



中國海螺環保控股有限公司
China Conch Environment Protection Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 587



Annual Report **2025**

This Annual Report, in both Chinese and English versions, is available on the Company's website at <http://www.conchenviro.com> (the "Company Website"). Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to the Corporate Communications posted on the Company Website will promptly upon request be sent the Corporate Communications in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt of the Corporate Communications (either in printed form or via the Company Website).

Shareholders may send their requests at any time to receive the Annual Report and/or to change their choice of the means of receipt of the Corporate Communications by notice in writing to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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DEFINITIONS

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

Anhui Conch Environment Group:	安徽海螺環保集團有限公司 (Anhui Conch Environment Group Co., Ltd.*), a company established in the PRC with limited liability and a subsidiary of the Company
Articles of Association:	the articles of association of the Company
associated corporation(s):	has the meaning ascribed thereto under the SFO
Audit Committee:	the audit committee of the Board
Board:	the board of Directors of the Company
Baowu Environment:	Baowu Group Environmental Resources Technology Co., Ltd.* (寶武集團環境資源科技有限公司)
Chaohu Environmental:	Chaohu Conch Environmental Technology Co., Ltd.* (巢湖海螺環保科技有限責任公司)
CK Engineering:	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*)
CNBM:	中國建材股份有限公司 (China National Building Material Company Limited*), a company listed on the Stock Exchange (stock code: 3323), together with its subsidiaries and associates, CNBM Group
Company/Conch Environment/we/us:	China Conch Environment Protection Holdings Limited (中國海螺環保控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 587)
Conch Cement:	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co., Ltd.*), a joint stock company established in the PRC with limited liability and the shares of which are listed on Shanghai Stock Exchange (stock code: 600585) and on the Main Board of the Stock Exchange (stock code: 914), and the controlling shareholder of the Company

DEFINITIONS

Conch Cement Group:	Conch Cement, its subsidiaries and associates
Conch Design Institute:	安徽海螺建材設計研究院有限責任公司 (Anhui Conch Building Materials Design and Research Co., Ltd.*), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of Conch Holdings and an associate of Conch Cement
Conch Holdings:	安徽海螺集團有限責任公司 (Anhui Conch Holdings Co., Ltd.*)
Conch IT Engineering:	安徽海螺信息技術工程有限責任公司 (Anhui Conch IT Engineering Co., Ltd.*), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of Conch Cement
Conch New Materials:	海螺(安徽)節能環保新材料股份有限公司 (Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd.*), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000619)
Conch Venture:	China Conch Venture Holdings Limited (中國海螺創業控股有限公司), an exempted limited company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 586)
Conch CNBM HK:	Conch Venture CNBM Hong Kong Holdings Limited
Conch Venture Mengxi Technology:	內蒙古海螺蒙西科技發展有限公司 (Inner Mongolia Conch Venture Mengxi Technology Development Co., Ltd. *)
connected person(s):	has the meaning ascribed thereto under the Listing Rules
controlling shareholder(s):	has the meaning ascribed thereto under the Listing Rules
CV Group:	安徽海創集團股份有限公司 (Anhui Conch Venture Group Co., Ltd.*) (formerly known as: 安徽海螺創業投資有限責任公司 (Anhui Conch Venture Investment Co., Ltd.*))
Director(s):	the director(s) of the Company

DEFINITIONS

Group:	the Company and its subsidiaries
Haizhong Environmental:	安徽海中環保有限責任公司 (Anhui Haizhong Environmental Company Limited*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
HKD/HK\$:	the lawful currency of Hong Kong
holding company:	has the meaning ascribed thereto under the Listing Rules
Hong Kong:	the Hong Kong Special Administrative Region of the PRC
Independent Shareholders:	in respect of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement, the 2023 Information System Procurement Framework Agreement (including the proposed annual caps for the three years ended 31 December 2025), the 2026 Industrial Solid and Hazardous Waste Treatment Comprehensive Framework Agreement and the 2026 Engineering Design Services Framework Agreement (including the proposed annual caps for the three years ending 31 December 2028), Shareholders other than Conch Cement, together with its subsidiaries and its Parties Acting in Concert
Independent Third Parties:	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
Latest Practicable Date:	21 April 2026, being the latest practicable date prior to the printing of this report for ascertaining certain information in this report
Listing Date:	30 March 2022, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
Listing Document:	the listing document of the Company issued in connection with the Listing dated 22 March 2022

