diluted	12	<b>RMB1.92 cents</b>	RMB1.64 cents

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>288,645</b>	270,570
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Reclassification of exchange differences on deregistration of a subsidiary	4,710	–
Exchange differences on translation of foreign operations	425	(3,612)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	5,135	(3,612)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	–	(200)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	–	(200)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>5,135</b>	(3,812)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>293,780</b>	266,758
Attributable to:		
Owners of the parent	279,430	232,081
Non-controlling interests	14,350	34,677
	<b>293,780</b>	266,758



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	439,330	482,482
Right-of-use assets	14	103,052	61,873
Goodwill	15	6,055	6,055
Other intangible assets	16	4,584,597	4,744,501
Investments in associates	17	54,147	56,686
Deferred tax assets	29	66,201	65,185
Concession financial assets	18	7,575,083	7,685,079
Contract assets	19	292,480	376,999
Prepayments, other receivables and other assets	20	165,725	184,522
Pledged deposits	23	6,917	5,746
Total non-current assets		13,293,587	13,669,128
<b>CURRENT ASSETS</b>			
Inventories	21	119,963	89,743
Concession financial assets	18	1,823,488	1,665,781
Contract assets	19	1,478,855	1,204,044
Trade receivables	22	2,975,541	2,580,311
Prepayments, other receivables and other assets	20	1,015,352	975,034
Pledged deposits	23	5,021	37,198
Cash and cash equivalents	23	488,131	659,298
Total current assets		7,906,351	7,211,409
<b>CURRENT LIABILITIES</b>			
Trade payables	24	1,438,946	1,603,234
Other payables and accruals	25	224,730	203,687
Contract liabilities		59,599	53,984
Deferred income	26	19,901	17,601
Interest-bearing bank and other borrowings	27	982,195	3,040,100
Lease liabilities	14	10,843	–
Amounts due to related parties		27,678	268,000
Current tax liabilities		69,421	60,404
Total current liabilities		2,833,313	5,247,010
<b>NET CURRENT ASSETS</b>		<b>5,073,038</b>	<b>1,964,399</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>18,366,625</b>	<b>15,633,527</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	26	378,362	333,344
Interest-bearing bank and other borrowings	27	7,978,934	7,607,111
Deferred tax liabilities	29	711,820	701,602
Corporate bonds	28	1,937,027	–
Other payables and accruals	25	3,334	–
Amounts due to related parties		40,000	–
Lease liabilities	14	33,396	–
Total non-current liabilities		11,082,873	8,642,057
Net assets		7,283,752	6,991,470
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	30	1,275,167	1,275,167
Reserves	31	5,666,911	5,386,304
		6,942,078	6,661,471
Non-controlling interests		341,674	329,999
Total equity		7,283,752	6,991,470

**Guo Chaoyang**  
Director

**Li Qingsong**  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Attributable to owners of the Company											Total equity RMB'000
	Issued capital RMB'000 (note 30)	Share premium RMB'000 (note 31)	Capital reserve RMB'000 (note 31)	Capital redemption reserve RMB'000 (note 31)	Merger reserve RMB'000 (note 31)	Other reserve RMB'000 (note 31)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 (note 31)	Exchange fluctuation reserve RMB'000 (note 31)	Retained profits RMB'000 (note 31)	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2024	1,275,167	462,602	4,702	1,488,583	(481,084)	10,507	(16,033)	(271,277)	3,956,223	6,429,390	266,475	6,695,865
Profit for the year	-	-	-	-	-	-	-	-	234,123	234,123	36,447	270,570
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(200)	-	-	(200)	-	(200)
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(1,842)	-	(1,842)	(1,770)	(3,612)
Total comprehensive income for the year	-	-	-	-	-	-	(200)	(1,842)	234,123	232,081	34,677	266,758
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	75,358	75,358
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(4,900)	(4,900)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(41,611)	(41,611)
Provision for safety production fund	-	-	-	-	-	9,870	-	-	(9,870)	-	-	-
At 31 December 2024	1,275,167	462,602*	4,702*	1,488,583*	(481,084)*	20,377*	(16,233)*	(273,119)*	4,180,476*	6,661,471	329,999	6,991,470

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2025

	Attributable to owners of the Company											Total equity RMB'000
	Issued capital RMB'000 (note 30)	Share premium RMB'000 (note 31)	Capital reserve RMB'000 (note 31)	Capital redemption reserve RMB'000 (note 31)	Merger reserve RMB'000 (note 31)	Other reserve RMB'000 (note 31)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 (note 31)	Exchange fluctuation reserve RMB'000 (note 31)	Retained profits RMB'000 (note 31)	Total RMB'000	Non- controlling interests RMB'000	
At 1 January 2025	1,275,167	462,602	4,702	1,488,583	(481,084)	20,377	(16,233)	(273,119)	4,180,476	6,661,471	329,999	6,991,470
Profit for the year	-	-	-	-	-	-	-	-	274,503	274,503	14,142	288,645
Exchange differences related to foreign operations	-	-	-	-	-	-	-	217	-	217	208	425
Reclassification of exchange translation differences on deregistration of a subsidiary	-	-	-	-	-	-	-	4,710	-	4,710	-	4,710
Total comprehensive income for the year	-	-	-	-	-	-	-	4,927	274,503	279,430	14,350	293,780
Acquisition of non-controlling interests	-	-	1,177	-	-	-	-	-	-	1,177	(4,477)	(3,300)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(2,283)	(2,283)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	15,660	15,660
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(11,575)	(11,575)
Provision for safety production fund	-	-	-	-	-	7,661	-	-	(7,661)	-	-	-
At 31 December 2025	1,275,167	462,602*	5,879*	1,488,583*	(481,084)*	28,038*	(16,233)*	(268,192)*	4,447,318*	6,942,078	341,674	7,283,752

\* These reserve accounts comprise the consolidated reserves of RMB5,666,911,000 (31 December 2024: RMB5,386,304,000) in the consolidated statement of financial position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		377,492	338,785
Adjustments for:			
Depreciation and amortisation	6	283,143	264,548
Loss on disposal of items of property, plant and equipment	6	–	288
Impairment of prepayments, other receivables and other assets	6	(4,381)	1,135
Impairment of trade receivables	6	65,581	85,901
Impairment of contract assets	6	101,100	40,330
Impairment of concession financial assets and relevant contract assets	6	66,674	25,092
Impairment of property, plant and equipment	6	–	33,520
Impairment of other intangible assets	6	63,203	54,000
Share of profits of associates		(4,679)	(4,861)
Interest income		(521,260)	(556,952)
Finance costs		393,695	425,156
		<b>820,568</b>	<b>706,942</b>
Increase in inventories		(30,220)	(12,127)
Decrease in concession financial assets and relevant contract assets in relation to service concession arrangements		527,815	569,177
Increase in trade receivables		(377,461)	(445,908)
Increase in other contract assets		(460,811)	(433,378)
Increase/(decrease) in trade payables		(164,288)	(47,576)
Increase/(decrease) in other payables and accruals		36,979	(32,706)
Increase in contract liabilities		5,615	18,631
(Increase)/decrease in prepayments, other receivables and other assets		51,818	(7,272)
Increase in deferred income		47,318	36,572
Cash generated from operations		<b>457,333</b>	352,355
Profits tax paid		(70,628)	(54,807)
Net cash flows generated from operating activities		<b>386,705</b>	297,548

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(14,560)	(54,697)
Additions of other intangible assets in relation to service concession arrangements and related contract assets		(158,668)	(187,301)
Additions to other intangible assets		(361)	(14)
Advances made to associates		(61,740)	–
Proceeds from disposal of items of property, plant and equipment		1,371	5,467
Interest received		5,660	8,241
Disposal of an associate		379	–
Deregistration of a subsidiary		–	(4,900)
Capital injection to an associate		–	(10,437)
Disposal of a service concession arrangement		–	31,511
Placement of pledged deposits		(7,421)	(2,467)
Release of pledged deposits		38,427	–
Net cash flows used in investing activities		(196,913)	(214,597)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(654,628)	(273,510)
New bank and other borrowings		2,938,560	1,380,190
Repayment of bank and other borrowings		(4,636,049)	(1,199,391)
Lease payments		(9,855)	(22,890)
Proceeds from issue of bonds payable		2,000,000	–
Dividends paid to non-controlling interests		(11,960)	(41,611)
Acquisition of non-controlling interests		(3,300)	–
Refund of capital to a non-controlling interests		(2,283)	–
Capital contribution from non-controlling interests		15,660	75,358
Net cash flows used in financing activities		(363,855)	(81,854)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(174,063)	1,097
Cash and cash equivalents at beginning of year		659,298	661,811
Effect of foreign exchange rate changes on cash and cash equivalents, net		2,896	(3,610)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	23	<b>488,131</b>	<b>659,298</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	23	500,069	702,242
Pledged deposits	23	(11,938)	(42,944)
Cash and cash equivalents as stated in the statement of cash flows		488,131	659,298



# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 1. CORPORATE AND GROUP INFORMATION

Capital Environment Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 13 July 2006. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") is involved in the waste treatment and waste-to-energy business.

The immediate holding company of the Company is Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), a company incorporated in Hong Kong, and the ultimate holding company is Beijing Capital Group Co., Ltd. ("Beijing Capital Group"), a state-owned enterprise registered in the People's Republic of China ("PRC").

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Capital Environment Investment Limited (首創環保投資有限公司)	Hong Kong	HK\$500,000,000	100	–	Investment holding
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	PRC/Chinese Mainland	RMB548,540,000	–	100	Waste treatment and waste-to-energy generation
Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司)	PRC/Chinese Mainland	RMB60,000,000	–	100	Kitchen waste treatment
Beijing Capital Environment Investment Limited (北京首創環境投資有限公司)	PRC/Chinese Mainland	RMB2,704,000,000	–	100	Provision of technical services
Duyun Kelin Environment Company Limited (都勻市科林環保有限公司)	PRC/Chinese Mainland	RMB40,000,000	–	100	Municipal solid waste treatment

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	PRC/Chinese Mainland	RMB200,250,000	–	100	Municipal solid waste treatment
Duyun Capital Environmental Sanitation Services Limited (都勻市首創環衛服務有限公司)	PRC/Chinese Mainland	RMB5,000,000	–	100	Waste collection and transportation
Duyun Kelin Environment Protection Technology Limited (都勻市科林環保科技有限公司)	PRC/Chinese Mainland	RMB21,000,000	–	100	Municipal solid waste treatment
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	PRC/Chinese Mainland	RMB99,320,000	–	97.99	Waste treatment and waste-to-energy generation
Anhui Capital Environmental Technology Company Limited (安徽首創環境科技有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	95	Recycling and disassembly of waste electrical and electronic equipment
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)*	PRC/Chinese Mainland	RMB500,600,000	–	98.95	Waste treatment and waste-to-energy generation
Huludao Kangte Jincheng Environment Management Company Limited (葫蘆島康達錦程環境 治理有限公司)	PRC/Chinese Mainland	RMB40,000,000	–	100	Municipal solid waste treatment
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	PRC/Chinese Mainland	RMB60,000,000	–	70	Kitchen waste treatment