DEFINITIONS

Listing Rules:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
Management:	the operating management team of the Company
Parties Acting in Concert:	the parties acting in concert with Conch Cement under the Code on Takeovers and Mergers and Share Buy-backs at the end of the Reporting Period, including but not limited to Conch Venture, LI Qunfeng (李群峰), WANG Chunjian (汪純健), GUO Dan (郭丹), YAN Zi (晏滋), JI Xian (紀憲), MA Wei (馬偉) and WANG Jingqian (王敬謙)
PRC:	the People's Republic of China (for the purpose of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
Remuneration and Nomination Committee:	the remuneration and nomination committee of the Board
Reporting Period:	from 1 January 2025 to 31 December 2025
RMB:	the lawful currency of the PRC
SA Conch:	安徽海螺集團有限責任公司工會委員會 (The Staff Association of Anhui Conch Holdings Co., Ltd.*)
SFO:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended, supplemented or otherwise modified from time to time)
Share(s):	ordinary share(s) of HKD0.01 each in the share capital of the Company
Shareholder(s):	the shareholder(s) of the Company
Stock Exchange:	The Stock Exchange of Hong Kong Limited

DEFINITIONS

Strategy, Sustainability and Risk Management Committee:	the strategy, sustainability and risk management committee of the Board
subsidiary(ies):	has the meaning ascribed thereto under the Listing Rules
Tianshan Material:	天山材料股份有限公司 (Tianshan Material Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 000877)
West Cement:	中國西部水泥有限公司 (West China Cement Limited*), a company listed on the Stock Exchange (stock code: 2233)
Wuhu Conch Environmental:	蕪湖海螺環保科技有限責任公司 (Wuhu Conch Environmental Protection Technology Co., Ltd.*)
Zhong County Conch Environmental Protection:	忠縣海螺環保科技有限責任公司 (Zhong County Conch Environmental Protection Technology Co., Ltd.*)
Yiyang Conch Environmental:	弋陽海螺環保科技有限責任公司 (Yiyang Conch Venture Environmental Protection Technology Co., Ltd.)

* For identification purpose only

1. CORPORATE INFORMATION

- (I) **REGISTERED CHINESE NAME OF THE COMPANY:** 中國海螺環保控股有限公司
- CHINESE ABBREVIATION:** 海螺環保
- REGISTERED ENGLISH NAME OF THE COMPANY:** CHINA CONCH ENVIRONMENT PROTECTION HOLDINGS LIMITED
- ENGLISH ABBREVIATION:** CONCH ENVIRO
- (II) **EXECUTIVE DIRECTORS:** Mr. ZHOU Xiaochuan (*Chairman of the Board*)
(Appointed on 3 April 2026)
Mr. WANG Chunjian (*General Manager*)
Ms. LIAO Dan
Mr. FAN Zhan (Resigned on 3 April 2026)
- (III) **NON-EXECUTIVE DIRECTORS:** Mr. LIU Tiantian (Appointed on 3 April 2026)
Mr. LYU Wenbin (Appointed on 24 March 2025)
Mr. MA Wei
Mr. LI Qunfeng (*Chairman of the Board*)
(Resigned on 3 April 2026)
Mr. JIANG Dehong (Resigned on 24 March 2025)
- (IV) **INDEPENDENT NON-EXECUTIVE DIRECTORS:** Mr. DING Wenjiang
Ms. WANG Jiafen
Ms. LI Chen
- (V) **AUDIT COMMITTEE:** Ms. WANG Jiafen (*Chairlady*)
Mr. DING Wenjiang
Ms. LI Chen
- (VI) **REMUNERATION AND NOMINATION COMMITTEE:** Mr. DING Wenjiang (*Chairman*)
Mr. ZHOU Xiaochuan (Appointed on 3 April 2026)
Ms. WANG Jiafen
Ms. LI Chen
Mr. LI Qunfeng (Resigned on 3 April 2026)
- (VII) **STRATEGY, SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE:** Mr. ZHOU Xiaochuan (*Chairman*)
(Appointed on 3 April 2026)
Mr. WANG Chunjian
Mr. DING Wenjiang
Mr. LYU Wenbin (Appointed on 24 March 2025)
Mr. LI Qunfeng (*Chairman*) (Resigned on 3 April 2026)
Mr. JIANG Dehong (Resigned on 24 March 2025)
- (VIII) **JOINT COMPANY SECRETARIES:** Ms. LIAO Dan