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ningbo Capital Environment Kitchen Waste Treatment Company Limited (寧波首創廚餘垃圾 處理有限公司)*	PRC/Chinese Mainland	RMB90,200,000	–	60	Kitchen waste treatment
Yangzhou Capital Solid Environment Technology Limited (揚州首拓環境科技有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	100	Hazardous waste treatment
Beijing Capital Environment Technology Company Limited (北京首創環境科技有限公司)**	PRC/Chinese Mainland	RMB180,646,000	–	100	Provision of technical services
Yangzhou Capital Investment Limited (揚州首創投資有限公司)**	PRC/Chinese Mainland	RMB60,500,000	–	100	Investment holding
Gaoan Eacon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力 發電有限公司)	PRC/Chinese Mainland	RMB110,000,000	–	60	Waste treatment and waste-to-energy generation
Xihua Capital Environment Resources Limited (西華首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation
Xihua Capital Environment Sanitation Limited (西華首創環衛有限公司)	PRC/Chinese Mainland	RMB15,000,000	–	100	Waste collection and transportation
Zibo Capital Solid Environment Technology Limited (濰博首拓環境科技有限公司)*	PRC/Chinese Mainland	RMB128,730,000	–	100	Hazardous waste treatment
Shicheng Capital Environment Limited (石城縣首創環保 有限公司)	PRC/Chinese Mainland	RMB20,000,000	–	60	Municipal solid waste treatment
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色 能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation
Suixian Capital Environmental Sanitation Limited (睢縣首創環衛有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Waste collection and transportation
Beijing Capital Environment Engineering Co., Ltd. (北京首創環境工程有限公司) **	PRC/Chinese Mainland	RMB86,400,000	–	100	Waste treatment
Guangchang Capital Environment Co., Ltd. (廣昌縣首創環保有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Waste collection and transportation
Shenzhen Qianhai Capital Environment Investment Limited (深圳前海首創環境投資有限公司) **	PRC/Chinese Mainland	HK\$2,200,000,000	100	–	Investment holding
Linyi Capital Environmental Hygiene Limited (臨猗首創環衛有限公司)	PRC/Chinese Mainland	RMB7,000,000	–	100	Waste collection and transportation
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	PRC/Chinese Mainland	RMB137,160,000	–	100	Waste treatment and waste-to-energy generation
Jiangxi Ruijin Ai Si Environmental Electric Limited (瑞金首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	97	Waste treatment and waste-to-energy generation
Lushan Capital Environment Energy Company Limited (魯山首創環保能源有限公司)	PRC/Chinese Mainland	RMB110,000,000	–	90	Waste treatment and waste-to-energy generation
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	90	Waste treatment and waste-to-energy generation



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation
Suiping Capital Environmental Sanitation Company Limited (遂平首創城鄉環衛有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Waste collection and transportation
Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司)	PRC/Chinese Mainland	RMB80,700,000	–	55	Construction waste treatment technical services
Beijing Capital Environmental Sanitation Company Limited (北京首創環衛有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	51	Waste treatment
Beijing Capital Solid Environment Technology Co., Ltd. (北京首拓環境科技有限公司) **	PRC/Chinese Mainland	RMB50,000,000	–	100	Provision of technical services
Dingxi Capital Solid Environment Energy Co., Ltd. (定西首拓環保能源有限公司)	PRC/Chinese Mainland	RMB4,480,000	–	100	Waste collection and transportation
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	80	Waste treatment and waste-to-energy generation
Huainan Capital Environment Recovery Engineering Co., Ltd. (淮南首創環境修復工程有限公司)	PRC/Chinese Mainland	RMB66,900,000	–	100	Restoration and operation of waste accumulation sites
Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司)	PRC/Chinese Mainland	RMB28,572,000	–	100	Municipal solid waste treatment
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Municipal solid waste treatment

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yutian Capital Environmental Energy Co., Ltd. (玉田首創環保能源有限公司)	PRC/Chinese Mainland	RMB106,920,000	–	100	Waste treatment and waste-to-energy generation
Gaoan Capital Environmental Sanitation Co., Ltd. (高安首創環衛有限公司)	PRC/Chinese Mainland	RMB20,000,000	–	51	Waste collection and transportation
Zhumadian Tailai Environmental Protection Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	PRC/Chinese Mainland	RMB350,842,000	–	91.45	Waste treatment and waste-to-energy generation
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	100	Biomass incineration power generation
Nong'an Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	PRC/Chinese Mainland	RMB135,000,000	–	100	Waste treatment and waste-to-energy generation
Duchang Capital Environmental Energy Co., Ltd. (都昌縣首創環保能源有限公司)	PRC/Chinese Mainland	RMB193,000,000	–	100	Waste treatment and waste-to-energy generation
Tanghe Capital Environmental Energy Co., Ltd. (唐河首創環保能源有限公司)	PRC/Chinese Mainland	RMB125,000,000	–	100	Waste treatment and waste-to-energy generation
Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司)	PRC/Chinese Mainland	RMB66,650,000	–	89.91	Municipal solid waste treatment
Fuzhou Capital Haihuan Environmental Technology Co., Ltd. (福州首創海環環保科技有限公司)*	PRC/Chinese Mainland	RMB113,690,000	51	0.44	Kitchen waste treatment
Fuzhou Capital Solid Environment Development Co., Ltd. (福州首拓環境發展有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Investment holding
Pu'er Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司)	PRC/Chinese Mainland	RMB108,592,000	–	89.8	Waste treatment and waste-to-energy generation



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xiangxi Autonomous Prefecture Capital Environmental Co., Ltd. (湘西自治州首創環保有限公司)	PRC/Chinese Mainland	RMB202,000,000	–	90	Waste treatment and waste-to-energy generation
Huojia Capital Environmental Treatment Co., Ltd. (獲嘉縣首創環境治理有限公司)	PRC/Chinese Mainland	RMB14,700,000	–	66.7	Municipal solid waste treatment
Shenzhou Capital Environmental Energy Co., Ltd. (深州首創環保能源有限公司)	PRC/Chinese Mainland	RMB78,600,000	–	99	Waste treatment and waste-to-energy generation
Lushan Capital Biomass Energy Co., Ltd. (魯山首創生物質能源有限公司)	PRC/Chinese Mainland	RMB92,000,000	–	100	Biomass incineration power generation
Suichuan Capital Environmental Energy Co., Ltd. (遂川首創環保能源有限公司)*	PRC/Chinese Mainland	RMB118,000,000	–	100	Waste treatment and waste-to-energy generation
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)	PRC/Chinese Mainland	RMB116,608,000	–	99	Waste treatment and waste-to-energy generation
Fangcheng Capital Environmental Energy Technology Co., Ltd. (方城首創環境能源科技 有限公司)	PRC/Chinese Mainland	RMB108,192,000	–	99.9	Waste treatment and waste-to-energy generation
Shenzhou Capital Environmental Sanitation Co., Ltd. (深州首創環衛有限公司)	PRC/Chinese Mainland	RMB8,210,000	–	100	Waste collection and transportation
Dali Capital Environmental Restoration Co. Ltd. (大理首創環境修復有限公司)	PRC/Chinese Mainland	RMB50,000,000	–	89	Environment restoration
Sanhe Capital Sanitation Co. Ltd. (三河市首創環衛有限公司)	PRC/Chinese Mainland	RMB27,811,000	–	90	Municipal solid waste treatment
Xinjiang Tianfu Waste Incineration Power Generation Co. Ltd. (新疆天富垃圾焚燒發電 有限責任公司)	PRC/Chinese Mainland	RMB450,000,000	–	100	Waste treatment and waste-to-energy generation

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 1. CORPORATE AND GROUP INFORMATION (Continued)

#### Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ma'anshan Shouhui Urban Environmental Services Co., Ltd. (馬鞍山首匯城市環境服務有限公司)	PRC/Chinese Mainland	RMB14,488,000	–	51	Municipal solid waste treatment
Ma'anshan Jingkai Shouhuan Urban Environmental Services Co., Ltd. (馬鞍山經開首環城市環境服務有限公司)	PRC/Chinese Mainland	RMB9,163,000	–	51	Municipal solid waste treatment
Xinye Capital Environmental Technology Co., Ltd. (新野首創環境科技有限公司)	PRC/Chinese Mainland	RMB10,600,000	–	99.9	Municipal solid waste treatment
Zhejiang Capital City Service Co., Ltd (浙江首創城市服務有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	51	Municipal solid waste treatment
Tongling Capital Fenxun Urban Environmental Service Co., Ltd (銅陵首創奮迅城市環境服務有限公司)	PRC/Chinese Mainland	RMB4,000,000	–	90	Municipal solid waste treatment
Zhangjiajie Capital Environmental Sanitation Co., Ltd (張家界首創環衛有限公司)	PRC/Chinese Mainland	RMB2,760,000	–	100	Waste collection and transportation
Langfang Capital City Wisdom Service Co., Ltd (廊坊首創城慧服務有限公司)	PRC/Chinese Mainland	RMB144,670,000	–	95	Municipal solid waste treatment

\* The entities are registered as Sino-foreign equity joint ventures.

\*\* The entities are wholly-foreign-owned enterprises under PRC law.

The other subsidiaries registered in the PRC are domestic companies with limited liability under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2. ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are presented in RMB (人民幣) and all values are rounded to the nearest thousand except when otherwise indicated.

##### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting gains or losses in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amendments to HKFRS Accounting Standards for the first time for the current year's financial statements:

Amendments to HKAS 21	<i>Lack of Exchangeability</i>
Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37	<i>Disclosures about Uncertainties in the Financial Statements</i>

The nature and the impact of the amendments to HKFRS Accounting Standards are described below:

- (a) Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendment did not have any material impact on the amounts recognised in prior and current periods.
- (b) Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 — Disclosures about Uncertainties in the Financial Statements. On 13 February 2026, the HKICPA issued Disclosures about Uncertainties in the Financial Statements, which amended the illustrative examples accompanying multiple HKFRS Accounting Standards (HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37) to demonstrate how entities can apply the relevant requirements when reporting the effects of uncertainties in their financial statements. These illustrative examples form part of the accompanying materials to the Standards and do not carry a mandatory effective date. The Group has considered these illustrative examples in preparing its consolidated financial statements, and no additional disclosures or changes in presentation were considered necessary.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new or amendments to HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new or amendments to HKFRS Accounting Standards, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>2</sup></i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures<sup>2</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>1</sup></i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency<sup>2</sup></i>
<i>Annual Improvements to HKFRS Accounting Standards– Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>3</sup> No mandatory effective date yet determined but available for adoption



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(Continued)*

Further information about those Accounting Standards is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*, clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(Continued)*

Amendments to HKFRS 9 and HKFRS 7, *Contracts Referencing Nature-dependent Electricity*, clarify and expand the application of the 'own-use' exemption for contracts referencing nature-dependent electricity (such as power purchase agreements for renewable sources like wind or solar, where electricity volume varies due to uncontrollable natural factors), permit hedge accounting for such contracts by allowing designation of a variable nominal volume of forecast electricity transactions aligned with the expected delivery from the generation facility as the hedged item, and introduce additional disclosure requirements under HKFRS 7 to help users understand the nature, extent, and financial effects of these contracts on the entity's financial performance, position, and cash flows. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the date of initial application, without requiring restatement of prior periods and without the use of hindsight; prospective application applies to hedging relationships designated on or after initial application. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 address the translation of financial statements into a hyperinflationary presentation currency when the functional currency (or that of a foreign operation) is not hyperinflationary. The amendments require translation of all amounts (assets, liabilities, equity items, income and expenses, including comparatives) from a non-hyperinflationary functional currency into a hyperinflationary presentation currency using the closing rate at the date of the most recent statement of financial position. For an entity with a hyperinflationary functional and presentation currency translating a non-hyperinflationary foreign operation, current-period amounts are translated using the closing rate, while comparatives are restated using the general price index in accordance with paragraph 34 of HKAS 29. The amendments are to be applied for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments are not expected to have any significant impact on the Group's financial statements.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(Continued)*

*Annual Improvements to HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

### 2.4 MATERIAL ACCOUNTING POLICIES

#### Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring in line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

#### **Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Property, plant and equipment and depreciation** *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.00%
Plant, machinery and equipment	6.67% to 20.00%
Motor vehicles	6.67% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### **Service concession arrangements**

Service concession arrangements recognised as intangible assets are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives of 15 to 30 years.

#### **Software**

Software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful lives of 2 to 10 years.



# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

## 2.4 MATERIAL ACCOUNTING POLICIES (Continued)

### Intangible assets (other than goodwill) (Continued)

#### Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Leases *(Continued)*

##### *Group as a lessee (Continued)*

##### *(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment of an option to purchase the underlying asset.

##### *(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### **Service concession arrangements**

When the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the government authorities or their designators for the construction services and the government authorities or their designators have little, if any, discretion to avoid payment, usually because the agreement is enforceable by law, it recognises a financial asset at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any impairment loss.

When the Group has a right to charge users of public services as a consideration for providing service in a service concession arrangement, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service, the right is recognised as an intangible asset at fair value upon initial recognition. The Group measures this non-cash consideration at fair value and determines the fair value indirectly by reference to the stand-alone selling price of the construction services delivered. The fair value is estimated on a costs-plus basis with reference to prevailing market rate of gross margin and borrowing rates that would be incurred by other comparable companies rendering similar construction services. Subsequent to initial recognition, the intangible assets is carried at cost less accumulated amortisation and any accumulated impairment losses.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Service concession arrangements** *(Continued)*

If the Group receives a right to charge users of the public services and right to receive cash or another financial asset, each component of the consideration is accounted for separately. The consideration received or receivable for both components are initially recognised at the fair value and the Group shall divide the consideration into a financial asset component for any guaranteed amount of cash or financial asset and an intangible asset for the remainder. Both components are recognised as a contract asset during the construction phase of the arrangement and are reclassified as a financial asset and an intangible asset when the construction are completed. When the Group receives a payment during the concession period, it will apportion such payment between a repayment of the financial asset and revenue earned from the intangible asset in profit or loss.

The Group has contractual obligations under the service concession arrangements to maintain the infrastructure to a specified level of serviceability, or to restore the infrastructure to a specified condition before it is handed over to the government authorities or their designators at the end of the service concession arrangement. These contractual obligations to maintain and restore the infrastructure are measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

#### **Investments and other financial assets**

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding and are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

##### *Subsequent measurement*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### **General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Impairment of financial assets** *(Continued)*

##### *General approach (Continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as subsequently measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

##### *Subsequent measurement*

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

##### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (a) the amount that would be recognised in accordance with the general policy for provisions above; and (b) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Income tax** *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Government grants** *(Continued)*

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

#### **Revenue recognition**

##### *Construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur, when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

The Group receives consideration from customers either monthly/quarterly with reference to the value of works performed or along with the waste treatment services rendered in the operating period according to the service concession arrangements. The Group takes advantage of the practical expedient in HKFRS 15.63 and does not adjust the consideration for any effects of a significant financing component when the period between when the Group receives consideration and transferring control of construction service is one year or less. If the transfer of control of the construction services and the receipt of consideration occur more than one year apart, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Revenue recognition *(Continued)*

##### *Waste treatment services*

The Group's revenues from waste treatment services consist mainly of fees charge for treatment of non-hazardous solid waste at incineration plants operated by the Group. These services are performed under service agreements with government entities that grant the Group an exclusive right to provide these services in the specified territory during the contract term. The nature of the promises in these contracts is to operate the incineration plants on behalf of the local authority. The associated activities under each of these contracts represent a series of distinct services that are substantially the same each day and have the same pattern of transfer over time as the customer simultaneously receive the benefits as the Group performs; therefore, the respective services are treated as a single performance obligation.

The fees charged by the Group is generally fixed based on the types and volume or weight of the solid waste to be processed, with minimum guarantee in some case, but is also subject to adjustment for penalties on non-delivered services; resulting in the amount of consideration being variable. The Group uses the expected value method to estimate the amounts of variable consideration because this method best predicts the amount of consideration to which the Group will be entitled. As the variability is resolved on a monthly basis, there is no significant judgement or estimation uncertainty and accordingly no revenue is constrained in the period. No financing component is deemed to be present as the fees are billed monthly.

##### *Sales of recyclable materials*

The Group collects various solid waste under waste treatment services, some of which are general waste and some of which are recyclable materials. The recyclable materials are generally commingled and as such have to be separated into individual recyclable before ready for resale. Revenue from sales of recyclable is recognised at the point in time, generally when the recyclable materials were collected by the customers and is measured at the agreed transaction price per tonne of recyclable under the contract terms with the customers. At this point of time, the Group no longer has physical possession of the asset but has a present right to payment; and the customers have accepted these assets, the legal title, and the significant risks and rewards of ownership of these assets.

Customers are required to pay when the control of recyclable is transferred, the Group therefore does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, there is no significant financing component and the transaction price is not adjusted for the time value of money.

##### *Sales of electricity*

The Group's revenue from the sale of electricity generated from incineration plant are derived from power purchase agreement entered with the power grid. The Group considers the delivery of electricity represent a series of distinct goods that is substantially the same and have the same pattern of transfer over time as the customer simultaneously receive the benefits as the Group performs. Revenue from the sale of electricity is measured based on metered output delivered at rates specified under the terms of power purchase agreements and in some case, plus on-grid tariff subsidies receivable from the PRC government. Payment of on-grid tariff subsidies are typically in arrears and the timing of payment is driven primarily by budgetary considerations of the local government rather than for the provision of finance to the local government, the amount of payment has therefore not been adjusted to reflect the timing of payment.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### **Revenue recognition** *(Continued)*

##### **Environmental hygiene services**

Environmental hygiene services primarily cover comprehensive road cleaning and public toilet management. The associated activities under each of these contracts represent a series of distinct services that are substantially the same each day and have the same pattern of transfer over time as the customer simultaneously receive the benefits as the Group performs; therefore, the respective services are treated as a single performance obligation.

Normally, the Group charges customers on a monthly rate basis and they are required to settle the service fee monthly in arrears. The Group has applied the practical expedient not to recognise any financing element as the period between when the Group performs and the payment for that performance is one year or less. The Group has also applied the practical expedient of recognising revenue in the amount to which the entity has a right to invoice as entity's right to consideration from a customer corresponds directly with the value to the customer of the entity's performance completed to date.

Where the service contracts give customers the right to deduct service fees payable if third party service providers are engaged to rectify defects in the Group's services or other matters not to the client's satisfaction, execution of outstanding works or if there is delay in completion without a valid and justifiable reason, service fees may be reduced. The Group uses the expected value method to estimate the amounts of variable consideration because this method best predicts the amount of consideration to which the Group will be entitled. As the variability is resolved on a monthly basis, there is no significant judgement or estimation uncertainty and accordingly no revenue is constrained in the period.

#### **Interest income**

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost, and is calculated by applying the effective interest rate to the gross carrying amount when the asset is not credit-impaired. For financial assets that have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

#### **Contract assets**

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment on the same basis as trade receivables, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

#### **Contract liabilities**

A contract liability is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

#### Employee benefits

The employees of the Group are members of state-managed retirement benefit schemes operated by the PRC government. The relevant subsidiaries are required to make contributions to the state-managed retirement benefit schemes in Chinese Mainland based on certain percentages of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

#### Foreign currencies

These financial statements are presented in RMB which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain non-PRC subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into RMB at the rates of exchange prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of non-PRC subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### **Judgements** *(Continued)*

##### **Service concession arrangements**

The Group has entered into build-operate-transfer (“BOT”), transfer-operate-transfer (“TOT”) and build-operate-own (“BOO”) arrangements in respect of its waste treatment and waste-to-energy projects. The Group concluded that all the BOT, TOT and BOO arrangements are service concession arrangements under HK(IFRIC)-Int 12, because the local government authorities control and regulate the services, and the Group must provide the relevant services with the infrastructure at a pre-determined service charge. In respect of BOT and TOT arrangements, upon expiry of service concession arrangements, the infrastructure has to be transferred to the local government authorities at nil consideration. Infrastructure for BOO arrangements is used in the service concession arrangements for its entire or substantially entire useful life.

Judgement is also involved in determining the fair value of the concession financial assets. Discount rates, estimates of future cash flows and other factors are used in the valuation process.

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with the government authorities or their designators (“Grantor”).

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with the Grantor, profitability of the head contracts of the Grantor and the current economic conditions.

##### **Tax provisions**

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

No deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group’s subsidiaries established in Chinese Mainland. The directors determine that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

##### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### **Estimation uncertainty** *(Continued)*

##### ***Provision for expected credit loss on trade receivables***

The Group utilises allowance matrices to measure expected credit loss on trade receivables, segmented by different customer groups. Loss rates are calculated using the roll rate method. In the previous year, loss rates calculated assumed that non-collection would reach 100% when the balances were aged over three years, with the exception of amounts due from the Ministry of Finance of the PRC and/or are not subject to enforcement activity.

To reduce any difference between expected credit loss and its actual experience, the Group continuously monitors the payment behaviour of its customers or other factors that are indicative of credit losses from period to period across different customer segments. Loss rates are calibrated when necessary.

Based on the most recent three years' settlement records, the Group revised its assumption to apply a 100% loss rate to trade receivables aged over five years, with the exception of amounts due from the Ministry of Finance of the PRC and/or are not subject to enforcement activity, to be more closely aligned with the current conditions. This change constitutes a change in accounting estimate, and is applied prospectively. As a result of this change, impairment loss on trade receivables decreased by approximately RMB391,223,000 for the year ended 31 December 2025, and by approximately RMB177,986,000 for the six months ended 30 June 2025.

The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

##### ***Provision for expected credit loss on concession financial assets, contract assets, and financial assets included in prepayments, other receivables and other assets***

The Group measures ECLs for concessional financial assets, contract assets and financial assets included in prepayments, other receivables and other assets using the "probability of default" approach, which is a function of probability of default, loss given default and the exposure of default. Both the probability of default and loss given default are based on the historical data supplied by Moody's for each credit rating. Loss given default parameters generally reflect an assumed loss rate of 45% except when the balance is considered credit-impaired, in which case the estimate of loss is estimated to be 75%.

The Group assessed the credit exposures of financial assets included in prepayments, other receivables and other assets, and there has not been a significant increase in credit risk since initial recognition and the Group performed expected credit loss assessment for credit losses that result from default events that are possible within the next 12 months.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of actual default in the future. The information about the ECLs on the Group's concession financial assets, contract assets and other receivables is disclosed in notes 18, 19 and 20 to the financial statements, respectively.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### **Estimation uncertainty** *(Continued)*

##### **Impairment of non-financial assets (other than goodwill)**

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. During the year ended 31 December 2025, no impairment of property, plant and equipment was provided (2024: RMB33,520,000), impairment of other intangible assets in relation to service concession arrangements was provided for with an amount of approximately RMB63,203,000 (2024: RMB54,000,000). Further details are given in notes 13 and 16, respectively.

##### **Progress towards complete satisfaction of a performance obligation**

The Group recognises revenue from construction services according to the measuring progress for individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a cumulative catch-up adjustment to revenue may arise.

##### **Deferred income tax**

Deferred tax assets relating to certain deductible temporary differences and unused tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary difference existed at the reporting date. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which generally will be recognised in the statement of profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets at 31 December 2025 was approximately RMB66,201,000 (2024: RMB65,185,000).

### 4. OPERATING SEGMENT INFORMATION

The Group has only one reporting segment, which is the waste treatment and waste-to-energy business in the Chinese Mainland.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains for the year is as follows:

#### Revenue

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers	3,188,555	3,147,996
Effective interest income on concession financial assets	515,600	518,595
Total	<u>3,704,155</u>	<u>3,666,591</u>

#### (i) Revenue from contracts with customers

Disaggregated revenue information:

	2025 RMB'000	2024 RMB'000
<b>Types of goods or services</b>		
Construction service		
– under service concession arrangements	252,162	339,823
– not under service concession arrangements	184,537	211,894
Waste treatment services	1,040,348	914,257
Sales of recyclable materials	80,276	74,919
Sales of electricity	1,065,273	1,037,806
Environmental hygiene services	245,909	282,140
Others	320,050	287,157
Total	<u>3,188,555</u>	<u>3,147,996</u>
<b>Timing of revenue recognition</b>		
Transferred at a point in time	129,439	103,898
Transferred over time	3,059,116	3,044,098
Total	<u>3,188,555</u>	<u>3,147,996</u>

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was RMB17,088,000 (2024: RMB35,353,000).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 5. REVENUE, OTHER INCOME AND GAINS (Continued)

#### Revenue (Continued)

##### (ii) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2025 RMB'000	2024 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	1,645,329	1,426,705
After one year	26,313,150	26,383,101
Total	<u>27,958,479</u>	<u>27,809,806</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year mainly relate to construction services and operation services under service concession arrangements. All the other amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year mainly relate to operation services to be satisfied during the operation period according to service concession arrangements. The amounts disclosed above do not include variable consideration which is constrained.