1. CORPORATE INFORMATION

(IX) AUTHORISED REPRESENTATIVES:	Mr. ZHOU Xiaochuan (Appointed on 3 April 2026) Ms. LIAO Dan (Appointed on 3 April 2026) Mr. Li Qunfeng (Resigned on 3 April 2026) Mr. WANG Chunjian (Resigned on 3 April 2026)
(X) REGISTERED OFFICE IN THE CAYMAN ISLANDS:	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman, KY1-9010, Cayman Island
(XI) HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC:	No. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, China
(XII) POSTAL CODE:	241000
(XIII) EMAIL ADDRESS OF THE COMPANY:	hlhb@conchenviro.com
(XIV) WEBSITE OF THE COMPANY:	http://www.conchenviro.com
(XV) PRINCIPAL PLACE OF BUSINESS IN HONG KONG:	Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
(XVI) HONG KONG LEGAL ADVISOR:	Jingtian & Gongcheng LLP
(XVII) INTERNATIONAL AUDITOR:	Ernst & Young Certified Public Accountants and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance
(XVIII) PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS:	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
(XIX) HONG KONG SHARE REGISTRAR:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
(XX) STOCK CODE:	00587

2. FINANCIAL HIGHLIGHTS

FINANCIAL OVERVIEW (FOR THE YEAR ENDED 31 DECEMBER 2025)

1. Operation results

Item	2025	2024	2023	Unit: RMB'000	
				2022	2021
Revenue	1,640,315	1,686,990	1,881,556	1,729,598	1,698,153
Profit before taxation	-340,578	10,027	352,267	410,531	697,713
(Loss)/profit for the year	-346,651	-5,368	304,013	360,463	646,577
(Loss)/net profit attributable to the equity Shareholders of the Company	-228,427	6,275	264,130	328,656	578,607

2. Assets and liabilities

Item	2025	2024	2023	Unit: RMB'000	
				2022	2021
Total assets	9,363,985	9,750,378	9,412,268	8,536,568	7,510,221
Total liabilities	6,053,982	6,091,454	5,702,078	5,148,934	4,420,301
Equity attributable to the equity Shareholders of the Company	2,719,553	2,947,980	2,993,037	2,728,907	2,420,593

HIGHLIGHTS OF CONCH ENVIRONMENT



2025
03/20

The Anhui Provincial Environmental Protection Industry Association (安徽省環境保護產業協會) organised leading environmental protection enterprises in Anhui province for a research visit to Conch Environmental Protection, conducting in-depth exchanges on the application of advanced environmental protection technologies and the future development of the environmental protection industry.



2025
05/29

The Group signed a strategic cooperation framework agreement with Baowu Environmental (寶武環科). Both parties will fully leverage their respective advantages to expand cooperation in areas such as municipal solid waste incineration fly ash treatment and contaminated soil remediation.

2025
01/13

The Company's hazardous waste full-process information system, developed with independent software copyrights, successfully passed acceptance inspection, marking a key breakthrough in the Company's digital and intelligent transformation.



2025
04/24

The Company successfully issued the 2025 first tranche green medium-term notes amounting to RMB1 billion with a maturity of 3 years and a coupon rate of 1.8%. The successful issuance of the bonds fully reflected the capital market's high recognition of the Company's environmental protection business.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(I) MACRO ENVIRONMENT

In 2025, the solid and hazardous waste disposal industry continued to face fierce competition, with the contradiction between supply and demand remaining prominent and disposal prices fluctuating at low levels. Concurrently, driven by the decline in cement kiln utilization rates, the capacity utilization of co-processing projects was constrained, leading to a continuous expansion of losses across the industry. Amid this complex situation, the national policy direction regarding solid and hazardous waste disposal has become increasingly clear, providing strong guidance for the standardized development of the industry.