#### Other income and gains

	2025 RMB'000	2024 RMB'000
Bank interest income	5,660	6,600
Other interest income	–	31,757
Government grants*	65,794	57,874
Others	8,133	10,064
Total	<u>79,587</u>	<u>106,295</u>

\* Government grants of RMB65,794,000 (2024: RMB57,874,000) during the year were mainly subsidies to certain waste treatment projects of the Group and PRC value-added tax refunds. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2025 RMB'000	2024 RMB'000
Cost of services rendered for service concession arrangements		<b>1,743,677</b>	1,622,565
Cost of other services provided		<b>570,622</b>	662,731
Cost of inventories sold		<b>33,151</b>	72,199
Depreciation*			
– Property, plant and equipment	13	<b>56,341</b>	57,941
– Right-of-use assets	14	<b>11,603</b>	12,616
Amortisation of other intangible assets*	16	<b>215,199</b>	193,991
Research and development costs		<b>50,285</b>	53,218
Lease payments not included in the measurement of lease liabilities*		<b>5,525</b>	5,872
Auditor's remuneration			
– Audit services		<b>3,270</b>	3,897
– Non-audit services		<b>1,030</b>	1,579
Employee benefit expense (excluding directors' emoluments (note 8))			
– Wages and salaries		<b>147,560</b>	149,454
– Pension scheme contributions <sup>^</sup>		<b>48,941</b>	49,921
Foreign exchange differences, net		<b>1,137</b>	793
Impairment of financial and contract assets, net:			
– Impairment of trade receivables	22	<b>65,581</b>	85,901
– Impairment of financial assets included in prepayments, other receivables and other assets		<b>(4,381)</b>	1,135
– Impairment of concession financial assets		<b>66,674</b>	25,092
– Impairment of contract assets		<b>101,100</b>	40,330
Impairment of property, plant and equipment <sup>#</sup>	13	–	33,520
Impairment of other intangible assets <sup>#</sup>	16	<b>63,203</b>	54,000
Loss on disposal of items of property, plant and equipment		–	288

\* These items for the year are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss.

# These items for the year are included in "Other expenses" in the consolidated statement of profit or loss.

<sup>^</sup> There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 7. FINANCE COSTS

	Notes	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest on bank and other borrowings		<b>394,386</b>	427,985
Interest on corporate bonds	28	<b>2,027</b>	–
Interest on lease liabilities	14	<b>1,312</b>	979
Total interest		<b>397,725</b>	428,964
Less: Interest capitalised		<b>4,341</b>	5,052
Subtotal		<b>393,384</b>	423,912
Others		<b>311</b>	1,244
Total		<b>393,695</b>	425,156

### 8. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Fees	<b>1,276</b>	1,284
Other emoluments:		
Salaries, allowances and benefits in kind	<b>1,113</b>	568
Performance related bonuses	<b>1,280</b>	773
Pension scheme contributions	<b>136</b>	66
	<b>3,805</b>	2,691

During the year, no payments were made by the Group to the directors of the Company as an inducement to join the Group or as compensation for loss of office (2024: Nil).



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 8. DIRECTORS' EMOLUMENTS (Continued)

#### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2025 RMB'000	2024 RMB'000
Mr. Cao Fu Guo	319	321
Mr. Pao Ping Wing	319	321
Mr. Cheng Kai Tai, Allen	319	321
Ms. Chen Yee Wah	319	321
	<b>1,276</b>	<b>1,284</b>

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

#### (b) Executive directors, non-executive directors and the chief executive

2025	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Li Qingsong	569	710	68	1,347
Mr. Guo Chaoyang (note)	544	570	68	1,182
Mr. Li Fujing	–	–	–	–
Ms. Hao Chunmei	–	–	–	–
	<b>1,113</b>	<b>1,280</b>	<b>136</b>	<b>2,529</b>

Note: Mr. Guo Chaoyang was appointed as an executive director of the Company in September 2025.

2024	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension Scheme contributions RMB'000	Total remuneration RMB'000
Mr. Li Qingsong	568	773	66	1,407
Mr. Li Fujing	–	–	–	–
Ms. Hao Chunmei	–	–	–	–
	<b>568</b>	<b>773</b>	<b>66</b>	<b>1,407</b>

Except for Mr. Li Qingsong and Mr. Guo Chaoyang, other directors' fees (2024: Except Mr. Li Qingsong, other directors' fees) and other emoluments are absorbed by Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Capital Eco Group"), an intermediate holding company of the Company during the year ended 31 December 2025.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2024: one), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2024: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Salaries, allowances and benefits in kind	1,962	2,248
Performance related bonuses	1,113	2,173
Pension scheme contributions	205	67
Total	<b>3,280</b>	<b>4,488</b>

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	Number of employees	
	2025	2024
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	3	4
Total	<b>3</b>	<b>4</b>

### 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Thirty-six (2024: thirty-four) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Four (2024: eight) were exempted from PRC income taxes, whereas another nineteen (2024: twenty-one) were entitled to a preferential tax of 12.5%, and another thirteen (2024: five) were entitled to other different preferential tax rates, respectively, for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

In the opinion of the directors, it is not probable that the Group's PRC subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB3,810,210,000 (2024: RMB3,646,467,000).

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current – Hong Kong Charge for the year	1,630	–
Current – Chinese Mainland Charge for the year	78,015	43,332
Deferred (note 29)	9,202	24,883
Total	<b>88,847</b>	<b>68,215</b>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 11. DIVIDENDS

No dividend was proposed by the Company for the years ended 31 December 2025 and 2024.

### 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2024: 14,294,733,167) outstanding during the year.

The Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2025 and 2024.

The calculation of basic earnings per share is based on:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>274,503</u>	<u>234,123</u>
	<b>Number of shares</b>	
	2025	2024
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>14,294,733,167</u>	<u>14,294,733,167</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2025</b>						
At 1 January 2025						
Cost	358,399	430,972	96,003	16,324	21,643	923,341
Accumulated depreciation	(29,984)	(190,267)	(55,179)	(14,732)	-	(290,162)
Accumulated impairment	-	(129,038)	(16)	-	(21,643)	(150,697)
	(29,984)	(319,305)	(55,195)	(14,732)	(21,643)	(440,859)
Net carrying amount	328,415	111,667	40,808	1,592	-	482,482
At 1 January 2025	328,415	111,667	40,808	1,592	-	482,482
Additions	929	10,367	1,170	205	1,889	14,560
Disposals	(726)	(437)	(208)	-	-	(1,371)
Depreciation provided during the year	(8,665)	(33,496)	(12,864)	(1,316)	-	(56,341)
Transfers	280	-	1,609	-	(1,889)	-
At 31 December 2025	320,233	88,101	30,515	481	-	439,330
At 31 December 2025						
Cost	358,882	440,902	98,574	16,529	21,643	936,530
Accumulated depreciation	(38,649)	(223,763)	(68,043)	(16,048)	-	(346,503)
Accumulated impairment	-	(129,038)	(16)	-	(21,643)	(150,697)
	(38,649)	(352,801)	(68,059)	(16,048)	(21,643)	(497,200)
Net carrying amount	320,233	88,101	30,515	481	-	439,330

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2024</b>						
At 1 January 2024						
Cost	346,312	412,130	81,164	15,790	36,829	892,225
Accumulated depreciation	(25,515)	(153,950)	(42,731)	(13,387)	–	(235,583)
Accumulated impairment	–	(95,518)	(16)	–	(36,107)	(131,641)
	(25,515)	(249,468)	(42,747)	(13,387)	(36,107)	(367,224)
Net carrying amount	<u>320,797</u>	<u>162,662</u>	<u>38,417</u>	<u>2,403</u>	<u>722</u>	<u>525,001</u>
At 1 January 2024	320,797	162,662	38,417	2,403	722	525,001
Additions	12,049	21,971	17,921	534	2,222	54,697
Disposals	–	(311)	(5,444)	–	–	(5,755)
Depreciation provided during the year	(4,469)	(39,363)	(12,764)	(1,345)	–	(57,941)
Impairment	–	(33,520)	–	–	–	(33,520)
Transfers	38	228	2,678	–	(2,944)	–
At 31 December 2024	<u>328,415</u>	<u>111,667</u>	<u>40,808</u>	<u>1,592</u>	<u>–</u>	<u>482,482</u>
At 31 December 2024						
Cost	358,399	430,972	96,003	16,324	21,643	923,341
Accumulated depreciation	(29,984)	(190,267)	(55,179)	(14,732)	–	(290,162)
Accumulated impairment	–	(129,038)	(16)	–	(21,643)	(150,697)
	(29,984)	(319,305)	(55,195)	(14,732)	(21,643)	(440,859)
Net carrying amount	<u>328,415</u>	<u>111,667</u>	<u>40,808</u>	<u>1,592</u>	<u>–</u>	<u>482,482</u>

The impairment of RMB33,520,000 during the year ended 31 December 2024 was in relation to Zibo Capital Environmental Technology Co., Ltd. (淄博首拓環境科技有限公司, "Zibo Capital"), which principally engages in hazardous waste treatment in Chinese Mainland.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

#### **Impairment testing of property, plant and equipment**

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering the expected useful life of the plant approved by senior management. The pre-tax discount rate applied to the cash flow projections was 10.62% in 2024.

Assumptions were used in the value-in-use calculation of the cash-generating units. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing:

*Revenue* – The bases used to determine the future earnings are historical sales and expected growth rates of the applicable market in hazardous waste treatment in Shandong province.

*Operating margins* – Operating margins are based on the average gross margins achieved in past few years immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Operating expenses* – The bases used to determine the values assigned to operating expenses are the cost of raw materials or service consumption, staff costs, amortisation and other operating expenses. The value assigned to the key assumption reflects past experience and management's expected input to support the expected services provided in the future.

*Discount rates* – Discount rates reflect management's estimate of specific risks relating to Zibo Capital.

The Group assessed that the recoverable amount of assets to be RMB26,084,000 and as a result the carrying amount of the assets was written down to the recoverable amount. In the opinion of the directors of the Company, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. If the budgeted gross margin increased or decreased by 5%, the impairment loss would increase or decrease by RMB11,815,000 respectively, during the year ended 31 December 2024. If the discount rate increased or decreased by 5%, the impairment loss would increase by RMB6,216,000 or decrease by RMB6,416,000, respectively, during the year ended 31 December 2024.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 14. LEASES

#### The Group as a lessee

The Group has lease contracts mainly for machinery and equipment and buildings. Leases of machinery and equipment and buildings have lease terms with 15 years and 2 years, respectively. Lump sum payments were made upfront to obtain the use right of the leased land with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Other equipment generally has lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets, and the movement during the year are as follow:

	Leasehold land* RMB'000	Machinery and equipment RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2024	63,584	—	10,905	74,489
Depreciation charge	(1,711)	—	(10,905)	(12,616)
As at 31 December 2024 and 1 January 2025	<b>61,873</b>	<b>—</b>	<b>—</b>	<b>61,873</b>
Additions	—	<b>24,754</b>	<b>28,028</b>	<b>52,782</b>
Depreciation charge	<b>(1,710)</b>	<b>(550)</b>	<b>(9,343)</b>	<b>(11,603)</b>
As at 31 December 2025	<b>60,163</b>	<b>24,204</b>	<b>18,685</b>	<b>103,052</b>

\* The amounts represent land use rights located in Chinese Mainland and are depreciated to profit or loss over the term of the relevant rights of 50 years. The Group has pledged leasehold land with a net book value of RMB34,348,000 to secure the borrowings granted to the Group (2024: RMB35,145,000).

#### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	—	21,911
New leases	<b>52,782</b>	—
Accretion of interest recognised during the year	<b>1,312</b>	979
Payments	<b>(9,855)</b>	(22,890)
Carrying amount at 31 December	<b>44,239</b>	—
Current portion	<b>10,843</b>	—
Non-current portion	<b>33,396</b>	—

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 14. LEASES (Continued)

#### The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	1,312	979
Depreciation charge of right-of-use assets	11,603	12,616
Expense relating to short-term leases	5,525	5,872
Total amount recognised in profit or loss	<b>18,440</b>	19,467

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

### 15. GOODWILL

	RMB'000
At 1 January 2024:	
Cost	43,438
Accumulated impairment	(37,383)
Net carrying amount	6,055
Net carrying amount at 1 January 2024 and 31 December 2024	6,055
At 31 December 2024:	
Cost	43,438
Accumulated impairment	(37,383)
Net carrying amount	6,055
Net carrying amount at 1 January 2025 and 31 December 2025	6,055
At 31 December 2025:	
Cost	43,438
Accumulated impairment	(37,383)
Net carrying amount	6,055

#### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司, "Zhejiang Zhuoshang"), which principally engages in the recycling and waste treatment business in Chinese Mainland.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 15. GOODWILL (Continued)

#### Impairment testing of goodwill (Continued)

##### Zhejiang Zhuoshang

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management of five years and extrapolating till the end of the service concession period. The pre-tax discount rate applied to the cash flow projections is 10.6% (2024: 10.6%).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2025 RMB'000	2024 RMB'000
Zhejiang Zhuoshang	6,055	6,055

Assumptions were used in the value-in-use calculation of the cash-generating units with allocated goodwill of Zhejiang Zhuoshang for 31 December 2025 and 31 December 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Future revenue growth rates* – In respect of the revenue of Zhejiang Zhuoshang, the future revenue growth rates are based on the projected volume and unit price of waste treatment services as stipulated in the service concession arrangement.