In February 2025, the General Office of the Ministry of Ecology and Environment issued the “Guiding Opinions on Further Strengthening Environmental Management of Hazardous Waste and Strictly Preventing Environmental Risks” (《關於進一步加強危險廢物環境治理 嚴密防控環境風險的指導意見》), explicitly requiring strict control over the landfill disposal ratio of hazardous waste (below 10% by 2030). In June 2025, multiple government agencies jointly launched a three-year nationwide campaign to strengthen enforcement against on illegal dumping and disposal of solid waste, aiming to strengthen all process surveillance and promote standard operation of corporates. In January 2026, the State Council officially issued the “the Action Plan for Comprehensive Treatment of Solid Waste”, clarifying goals for the comprehensive utilization of bulk solid wastes and resource recycling, centered on the principles of “reduction, resource utilization, and harmless treatment.” Guided and constrained by various policies, the solid and hazardous waste disposal industry is accelerating its transformation and upgrade towards standardization and resource efficiency.

(II) BUSINESS REVIEW

During the Reporting Period, the Company’s operating results were impacted by factors including the persistently low disposal prices for solid and hazardous waste, increased depreciation and amortization resulting from the capitalization of new projects, and the provision for asset impairments. Facing a severe and complex external environment, the Group made every effort to expand its market externally and consolidated its efforts to strengthen internal management. The total volume of solid and hazardous waste disposal (including alternative fuels) grew steadily, accounts receivable decreased year-on-year, cash flow remained robust, and production operations were generally stable.

In terms of project development, the Group formulated the “Conch Environmental ‘15th Five-Year’ Development Plan,” which clarifies the direction of “solid and hazardous waste disposal + resource utilization” and identifies the resource utilization of fly ash, sludge, medical waste and bulk solid wastes as key focus areas, charting the course for the Company’s high-quality development. During the Reporting Period, the Group successfully signed the Fenyi solid and hazardous waste project and conducted research and feasibility studies during the year on areas such as construction waste, waste plastics, and tire resource utilization, laying the foundation for subsequent industrial expansion.

4. MANAGEMENT DISCUSSION AND ANALYSIS

In terms of project construction, six projects were successfully commissioned and put into operation during the year, including the cement kiln co-processing disposal in Yongdeng, Gansu and Junlian, Sichuan; the alternative fuel processing project in Xuancheng, Anhui and Chizhou, Anhui; the oily sludge disposal project in Zhongxian, Chongqing; and the automobile disassembly project in Changjiang, Hainan. The Chaohu fly ash disposal project commenced construction in the third quarter of 2025.

At the end of the Reporting Period, the Group put into operation and constructed a total of 85 environmental protection projects in 21 provinces, municipalities, and autonomous regions across the country, including 40 general hazardous waste projects, 7 fly ash washing projects, 6 oil sludge treatment projects, 25 industrial solid waste projects and 7 comprehensive resource utilization projects. The treatment scale of the projects was approximately 12,121,100 tonnes/year (excluding projects subject to approval and to be constructed).

In terms of market development, the Group adhered to a strategy of targeted development, continuously solidifying its customer base, with the number of effective customers signed during the year increasing year-on-year. Through refined regional management, the Group completed the subdivision of the Southwest and South China regions, effectively integrating market resources. By leveraging the advantages of regional hazardous waste (fly ash) disposal centers, the Group streamlined the cross-provincial transportation channel for fly ash between Zhejiang and Anhui, achieving a year-on-year increase in fly ash disposal volume of 37% during the year. The Group coordinated regional general solid waste resources and successfully expanded its bulk solid waste operations to include calcium fluoride, mining tailings slag, white mud, and red mud. Seizing opportunities presented by the “Dual Carbon” policy, the Group accelerated upstream deployment, achieving a doubling in alternative fuel business volume for two consecutive years.

In terms of operation and management, the Group deeply explored the potential for industrial hazardous and solid waste disposal, optimized benchmark management of production indicators, and promoted a steady increase in relative turnover rates. Focusing on digital and intelligent transformation, the Group completed the promotion and application of a full-process information system for hazardous waste across 32 subordinate units. The Group enhanced coordination in production management with cement plants, facilitating the continuous reduction of operating costs.