*Operating margins* – The basis used to determine the value of the operating margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Discount rates* – The discount rates used are pre-tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on future revenue growth rates, operating margins, discount rates and growth rates are consistent with external information sources.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 16. OTHER INTANGIBLE ASSETS

	Service concession arrangements <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2025</b>			
Cost at 1 January 2025, net of accumulated amortisation and impairment	4,742,311	2,190	4,744,501
Additions	118,137	361	118,498
Amortisation provided during the year	(214,507)	(692)	(215,199)
Impairment during the year	(63,203)	—	(63,203)
At 31 December 2025	<u>4,582,738</u>	<u>1,859</u>	<u>4,584,597</u>
At 31 December 2025			
Cost	6,090,780	6,342	6,097,122
Accumulated amortisation and impairment	(1,508,042)	(4,483)	(1,512,525)
Net carrying amount	<u>4,582,738</u>	<u>1,859</u>	<u>4,584,597</u>
	Service concession arrangements <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2024</b>			
Cost at 1 January 2024, net of accumulated amortisation and impairment	4,800,376	3,018	4,803,394
Additions	189,083	15	189,098
Amortisation provided during the year	(193,148)	(843)	(193,991)
Impairment during the year	(54,000)	—	(54,000)
At 31 December 2024	<u>4,742,311</u>	<u>2,190</u>	<u>4,744,501</u>
At 31 December 2024			
Cost	5,972,643	5,981	5,978,624
Accumulated amortisation and impairment	(1,230,332)	(3,791)	(1,234,123)
Net carrying amount	<u>4,742,311</u>	<u>2,190</u>	<u>4,744,501</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 16. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2025, the major terms of the Group's significant intangible assets in relation to service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2025 RMB'000	Balance as at 31 December 2024 RMB'000
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來保能源有限公司) *	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	474,049	534,204
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司) *	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	330,666	359,127
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	Qixian Biomass straw incineration for power generation Project (杞縣生物質秸稈焚燒發電項目)	Qixian, Kaifeng, Henan	Qixian City Administration (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	235,999	247,340
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司) *	Nanle County Domestic Waste Incineration Power Generation Project (南樂縣生活垃圾焚燒發電項目)	Nanle, Puyang City	Nanle County Housing and Urban-Rural Development Bureau (南樂縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	233,439	241,370
Lushan Capital Biomass Energy Co., Ltd. (魯山首創生物質能源有限公司)	Lushan Biomass cogeneration Project (魯山縣生物質熱電聯產項目)	Lushan, Pingdingshan, Henan	Lushan Housing and Urban-Rural Construction Commission (魯山縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	232,352	242,141
Tanghe Capital Environmental Energy Co., Ltd. (唐河首創環保能源有限公司) *	Tanghe Solid Waste Incineration Power Generation Plant (唐河生活垃圾焚燒發電處理項目)	Tanghe, Nanyang, Henan	Tanghe Urban Management Bureau (唐河縣城市管理局)	30 years after obtaining the approval for construction	800 tonnes	219,486	227,664
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	Xiaoshan Kitchen Waste Treatment Plant (蕭山廚餘垃圾處理廠)	Hangzhou, Zhejiang	Xiaoshan District's Administration of Hangzhou City (杭州市蕭山區城區管理局)	30 years after obtaining the approval for operation	400 tonnes	213,503	224,389
Xiangxi Autonomous Prefecture Capital Environmental Co., Ltd. (湘西自治州首創環保有限公司) *	Jishou Solid Waste Incineration Power Generation Plant (吉首市生活垃圾焚燒發電處理項目)	Jishou, Xiangxi	Hunan Jishou Public Utilities Administration (吉首市公用事業管理局)	October 2019 to October 2049 (30 years)	1,000 tonnes	213,085	221,776



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 16. OTHER INTANGIBLE ASSETS (Continued)

As at 31 December 2025, the major terms of the Group's significant intangible assets in relation to service concession arrangements are set out as follows: (Continued)

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2025 RMB'000	Balance as at 31 December 2024 RMB'000
Suichuan Capital Environmental Energy Co., Ltd. (遂川首創環保能源有限公司)*	Suichuan Solid Waste Incineration Power Generation Plant (遂川縣生活垃圾焚燒發電處理項目)	Suichuan, Ji'an, Jiangxi	Suichuan Urban Management and Comprehensive Law Enforcement (遂川縣城市管理綜合執法局)	27 years after obtaining the approval for construction	600 tonnes	166,822	172,086
Nong'an Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)*	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nong'an, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	159,004	163,555
Shenzhou Capital Environmental Energy Co., Ltd. (深州首創環保能源有限公司)*	Shenzhou Solid Waste Incineration Power Generation Plant PPP Project (深州市生活垃圾焚燒發電工程PPP項目)	Shenzhou, Hebei	Shenzhou Housing and Urban-Rural Construction Commission (深州市住房和城鄉建設局)	30 years after obtaining the approval for commercial operation	800 tonnes	153,702	189,723
Lushan Capital Environmental Energy Co., Ltd. (魯山首創環保能源有限公司)	Lushan County Domestic Waste Incineration Power Generation Project (魯山縣生活垃圾焚燒發電項目)	Lushan, Henan	Lushan County Housing and Urban-Rural Construction Commission (魯山縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	149,349	152,554
Fuzhou Capital Haihuan Environment Technology Company Limited (福州首創海環環保科技有限公司)*	Fuzhou Hongmiaoling Kitchen Waste Treatment Plant (福州市紅廟嶺廚餘垃圾處理廠)	Fuzhou, Fujian	Fuzhou City Administration (福州市城市管理委員會)	30 years after obtaining the approval for commercial operation	400 tonnes	146,360	153,897
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)*	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市環境管理局)	October 2022 to September 2050 (28 years)	1,200 tonnes	140,645	157,955
Others						1,514,277	1,454,530
						4,582,738	4,742,311

\* These subsidiaries, as operators, were paid for their construction services partly by financial assets and partly by intangible assets. Other subsidiaries listed above were paid for their services by intangible assets.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 16. OTHER INTANGIBLE ASSETS (Continued)

The intangible assets arising from the service concession arrangements are amortised over the period which commences from the date when the related infrastructures are available for use to the end of the service concession period, using a straight-line method.

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements are collectively disclosed in note 18.

The impairment of RMB63,203,000 (2024: RMB54,000,000) was in relation to Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司, "Zhumadian Tailai"), Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司, "Zhengyang Capital") and Shenzhou Capital Environmental Energy Company Limited (深州首創環保能源有限公司, "Shenzhou Capital") of RMB25,560,000 (2024: RMB54,000,000), RMB7,569,000 (2024: Not applicable), and RMB30,074,000 (2024: Not applicable) during the year ended 31 December 2025.

#### Impairment testing of intangible assets in relation to service concession arrangements

The events and circumstances that led to the recognition of this impairment loss of Zhumadian Tailai were primarily that the actual operating costs incurred were higher than those anticipated in the original model, mainly due to increases in energy and fuel prices, greater-than-expected maintenance requirements, labour cost inflation, and other operational expenses exceeding forecasts.

The events and circumstances that led to the recognition of this impairment loss of Zhengyang Capital and Shenzhou Capital were primarily that the waste processing volume did not meet expectations and resulting in the operations remaining in a loss-making state throughout the year.

The recoverable amount of intangible assets in relation to service concession arrangements undertaken by Zhumadian Tailai, Zhengyang Capital and Shenzhou Capital has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management of five years and extrapolating till the end of the respective concession period. The pre-tax discount rates applied to the cash flow projections is 8.2% (2024: 9.6%), 7.7% (2024: Not applicable) and 8.0% (2024: Not applicable) at 31 December 2025, respectively.

Assumptions were used in the value-in-use calculation of the cash-generating units. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets in relation to service concession arrangements:

*Revenue* – The bases used to determine the future earnings are historical sales and expected growth rates of the applicable market in relevant area agreed in the service concession arrangement.

*Operating margins* – Operating margins are based on the average gross margins achieved in past few years immediately before the budget year, increased for expected efficiency improvements, and expected market development.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 16. OTHER INTANGIBLE ASSETS (Continued)

#### Impairment testing of intangible assets in relation to service concession arrangements (Continued)

*Operating expenses* – The bases used to determine the values assigned to operating expenses are the cost of raw materials or service consumption, staff costs, amortisation and other operating expenses. The value assigned to the key assumption reflects past experience and management’s expected input to support the expected services provided in the future.

*Discount rates* – Discount rates reflect management’s estimate of specific risks relating to the relevant units.

The Group assessed that the recoverable amount of assets of Zhumadian Tailai, Zhengyang Capital and Shenzhou Capital to be RMB474,049,000, RMB41,059,000 and RMB153,702,000, as a result the carrying amount of the assets was written down to the recoverable amount. In the opinion of the directors of the Company, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. If the budgeted gross margin increased or decreased by 5%, the impairment loss of Zhumadian Tailai, Zhengyang Capital and Shenzhou Capital would decrease or increase by RMB20,006,000 (2024: RMB28,340,000), RMB8,338,000 (2024: Not applicable) and RMB5,269,000 (2024: Not applicable), respectively, during the year ended 31 December 2025. If the discount rate increased or decreased by 5%, the impairment loss would increase by RMB21,191,000 (2024: RMB15,410,000), RMB3,717,000 (2024: Not applicable) and RMB5,708,000 (2024: Not applicable), respectively, or decrease by RMB22,448,000 (2024: RMB16,180,000), RMB3,835,000 (2024: Not applicable) and RMB6,022,000 (2024: Not applicable), respectively, during the year ended 31 December 2025.

### 17. INVESTMENTS IN ASSOCIATES

	2025 RMB'000	2024 RMB'000
Share of net assets	<u>54,147</u>	<u>56,686</u>

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Hebei Xiongan Pioneer Environmental Governance Limited (河北雄安首創環境治理有限公司, “Xiongan Pioneer”)	RMB93,690,000	PRC/Chinese Mainland	49%	Eco-protection and environmental governance

The above table lists the associate of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associate would, in the opinion of the directors, result in particulars of excessive length.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 18. CONCESSION FINANCIAL ASSETS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Concession financial assets	9,602,621	9,488,236
Impairment	(204,050)	(137,376)
	<b>9,398,571</b>	9,350,860
Analysed for reporting purposes as:		
Current assets	1,823,488	1,665,781
Non-current assets	7,575,083	7,685,079
	<b>9,398,571</b>	9,350,860

The movements in the loss allowance for impairment of concession financial assets are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At beginning of year	137,376	112,284
Impairment losses, net (note 6)	66,674	25,092
At end of year	<b>204,050</b>	137,376

Concession financial assets mainly represent the amounts of the costs incurred by the Group for the construction rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC, plus the attributable profits on the services provided, to the extent of the unconditional contractual right to receive cash or another financial asset from the grantor for the construction services which have been completed.

The effective interest rates used in service concession arrangements ranged from 3.56% to 6.50% for both the year ended 31 December 2025 and 2024.

Service concession arrangements with the grantor in the PRC require the Group to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The payment of concession financial assets is generally along with the operating service rendered in the operating period.

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2025, the probability of default applied ranging from 0.10% to 1.88% (2024: 0.08% to 1.98%) and the loss given default was estimated to be 45% or 75% (2024: 45%), which led to an impairment of RMB66,674,000 (2024: RMB25,092,000) recognised during the year.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 18. CONCESSION FINANCIAL ASSETS (Continued)

During the operation phase of the respective service concession periods, the Group will receive guaranteed waste treatment fees from the grantor. In addition, for some service concession arrangements, the Group will receive fees arising from the electricity generated from waste treatment based on the guaranteed volumes after the commencement of the operation phase of the waste-to-energy plants. Concession financial assets are expected to be recovered along with and on condition of rendering operation services in the operating periods.

The Group recognised revenue from construction services of RMB252,162,000 (2024: RMB339,823,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB2,124,813,000 (2024: RMB2,054,663,000) for all the service concession arrangements of the Group. The gross profits recognised from construction services amounted to RMB79,922,000 (2024: RMB85,569,000) and the gross profits recognised from operation services amounted to RMB553,376,000 (2024: RMB619,213,000) for all the service concession arrangements of the Group.

As at 31 December 2025, the major terms of the Group's significant service concession arrangements with guaranteed receipts are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2025 RMB'000	Balance as at 31 December 2024 RMB'000
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)	Huizhou Municipal Solid Waste Incineration Power Generation Plant (惠州市生活垃圾焚燒發電廠)	Luzhouzhen, Huicheng, Huizhou	Huizhou Environmental and Hygiene Control Authority (惠州市市容環境衛生管理局)	March 2018 to March 2047 (30 years)	1,600 tonnes	1,063,800	1,102,813
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市環境管理局)	October 2022 to September 2049 (28 years)	1,200 tonnes	724,661	737,855
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	581,168	585,631
Nanyang Capital Environment Technology Company Limited (the First Branch) (南陽首創環境科技有限公司第一分公司)	Solid Waste Incineration Power Generation Plant Project for Zhechuan, Xixia and Neixiang (浙川, 西峽, 內鄉三縣行政區域交界處合適位置共建生活垃圾焚燒發電項目)	Nanyang, Henan	Nanyang Housing and Urban-Rural Construction Commission (南陽市住房和城鄉建設委員會)	30 years after obtaining approval for commercial operation	1,000 tonnes	468,254	480,553
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	387,390	461,822

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 18. CONCESSION FINANCIAL ASSETS (Continued)

As at 31 December 2025, the major terms of the Group's significant service concession arrangements with guaranteed receipts are set out as follows: (Continued)

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2025 RMB'000	Balance as at 31 December 2024 RMB'000
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining approval for commercial operation	1,500 tonnes	368,326	376,886
Xiangxi Autonomous Prefecture Capital Environmental Co., Ltd. (湘西自治州首創環保有限公司)	Jishou Solid Waste Incineration Power Generation Plant (吉首市生活垃圾焚燒發電處理項目)	Jishou, Xiangxi	Hunan Jishou Public Utilities Administration (吉首市公用事業管理局)	October 2019 to October 2049 (30 years)	1,000 tonnes	371,460	372,723
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	Qianjiang Solid Waste Incineration Power Generation Project (潛江市生活垃圾焚燒發電項目)	Qianjiang, Hubei	Qianjiang City Administration (潛江市城市管理行政執法局)	April 2016 to April 2046	600 tonnes	319,059	326,204
Nong'an Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nong'an, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	317,936	300,698
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	Qixian Solid Waste Incineration Power Generation Plant (杞縣生活垃圾焚燒發電項目)	Qixian, Kaifeng	Qixian Urban Management Bureau (杞縣城管局)	28 years after obtaining approval for commercial operation	600 tonnes	295,848	301,824
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining approval for commercial operation	600 tonnes	282,402	314,183
Duchang Capital Environmental Energy Co., Ltd. (都昌縣首創環保能源有限公司)	Duchang Solid Waste Incineration Power Generation Project (都昌縣生活垃圾焚燒發電項目)	Duchang, Jiangxi	Duchang People's Government (都昌縣人民政府)	26 years after obtaining approval for commercial operation	800 tonnes	274,591	279,535
Others*						3,943,676	3,710,133
						<b>9,398,571</b>	<b>9,350,860</b>

\* Others represent some small waste incineration plants, waste collection and transportation projects, incineration projects and centralised food waste treatment projects with insignificant concession financial assets.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 19. CONTRACT ASSETS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Contract assets arising from:		
Construction services*	1,004,558	955,928
Electricity generation	913,817	671,055
Impairment*	(147,040)	(45,940)
	<u>1,771,335</u>	<u>1,581,043</u>
Analysed into:		
Current assets	1,478,855	1,204,044
Non-current assets	292,480	376,999
	<u>1,771,335</u>	<u>1,581,043</u>

\* Contract assets in relation to service concession arrangements (excluding contract assets in relation to intangible assets) were RMB247 million (2024: RMB250 million), net of provision for expected credit losses of RMB391,000 (2024: RMB2 million).

The movements in the loss allowance for impairment of contract assets are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At beginning of year	45,940	5,610
Impairment losses, net (note 6)	101,100	40,330
At end of year	<u>147,040</u>	<u>45,940</u>

The Group entered into service concession arrangements in respect of the waste management and waste-to-energy business in Chinese Mainland. According to HKFRS 15, the consideration during the construction period should be accounted for as contract assets.

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the grantor, the amounts recognised as contract assets are presented as concession financial assets or other intangible assets for construction services under service concession arrangements.

Contract assets arising from electricity generation mainly represent government on-grid tariff subsidies for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration. The expected timing of these contract assets being recognised as trade receivables depends on the completion of government administrative procedures.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 19. CONTRACT ASSETS (Continued)

As at 31 December 2025, the probability of default applied ranging from 0.10% to 1.88% (2024: 0.08% to 1.98%) and the estimated loss given default of 45% (2024: 45%) were applied to determine the impairment of contract assets in relation to concession financial assets arising from construction services. An impairment reversal of RMB1,550,000 was recognised during the year (2024: impairment of RMB1,826,000).

As at 31 December 2025, the expected credit loss rate of 9.02% (2024: 3.53%) was applied to determine the impairment of contract assets, which was due from certain local governments in relation to electricity generation and construction services not related to service concession agreements. An impairment of RMB102,650,000 was recognised during the year (2024: RMB38,503,000).

As at 31 December 2025, the major terms of the Group's significant service concession arrangements under construction are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2025 RMB'000	Balance as at 31 December 2024 RMB'000
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Expansion Reserved Project (南昌市泉嶺生活垃圾焚燒發電廠擴建預留工程項目)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	26 years commencing from the date of expansion project construction, with 2-year construction period	600 tonnes	173,114	—
Xinjiang Tianfu Waste Incineration Power Generation Co. Ltd. (新疆天富垃圾焚燒發電有限責任公司)	Shihezi City Waste Incineration Power Generation Project (石河子市垃圾焚燒發電項目)	Shihezi City, Xinjiang	Shihezi Housing and Urban-Rural Construction Bureau (石河子市住房和城鄉建設局)	30 years from the date when the technical transformation project is completed and put into operation	600 tonnes	—	334,150
Jiangxi Ruijin Ai Si Environmental Electric Limited (瑞金首創環保能源有限公司)	Ruijin Solid Waste Incineration Power Generation Project-Phase 2 (瑞金市生活垃圾焚燒發電項目廠中期二期項目)	Ruijin City, Jiangxi	Ruijin People's Government (瑞金市人民政府)	November 2017 to November 2046	400 tonnes	70,031	—
Others						49,335	42,849
						<b>292,480</b>	<b>376,999</b>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2025 RMB'000	2024 RMB'000
Advances to suppliers		60,798	46,429
Value-added tax receivables		425,210	503,907
Interest receivable		5,000	5,024
Tender deposits		255,883	257,472
Disposal receivables	(a)	188,217	188,217
Amounts due from an associate	(b)	68,957	—
Others		177,012	158,507
<b>Total</b>		<b>1,181,077</b>	<b>1,159,556</b>
Analysed into:			
Current assets		1,015,352	975,034
Non-current assets		165,725	184,522
<b>Total</b>		<b>1,181,077</b>	<b>1,159,556</b>

Notes:

- (a) The amounts were in relation to the termination of three service concession arrangements, resulting in receivables due from Yanqingxian Environment Health Service Center (北京市延慶區環境衛生服務中心), Huludao municipal government (葫蘆島市政府) and Wengan county government (遷安縣政府) amounting to RMB81,204,000, RMB75,502,000 and RMB31,511,000, respectively.
- (b) The amount mainly represents a loan with a term of one year and interest bearing at a rate of 4.55% per annum.

### 21. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	75,018	83,021
Finished goods	44,945	6,722
<b>Total</b>	<b>119,963</b>	<b>89,743</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 22. TRADE RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	<b>3,216,643</b>	2,756,189
Impairment	<b>(241,102)</b>	(175,878)
Net carrying amount	<b>2,975,541</b>	2,580,311

Trade receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any loss allowance. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
0 to 90 days	<b>606,868</b>	733,892
91 to 180 days	<b>243,472</b>	460,243
181 to 365 days	<b>766,012</b>	481,109
1 to 2 years	<b>878,386</b>	530,656
2 to 3 years	<b>324,989</b>	148,376
Over 3 years	<b>155,814</b>	226,035
Total	<b>2,975,541</b>	2,580,311

For the year ended 31 December 2025, trade receivables over 3 years breaks down by age as follows: RMB87,150,000 aged 3 to 4 years, RMB68,664,000 aged 4 to 5 years.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 22. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At beginning of year	175,878	89,977
Impairment losses, net (note 6)	65,581	85,901
Written-off	(357)	—
At end of year	<b>241,102</b>	175,878

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing or days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables except those due from the Ministry of Finance of the PRC, are fully impaired if the ageing is more than five years (2024: three years) and/or are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables except those due from the Ministry of Finance of the PRC using a provision matrix:

As at 31 December 2025:

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate %	Expected credit losses <i>RMB'000</i>
Within 1 year	1,537,358	2.07%	31,875
1 to 2 years	799,965	7.82%	62,560
2 to 3 years	319,887	16.27%	52,044
Over 3 years	172,459	54.87%	94,623
Total	<b>2,829,669</b>	<b>8.52%</b>	<b>241,102</b>

For the year ended 31 December 2025, credit risk exposure over 3 years on the Group's trade receivables except those due from the Ministry of Finance of the PRC break down by age as follows: with gross amount of RMB162,131,000 and expected credit losses of RMB85,877,000 aged 3 to 4 years, with gross amount of RMB10,317,000 and expected credit losses of RMB8,735,000 aged 4 to 5 years, with gross amount of RMB11,000 and expected credit losses of RMB11,000 aged over 5 years.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 22. TRADE RECEIVABLES (Continued)

As at 31 December 2024:

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate %	Expected credit losses <i>RMB'000</i>
Within 1 year	1,568,497	2.61%	40,919
1 to 2 years	475,803	10.28%	48,926
2 to 3 years	168,140	41.79%	70,265
Over 3 years	18,154	86.86%	15,768
Total	<u>2,230,594</u>	7.88%	<u>175,878</u>

### 23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cash and bank balances		<b>498,069</b>	653,574
Time deposits		<b>2,000</b>	48,668
Subtotal		<b>500,069</b>	702,242
Less:			
Pledged for a loan	(a)	–	(3,047)
Pledged for service concession arrangements	(b)	<b>(6,599)</b>	(36,869)
Pledged for a case of litigation		<b>(5,339)</b>	(3,028)
Cash and cash equivalents		<b>488,131</b>	659,298

Notes:

- (a) The amount is pledged for a loan from Industrial Bank Co., Ltd. (興業銀行股份有限公司).
- (b) Pledged bank deposits for service concession arrangements represent the deposits required by the local governments for securing the progress of the BOT projects.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB457,296,000 (2024: RMB646,699,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 24. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
0 to 90 days	453,676	886,617
91 to 180 days	116,578	58,730
181 to 365 days	645,105	455,415
1 to 2 years	148,920	106,108
2 to 3 years	33,703	62,378
Over 3 years	40,964	33,986
Total	<b>1,438,946</b>	1,603,234

The trade payables are non-interest-bearing and are normally settled on terms of 1 month to 1 year.

### 25. OTHER PAYABLES AND ACCRUALS

	Notes	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Deposits received		42,772	26,900
Interest payables	(a)	3,957	8,777
Amounts due to the former/non-controlling shareholders of subsidiaries	(b)	13,565	13,565
Loans from non-controlling shareholders of subsidiaries	(c)	14,775	19,455
Accrued professional fee		5,783	6,064
Other tax payable		44,080	27,847
Accrued payroll and severance payment		43,127	49,578
Others		60,005	51,501
Total		<b>228,064</b>	203,687
Analysed into:			
Current liabilities		224,730	203,687
Non-current liabilities		3,334	—
Total		<b>228,064</b>	203,687

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 25. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

- (a) The amounts mainly represent the interest payable related to bank and other borrowings.
- (b) The amounts represent the unpaid consideration to the former/non-controlling shareholders of subsidiaries in relation to acquisition of non-controlling interests.
- (c) The amounts represent the balances of loans from the non-controlling shareholders of Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司, "Beijing Shoujian"), Fuzhou Capital Haihuan Environmental Technology Company Limited (福州首創海環環保科技有限公司), Xinye Capital Environmental Technology Company Limited (新野首創環境科技有限公司) and Shicheng County Capital Environmental Protection Company Limited (石城縣首創環保有限公司).