During the Reporting Period, the total treatment volume of industrial hazardous waste of the Group was approximately 1,156,800 tonnes, remaining largely flat year-on-year, among which approximately 977,100 tonnes were general hazardous waste, approximately 88,400 tonnes were oil sludge, and approximately 91,300 tonnes were fly ash. Approximately 2,700 tonnes of comprehensive resource utilization matte products were sold, representing a year-on-year decrease of approximately 3.5%, and approximately 604,300 tonnes of alternative fuels were produced and sold, representing a year-on-year increase of approximately 99.9%. The total treatment volume of industrial solid waste of the Group was approximately 1,734,200 tonnes, representing a year-on-year decrease of approximately 4.5%

4. MANAGEMENT DISCUSSION AND ANALYSIS

In terms of technological innovation, the Group intensified its R&D efforts focusing on bottlenecks restricting production operations. In 2025, the Group was granted 29 utility model patents and 1 invention patent. The collaborative R&D project, Integrated Technological Innovation and Industrial Application of Fly Ash Harmless Disposal and Full-Quantity High-Value Utilization (《飛灰無害化處置與全量化高值利用關鍵技術集成創新及產業化應用》), conducted by the Group together with five partner teams including the Institute of Eco-environmental and Soil Sciences, Guangdong Academy of Sciences, was awarded the second prize of the 2025 Environmental Protection Science and Technology Progress Award.

(III) FINANCIAL PROFITABILITY

Item	2025 Amount (RMB'000)	2024 Amount (RMB'000)	Change between the Reporting Period and the same period of last year (RMB'000)
Revenue	1,640,315	1,686,990	-46,675
(Loss)/profit before taxation	-340,578	10,027	-350,605
Loss for the year	-346,651	-5,368	-341,283
(Loss)/net profit attributable to the equity Shareholders of the Company	-228,427	6,275	-234,702

During the Reporting Period, the Group recorded revenue of RMB1,640.32 million, representing a year-on-year decrease of RMB46.68 million. Profit before taxation amounted to RMB-340.58 million, representing a year-on-year decrease of RMB350.61 million. Profit for the year amounted to RMB-346.65 million, representing a year-on-year decrease of RMB341.28 million. Net profit attributable to equity shareholders of the Company amounted to RMB-228.43 million, representing a year-on-year decrease of RMB234.70 million.

4. MANAGEMENT DISCUSSION AND ANALYSIS

1. Revenue by business stream

Item	2025		2024		Change in amount (%)	Change in percentage (percentage points)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)		
Industrial hazardous waste treatment services	1,073,047	65.42	1,151,699	68.27	-6.83	-2.85
General hazardous waste	838,995	51.15	958,226	56.80	-12.44	-5.65
Oil sludge	106,666	6.50	107,583	6.38	-0.85	0.13
Fly ash	127,386	7.77	85,890	5.09	48.31	2.67
Industrial solid waste treatment services	366,002	22.31	407,976	24.18	-10.29	-1.87
Comprehensive resource utilization	201,266	12.27	127,315	7.55	58.08	4.72
Total	1,640,315	100.00	1,686,990	100.00	-2.77	-

During the Reporting Period, revenue of the Group was derived from three main business streams, namely (i) industrial hazardous waste treatment services; (ii) industrial solid waste treatment services; and (iii) comprehensive resource utilization. With a breakdown by business streams:

- (i) Revenue from **industrial hazardous waste treatment services** was RMB1,073.05 million, representing a year-on-year decrease of 6.83%, of which:

Revenue from **general hazardous waste** was RMB838.99 million, representing a year-on-year decrease of 12.44%. The decrease in revenue was mainly attributable to the following reasons: firstly, the intensified market competition resulting in the decrease of the market prices in Chongqing, Guangdong and Jiangxi; and secondly, a decrease in waste generation by customers in provinces including Shaanxi and Henan resulting in the decrease of treatment volume, as well as a decline in cross-provincial transfers and emergency hazardous waste intake in provinces such as Guizhou and Anhui.

Revenue from **oil sludge treatment** was RMB106.67 million, representing a year-on-year decrease of 0.85%.

Revenue from **fly ash treatment** was RMB127.39 million, representing a year-on-year increase of 48.31%. This was mainly due to the approval of the East China Fly Ash Treatment Centre, resulting in an increase in cross-provincial fly ash transfer volume.

4. MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) Revenue from **industrial solid waste treatment services** was RMB366 million, representing a year-on-year decrease of 10.29%. This was primarily due to the delays in the execution of certain planned orders for disposal of contaminated soil by the Group, which resulted in insufficient treatment volume.
- (iii) Revenue from **comprehensive resource utilization** was RMB201.27 million, representing a year-on-year increase of 58.08%. This was primarily due to the commencement of operations of the Chizhou and Wuhu alternative fuel projects, as well as the Changjiang vehicle dismantling project.

2. Gross profit and gross profit margin

Item	2025		2024		Change in amount (%)	Change in percentage (Percentage points)
	Gross profit	Gross profit margin	Gross profit	Gross profit margin		
	(RMB'000)	(%)	(RMB'000)	(%)		
Industrial hazardous waste treatment services	336,982	31.40	435,596	37.82	-22.64	-6.42
General hazardous waste	311,577	37.14	360,102	37.58	-13.48	-0.44
Oil sludge	-3,772	-3.54	44,264	41.14	-108.52	-44.68
Fly ash	29,177	22.90	31,229	36.36	-6.57	-13.46
Industrial solid waste treatment services	141,042	38.54	169,553	41.56	-16.82	-3.02
Comprehensive resource utilization	-5,374	-2.67	24,123	18.95	-122.28	-21.62
Total	472,650	28.81	629,273	37.30	-24.89	-8.49

During the Reporting Period, the Group recorded a gross profit of RMB472.65 million, representing a year-on-year decrease of 24.89%. With a breakdown by business streams:

- (i) Gross profit margin for **industrial hazardous waste treatment services** was 31.40%, representing a year-on-year decrease of 6.42 percentage points, among which:

Gross profit margin for **general hazardous waste** was 37.14%, representing a year-on-year decrease of 0.44 percentage points.

Gross profit margin for **oil sludge treatment** was -3.54%, representing a year-on-year decrease of 44.68 percentage points, which was mainly attributable to insufficient capacity utilization of the newly commissioned projects with relatively high costs.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit margin for **fly ash treatment** was 22.90%, representing a year-on-year decrease of 13.46 percentage points, which was mainly attributable to the fact that newly commissioned projects in Western China and other regions have yet to demonstrate their benefits and have relatively high fixed costs, thereby diluting the gross profit margin.

- (ii) Gross profit margin for **industrial solid waste treatment services** was 38.54%, representing a year-on-year decrease of 3.02 percentage points.
- (iii) Gross profit margin for **comprehensive resource utilization** was -2.67%, representing a year-on-year decrease of 21.62 percentage points, mainly due to the unstable operation of the production system at the Ninghai project, resulting in high operating costs and a negative gross profit margin, which led to a decline in the overall gross profit margin.

3. Other income

During the Reporting Period, the Group's other income amounted to RMB12.80 million, representing a year-on-year decrease of RMB29.8 million, or 70%, primarily due to the decrease in relevant government subsidies recognized during the current period as compared with the corresponding period.

4. Distribution costs

During the Reporting Period, the Group's distribution costs amounted to RMB145.74 million, representing a year-on-year decrease of RMB24.09 million, primarily attributable to the Group's continued efforts to increase the proportion of direct supply to customers, resulting in a significant decrease in consulting service fees.

5. Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB425.11 million, representing a year-on-year increase of RMB85.87 million, or 25.3%, primarily due to the increase in expenses such as depreciation and amortisation resulting from the capitalisation of newly operational projects.

6. Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB107.60 million, representing a year-on-year decrease of RMB9.66 million, or 8.24%, primarily due to the Group's issuance of green medium-term notes and the replacement of high-interest bank loans, resulting in a decrease in finance costs.