### 26. DEFERRED INCOME

The Group received government subsidies for the capital expenditures and expansions on the waste treatment and waste-to-energy plants. The waste treatment plants and waste-to-energy plants were either under commercial run or still under construction as at 31 December 2025. These government subsidies were recognised as deferred income and would be amortised over the concession period or estimated useful life upon the commencement of commercial operations of the plants.

### 27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2025			Effective interest rate (%)	2024	
	Effective interest rate (%)	Maturity	RMB'000		Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	2.20-4.05	2026	846,151	2.20-4.70	2025	1,036,443
Bank loans – unsecured	2.15-5.42	2026	113,007	1.37-3.80	2025	130,489
Other loans – secured	3.73-4.05	2026	19,141	3.06-4.89	2025	103,168
Other loans – unsecured	4.38	2026	3,896	4.38	2025	1,770,000
Total - current			982,195			3,040,100
<b>Non-current</b>						
Bank loans – secured	2.20-4.05	2027-2044	5,824,510	2.20-4.70	2026-2043	5,350,118
Bank loans – unsecured	2.15-5.42	2027-2040	927,662	1.37-3.75	2026-2036	556,993
Other loans – secured	3.73-4.05	2027-2030	65,762	—	—	—
Other loans – unsecured	4.38	2028	1,161,000	4.38	2026	1,700,000
Total - non-current			7,978,934			7,607,111
Total			8,961,129			10,647,211



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 27. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	959,158	1,166,932
In the second year	651,788	570,798
In the third to fifth years, inclusive	2,612,920	1,770,068
Beyond five years	3,487,464	3,566,245
	<b>7,711,330</b>	7,074,043
Other borrowings repayable:		
Within one year or on demand	23,037	1,873,168
In the second year	19,910	1,700,000
In the third to fifth years, inclusive	1,206,852	—
	<b>1,249,799</b>	3,573,168
	<b>8,961,129</b>	10,647,211

Notes:

- (a) Bank loans of RMB275,911,000 as at 31 December 2025 (2024: RMB303,451,000) were guaranteed by the corporate guarantee of the Group.
- (b) Bank loans of RMB1,907,330,000 as at 31 December 2025 (2024: RMB1,191,466,000) were secured by certain service concession arrangements of the Group.
- (c) Bank loans of RMB4,340,733,000 as at 31 December 2025 (2024: RMB4,694,717,000) were guaranteed by the corporate guarantee of the Group, and were secured by certain service concession arrangements of the Group.
- (d) A bank loan of RMB58,346,000 as at 31 December 2025 (2024: RMB83,346,000) was guaranteed by the corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司, the non-controlling shareholder of Beijing Shoujian).
- (e) Bank loans of RMB88,341,000 as at 31 December 2025 (2024: RMB113,581,000) were guaranteed by the corporate guarantee of the Group, and were secured by the leasehold land with a carrying amount of RMB34,348,000 (2024: RMB35,145,000).
- (f) Other loan of RMB84,903,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 31 December 2025 (2024: RMB103,168,000) was guaranteed by the corporate guarantee of the Group, and was secured by the service concession arrangement in Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司).
- (g) Other loan of RMB1,164,896,000 from Capital Eco Group, an intermediate holding company of the Company) as at 31 December 2025 (2024: RMB3,470,000,000) was unsecured.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

As at 31 December 2025, the Group had undrawn borrowing facilities amounting to RMB1,528,610,000 (2024: RMB1,393,115,000).

As at 31 December 2025, the Group's bank and other loans of RMB1,983,692,000 were charged at fixed interest rates. The carrying amounts of the Group's current borrowings approximate to their fair values.

As at 31 December 2025, the Group had a bank loan of RMB195,850,000 for which certain loan agreement terms were met to permit the lenders to demand accelerated repayment and these amounts are classified as current liabilities. The bank borrowings contained certain covenant terms such as financial indicator of maintaining certain level of financial ratios, such as debt-to-asset ratio of 65%-75% and a current ratio of 1. If the borrower had breached any of the covenant terms, any non-current liabilities would become repayable on demand. There is no cross-default clause that stipulates that a default on one agreement can trigger a default on another agreement and consequentially, giving them the ability to accelerate the payments if a borrower default on any one of them. The terms of these bank loans have not been renegotiated up to the financial statements were authorised for issue.

### 28. CORPORATE BONDS

On 19 December 2025, the Company issued its first batch of corporate bonds in an aggregate principal amount of RMB2 billion at par value, which are listed on the Shanghai Stock Exchange to Chinese Mainland institutional investors. The bonds bear interest from 19 December 2025 at 2.00% per annum payable annually in arrears on 19 December of each year, and are guaranteed by Capital Eco Group with a guarantee fee based on 1.00% per annum of the principal amount. Furthermore, the Company expected that these bonds may be redeemed on 19 December 2028.

After initial recognition, the corporate bonds are subsequently measured at amortised cost, with terms of 3 years, using the effective interest method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate.

The movements of corporate bonds during the year are as follows:

	2025 RMB'000
Nominal value of corporate bonds issued	2,000,000
Transaction costs	(65,000)
Interest during the year	2,027
Liabilities as at 31 December	1,937,027



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

	Inventories <i>RMB'000</i>	Other intangible assets <i>RMB'000</i>	Service concession arrangements* <i>RMB'000</i>	Right-of -use assets <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Impairment loss of financial assets and contract assets <i>RMB'000</i>	Others** <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	106	(11,311)	(649,162)	(2,641)	2,535	29,407	19,532	(611,534)
(Charged) /credited to profit or loss	87	1,260	(45,810)	2,641	(2,535)	10,180	9,294	(24,883)
At 31 December 2024 and at 1 January 2025	193	(10,051)	(694,972)	—	—	39,587	28,826	(636,417)
(Charged) /credited to profit or loss	(35)	457	(63,448)	(4,348)	4,677	41,931	11,564	(9,202)
At 31 December 2025	158	(9,594)	(758,420)	(4,348)	4,677	81,518	40,390	(645,619)

\* The deferred tax liabilities arising from "Service concession arrangements" were recognised in the taxable temporary difference between the revenue recognised under HK(IFRIC)-Int 12 and the revenue deemed taxable by relevant tax authorities.

\*\* Others included other payables and accruals, tax losses recognised, the impairment provision of property, plant and equipment and intangible assets.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Deferred tax assets	66,201	65,185
Deferred tax liabilities	(711,820)	(701,602)
	(645,619)	(636,417)

The Group has tax losses of RMB1,062,021,000 arising in Chinese Mainland (2024: RMB829,079,000) that will expire in one to five years for offsetting against future taxable profits. The Group has no tax losses (2024: Nil) arising in Hong Kong which can be carried forward indefinitely.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 30. ISSUED CAPITAL

#### Shares

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Issued and fully paid: 14,294,733,167 ordinary shares of HK\$0.1 each	<u>1,275,167</u>	<u>1,275,167</u>

### 31. RESERVES

The amounts of the Group's statutory reserve and capital reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 61 to 62 of the financial statements. Description of the Group's reserves as below:

**(a) Share premium**

The amount represents amount subscribed for shares in excess of nominal value of share capital.

**(b) Capital reserve**

Capital reserve mainly represents reserves arising from acquisition of non-controlling interests.

**(c) Capital redemption reserve**

Capital redemption reserve represents the redemption of the preference shares, when the repurchase was effected out of the share premium under the Cayman Island Companies Act.

**(d) Merger reserve**

Merger reserve represents the difference between the fair value of the consideration paid for the acquisition of a 51% interest in BCG NZ Investment Holding Limited ("BCG NZ"), which is under common control of the Company's ultimate controlling shareholder at the point of acquisition, and the carrying amounts of the net assets of BCG NZ acquired. Subsidiaries of BCG NZ were disposed of by the Group in 2022 and BCG NZ was deregistered in 2025.

**(e) Fair value reserve of financial assets at fair value through other comprehensive income**

Fair value reserve of financial assets at fair value through other comprehensive income represents the fair value changes of equity instrument investments.

**(f) Other reserve**

Other reserve represents reserve for production safety.

**(g) Exchange fluctuation reserve**

The amount represents exchange differences on translating the net assets of foreign operations into presentation currency of the Group and retranslation of the Company upon the conversion of the functional currency in 2022.

**(h) Retained profits**

Cumulative net gains and losses recognised in profit or loss.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transaction

There is no major non-cash transaction during this year.

#### (b) Changes in liabilities arising from financing activities

	Bank and other borrowings <i>RMB'000</i>	Interest payables* <i>RMB'000</i>	Guarantee charges payables* <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Corporate bonds <i>RMB'000</i>	Amounts due to the former/non- controlling shareholders of subsidiaries* <i>RMB'000</i>	Loans from non- controlling shareholders of subsidiaries <i>RMB'000</i>
At 1 January 2025	10,647,211	273,164	—	—	—	13,565	19,455
Changes from financing cash flows	(1,692,809)	(654,628)	—	(9,855)	2,000,000	—	(4,680)
Foreign exchange movement	(2,238)	—	—	—	—	—	—
New leases	—	—	—	52,782	—	—	—
Interest expense capitalised	—	4,341	—	—	—	—	—
Interest expense not capitalised	8,965	381,080	—	1,312	2,027	—	—
Issuance fee of corporate bonds	—	—	65,000	—	(65,000)	—	—
At 31 December 2025	<u>8,961,129</u>	<u>3,957</u>	<u>65,000</u>	<u>44,239</u>	<u>1,937,027</u>	<u>13,565</u>	<u>14,775</u>

	Bank and other borrowings <i>RMB'000</i>	Interest payables* <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>
At 1 January 2024	10,472,044	128,793	21,911
Changes from financing cash flows	180,799	(273,510)	(22,890)
Foreign exchange movement	(5,632)	—	—
Interest expense capitalised	—	(5,052)	—
Interest expense not capitalised	—	422,933	979
At 31 December 2024	<u>10,647,211</u>	<u>273,164</u>	<u>—</u>

\* The item is included in "Other payables and accruals" and "Amounts due to related parties" in the consolidated statement of financial position.

#### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within operating activities	(5,525)	(5,872)
Within financing activities	(9,855)	(22,890)
	<u>(15,380)</u>	<u>(28,762)</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 33. GUARANTEES

At the end of the reporting period, provision is not recognised for in the financial statements are as follows:

The Group provided performance guarantees with a total amount of RMB49,604,000 (2024: RMB222,779,000) to the grantors in connection with the construction and operation services provided according to the service concession arrangements.

### 34. PLEDGE OF ASSETS

The Group's leasehold land, bank deposits, concession rights and assets of service concession arrangements were partly pledged for bank facilities and borrowings. For details, refer to notes 23 and 27 to the financial statements.

### 35. COMMITMENTS

The Group had contracted construction work for construction obligation under service concession arrangements amounting to RMB90,569,000 as at 31 December 2025 (2024: RMB169,460,000).

### 36. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in elsewhere to the financial statements, the Group had the following transactions with related parties during the year of 2025:

(a) The transactions and balances with government-related entities are listed below:

The subsidiaries of the Group operate in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). The immediate shareholders of the Company, Beijing Capital (HK) and BCG Chinastar International Investment Limited ("BCG Chinastar"), which are companies incorporated in Hong Kong with limited liability, are ultimately controlled by the PRC government. The ultimate parent of both immediate shareholders is Beijing Capital Group, which is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

(i) Transactions with related parties within Beijing Capital Group:

Name of the related parties	Nature of the transactions	2025 RMB'000	2024 RMB'000
Beijing Capital (HK)	Rental expenses *	—	411
Capital Eco Group	Guarantees charges **	60,000	—
Capital Eco Group	Interest expenses ***	152,568	146,069
Capital Eco Group	Rendering of research and development service	—	675
Sichuan Bluestone Construction Co., Ltd.	Rendering of construction service ^	2,367	6,043
Other related parties	Purchases ^^	9,012	6,140

Note: These transactions were conducted in accordance with the terms mutually agreed with the relevant parties. Rental expenses were charged according to the contracts agreed by both parties. Interest expenses were charged based on normal terms and agreed through negotiations between the parties. The services/purchases were made according to the prices and conditions mutually agreed by both parties. The guarantees/fees were charged in accordance with the terms of the agreements entered into between the parties.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 36. RELATED PARTY TRANSACTIONS (Continued)

(a) The transactions and balances with government-related entities are listed below: (Continued)

(i) Transactions with related parties within Beijing Capital Group: (Continued)

- \* The rental expenses were related to the office rental of RMB411,000 from Beijing Capital (HK), and the lease agreement was terminated in the first quarter of 2024.
- \*\* Capital Eco Group provided guarantee services for the Group's corporate bonds of RMB2,000,000,000 based on the rate of 1% per annum. The guarantee fee payable to Capital Eco Group as at 31 December 2025 was RMB60,000,000.
- \*\*\* The interest expenses were related to the loan of RMB1,161,000,000 from Capital Eco Group, which bears interest at 4.38% per annum. Interest payables due to Capital Eco Group as at 31 December 2025 were RMB3,896,000 (2024: RMB264,387,000).
- ^ The construction service was related to an environmental remediation project subcontracted to the Group. Amounts due from Sichuan Bluestone Construction Co., Ltd., a subsidiary of the Capital Eco Group, were RMB35,836,000 (2024: RMB34,062,000).
- ^^ Other related parties are all subsidiaries of Beijing Capital Group. These transactions were related to purchasing machinery, water and technical service. The amount due to these related parties as at 31 December 2025 was RMB5,593,000 (2024: RMB3,612,000).

(ii) Transactions and balances with other government-related entities:

The Group recognised revenue from the construction services and operation services of RMB252,162,000 (2024: RMB339,823,000) and RMB2,124,813,000 (2024: RMB2,054,663,000), respectively, under service concession arrangements with the local governments in the PRC (see note 18). All the concession financial assets of the Group are due from the local governments in the PRC.

RMB386,974,000 (2024: RMB525,395,000) was due from the Ministry of Finance of the PRC in relation to government dismantling tariffs and electricity generation, which were included in trade receivables.

Trade receivables due from the local governments in the PRC in relation to the waste management service and electricity generation were RMB2,486,573,000 (2024: RMB1,938,354,000).

Commitments with government-related entities were included in note 35.

Apart from the transactions disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider that those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counterparty is a government-related entity or not.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 36. RELATED PARTY TRANSACTIONS (Continued)

(b) The emoluments of key management personnel during the year are as follows:

	2025 RMB'000	2024 RMB'000
Short-term benefits	5,661	4,884
Post-employment benefits	279	205
	<b>5,940</b>	<b>5,089</b>

### 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

#### 2025

#### Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	2,975,541
Financial assets included in prepayments, other receivables and other assets	544,264
Pledged deposits	11,938
Cash and cash equivalents	488,131
Total	<b>4,019,874</b>

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	1,438,946
Financial liabilities included in other payables and accruals	140,857
Interest-bearing bank and other borrowings	8,961,129
Lease liabilities	44,239
Corporate bonds	1,937,027
Amounts due to related parties	67,678
Total	<b>12,589,876</b>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 37. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

**2024**

#### Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	2,580,311
Financial assets included in prepayments, other receivables and other assets	609,220
Pledged deposits	42,944
Cash and cash equivalents	659,298
Total	<u>3,891,773</u>

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	1,603,234
Financial liabilities included in other payables and accruals	68,697
Interest-bearing bank and other borrowings	10,647,211
Amounts due to related parties	268,000
Total	<u>12,587,142</u>

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments are reasonably approximate to fair values except bank and other borrowings for which carrying amounts and fair values are as follows:

	Carrying amounts		Fair values	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	8,961,129	10,647,211	9,030,814	10,764,819
Corporate bonds	1,937,027	—	1,937,027	—
	<u>10,898,156</u>	<u>10,647,211</u>	<u>10,967,841</u>	<u>10,764,819</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the chief executive officer and the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of corporate bonds have been determined with reference to the quoted price on the last trading day of the year ended 31 December 2025. The changes in fair value as a result of Group's own non-performance risk for interest-bearing bank and other borrowings as well as corporate bonds as at 31 December 2025 were assessed to be insignificant.

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### *Assets for which fair values are disclosed:*

As at 31 December 2025:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	–	6,917	–	6,917

As at 31 December 2024:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	–	5,746	–	5,746



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

**Fair value hierarchy** *(Continued)*

*Liabilities for which fair values are disclosed:*

As at 31 December 2025:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	—	9,030,814	—	9,030,814
Corporate bonds	—	1,937,027	—	1,937,027
	—	<b>10,967,841</b>	—	<b>10,967,841</b>

As at 31 December 2024:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	—	10,764,819	—	10,764,819

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings, corporate bonds, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as concession financial assets, trade receivables, amounts due to related parties, financial assets included in prepayments, other receivables and other assets, trade payables, and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated profit before tax would have decreased/increased by approximately RMB69,774,000 for the year ended 31 December 2025 (2024: RMB72,007,000).

#### Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB. The Group's certain bank balances are denominated in NZ\$, HK\$ and US\$, certain bank borrowings are denominated in US\$, and while certain expenses of the Group are denominated in currencies other than RMB.

The Group was mainly exposed to exchange fluctuations in NZ\$ and US\$ against RMB. The following table demonstrates the sensitivity as at 31 December 2025 and 2024 to a reasonably possible changed in the NZ\$ and US\$ exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000
<b>2025</b>			
If RMB weakens against NZ\$	5	426	—
If RMB strengthens against NZ\$	(5)	(426)	—
If RMB weakens against US\$	5	(3,470)	—
If RMB strengthens against US\$	(5)	3,470	—
<b>2024</b>			
If RMB weakens against NZ\$	5	—	900
If RMB strengthens against NZ\$	(5)	—	(900)
If RMB weakens against US\$	5	(3,893)	—
If RMB strengthens against US\$	(5)	3,893	—

\* Excluding retained profits



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, pledged deposits, trade receivables, concession financial assets, contract assets (excluding these in relation to intangible assets), financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2025, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arose from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the monitoring procedures to ensure that follow-up action is taken to recover long-aged debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is being closely monitored.

The Group's concentration of credit risk by geographical location was mainly in Chinese Mainland which accounted for 100% (2024: 100%) of the total trade receivables as at 31 December 2025.

The Group had a concentration of credit risk in concession financial assets and contract assets of RMB9,645,389,000 as at 31 December 2025 (2024: RMB10,814,796,000), representing a guaranteed waste treatment fee to be received from fifty-one (2024: fifty-three) grantors in service concession arrangements of waste treatment and waste-to-energy plants. Besides, the Group has trade receivables and contract assets of RMB822,218,000 (2024: RMB804,750,000) due from the Ministry of Finance of the PRC and the Group has trade receivables and contract assets of RMB2,702,349,000 (2024: RMB2,113,485,000) due from the local governments. The Group has considered the credit risk and provided the expected credit losses, details are given in notes 18, 19 and 22.

As at 31 December 2025, included in the prepayments, other receivables and other assets were disposal receivables amounted to RMB188,217,000 (2024: RMB188,217,000), which were disclosed in note 20. Additionally, RMB255,883,000 (2024: RMB257,472,000) of tender deposits were due from several local governments as tenderers and RMB5,000,000 (2024: RMB5,024,000) of interest receivable due from a third party. The management considers that the credit risk of these balances is limited as these counterparties are with good credit history or the Group has appropriate action to ensure the payment.

The credit risk on cash and cash equivalents and pledged deposits are limited because the counterparties are reputable banks in Chinese Mainland and Hong Kong.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk

The Group monitors its risk to a shortage of funds to consider the maturity of both its financial liabilities and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility through the use of bank and other borrowings, corporate bonds and adequate unutilised banking facilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2025	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,438,946	—	—	—	—	1,438,946
Financial liabilities included in other payables and accruals	135,856	1,667	1,667	1,667	—	140,857
Amounts due to related parties	7,678	20,000	20,000	20,000	—	67,678
Interest-bearing bank and other borrowings	—	1,275,831	941,559	4,342,509	3,878,132	10,438,031
Lease liabilities	—	12,226	12,226	6,448	21,493	52,393
Corporate bonds	—	40,000	40,000	2,038,685	—	2,118,685
	<u>1,582,480</u>	<u>1,349,724</u>	<u>1,015,452</u>	<u>6,409,309</u>	<u>3,899,625</u>	<u>14,256,590</u>

  

2024	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,603,234	—	—	—	—	1,603,234
Financial liabilities included in other payables and accruals	59,920	8,777	—	—	—	68,697
Amounts due to related parties	268,000	—	—	—	—	268,000
Interest-bearing bank and other borrowings	—	3,101,323	2,534,967	2,619,070	4,143,735	12,399,095
	<u>1,931,154</u>	<u>3,110,100</u>	<u>2,534,967</u>	<u>2,619,070</u>	<u>4,143,735</u>	<u>14,339,026</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as all assumptions are taken with regard to future events, they are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes interest-bearing bank and other borrowings and corporate bonds as disclosed in notes 27 and 28, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

The Group's adjusted net debt-to-capital ratio was as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest-bearing bank and other borrowings	8,961,129	10,647,211
Corporate bonds	1,937,027	–
Less: cash and cash equivalents	(488,131)	(659,298)
Adjusted net debt	<u>10,410,025</u>	<u>9,987,913</u>
Capital	<u>6,942,078</u>	<u>6,661,471</u>
Adjusted net debt-to-capital ratio	<u>1.50</u>	<u>1.50</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 40. EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events that require adjustments to or disclosures in the consolidated financial statements.

### 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	17	27
Amounts due from subsidiaries	3,378,767	1,378,279
Investments in subsidiaries	2,319,306	2,322,748
Total non-current assets	<u>5,698,090</u>	<u>3,701,054</u>
<b>CURRENT ASSETS</b>		
Prepayments, other receivables and other assets	1,064	1,092
Cash and cash equivalents	44,231	50,329
Total current assets	<u>45,295</u>	<u>51,421</u>
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	24,737	7,162
Total current liabilities	<u>24,737</u>	<u>7,162</u>
<b>NON-CURRENT LIABILITIES</b>		
Corporate bonds	1,937,027	—
Other payables and accruals	3,334	—
Amounts due to related parties	40,000	—
Total non-current liabilities	<u>1,980,361</u>	<u>—</u>
<b>NET CURRENT ASSETS</b>	<u>20,558</u>	<u>44,259</u>
<b>NET ASSETS</b>	<u>3,738,287</u>	<u>3,745,313</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	1,275,167	1,275,167
Reserves (note)	2,463,120	2,470,146
Total equity	<u>3,738,287</u>	<u>3,745,313</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 2025

### 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2024	462,602	1,488,583	496,530	2,447,715
Profit for the year	–	–	22,431	22,431
Total comprehensive income for the year	–	–	22,431	22,431
At 31 December 2024 and 1 January 2025	462,602	1,488,583	518,961	2,470,146
Loss for the year	–	–	(7,026)	(7,026)
Total comprehensive income for the year	–	–	(7,026)	(7,026)
At 31 December 2025	<b>462,602</b>	<b>1,488,583</b>	<b>511,935</b>	<b>2,463,120</b>

### 42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 18 March 2026.

# FINANCIAL SUMMARY

	For the year ended 31 December				2025 RMB'000
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	
<b>RESULTS</b>					
Revenue from continuing operations	5,395,943	4,588,955	4,076,596	3,666,591	3,704,155
Profit from continuing operations attributable to equity holders of the Company	587,118	191,314	285,380	234,123	274,503
<b>As at 31 December</b>					
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	26,173,239	20,137,996	20,287,166	20,880,537	21,199,938
Total liabilities	(18,456,618)	(13,453,912)	(13,591,301)	(13,889,067)	13,916,186
	7,716,621	6,684,084	6,695,865	6,991,470	7,283,752
Equity attributable to equity holders of the Company	6,210,896	6,493,348	6,429,390	6,661,471	6,942,078
Non-controlling interests	1,505,725	190,736	266,475	329,999	341,674
	7,716,621	6,684,084	6,695,865	6,991,470	7,283,752



Capital Environment Holdings Limited  
首創環境控股有限公司