7. (Loss)/profit before taxation

During the Reporting Period, the Group's profit before taxation amounted to RMB-340.58 million, representing a year-on-year decrease of RMB350.61 million, primarily due to fierce market competition resulting in low disposal prices, and the provision for asset impairment and losses made by the Company. Share of profits of associates amounted to RMB-5.16 million, representing a year-on-year increase of RMB0.36 million.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(IV) FINANCIAL POSITION

As at the end of the Reporting Period, the Group's total assets amounted to RMB9,363.99 million, representing a decrease of RMB386.39 million as compared to the end of the previous year. Equity attributable to equity shareholders of the Company amounted to RMB2,719.55 million, representing a decrease of RMB228.43 million as compared to the end of the previous year. Gearing ratio (total liabilities/total assets) of the Group was 64.65%, representing an increase of 2.18 percentage points as compared to the end of the previous year. The balance sheet items of the Group are as follows:

Item	As at 31 December 2025 (RMB'000)	As at 31 December 2024 (RMB'000)	Change between the end of the Reporting Period and the end of the previous year (%)
Property, plant and equipment	7,233,781	7,396,978	-2.21
Non-current assets	7,919,467	8,242,107	-3.91
Current assets	1,444,518	1,508,271	-4.23
Non-current liabilities	3,978,931	3,819,517	4.17
Current liabilities	2,075,051	2,271,937	-8.67
Net current liabilities	630,533	763,666	-17.43
Equity attributable to equity shareholders of the Company	2,719,553	2,947,980	-7.75
Total assets	9,363,985	9,750,378	-3.96
Total liabilities	6,053,982	6,091,454	-0.62

4. MANAGEMENT DISCUSSION AND ANALYSIS

1. Non-current assets and current assets

As at the end of the Reporting Period, non-current assets of the Group amounted to RMB7,919.47 million, representing a decrease of 3.91% as compared to the end of the previous year, primarily due to the Group conducting impairment tests on certain assets and recognizing impairment losses.

Current assets of the Group amounted to RMB1,444.52 million, representing a decrease of 4.23% as compared to the end of the previous year, primarily due to the Group making provision for losses on certain accounts receivable.

2. Non-current liabilities and current liabilities

As at the end of the Reporting Period, non-current liabilities of the Group amounted to RMB3,978.93 million, representing an increase of 4.17% as compared to the end of the previous year, primarily due to the issuance of the 3-year green medium-term notes of RMB1 billion by the Group during the Reporting Period.

Current liabilities of the Group amounted to RMB2,075.05 million, representing a decrease of 8.67% as compared to the end of the previous year, primarily due to the repayment of long-term borrowings due within one year during the Reporting Period.

As at the end of the Reporting Period, current ratio of the Group was 0.7 (compared to 0.66 at the end of the previous year) and debt to equity ratio (calculated by dividing total amount of loans by total equity) was 1.4 (compared to 1.27 at the end of the previous year).

3. Net current liabilities

As at the end of the Reporting Period, the Group's net current liabilities amounted to RMB630.53 million, representing a decrease of RMB133.13 million as compared to the end of the previous year, mainly due to the Group's proactive efforts to expand fundraising channels in order to address liquidity risk. In April 2025, the Group issued the 3-year green medium-term notes of RMB1 billion in the PRC with coupon rate of 1.8%, which was mainly used to replace long-term borrowings, in order to optimize capital structure.

4. Equity attributable to equity shareholders of the Company

As at the end of the Reporting Period, the Group's equity attributable to equity shareholders of the Company amounted to RMB2,719.55 million, representing a decrease of 7.75% as compared to the end of the previous year.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(V) LIQUIDITY AND CAPITAL SOURCES

During the Reporting Period, the Group increased the returns on its existing funds, enhanced capital planning and management and conducted reasonable allocation of project loans, so as to fully satisfy the Company's capital needs. As of 31 December 2025, the Group's cash and cash equivalents amounted to RMB437.79 million, which were mainly denominated in RMB.

1. Bank loans

Item	As at 31 December 2025 (RMB'000)	As at 31 December 2024 (RMB'000)
Due within one year	713,946	867,687
Due after one year but within two years	981,785	882,455
Due after two years but within five years	382,229	1,264,658
Due after five years	43,316	133,065
Total	2,121,276	3,147,865

At the end of the Reporting Period, the Group's bank loan balance amounted to RMB2,121.28 million, representing a decrease of RMB1,026.59 million as compared to the end of the previous year. This decrease was primarily due to the Group's issuance of green medium-term notes during the Reporting Period, which were used to replace bank loans. As at 31 December 2025, all of the Group's bank loans were denominated in RMB, and most of the loan interests were subject to variable interest rate.

4. MANAGEMENT DISCUSSION AND ANALYSIS

2. Cash flow

At the end of the Reporting Period, the Group's balance of cash and cash equivalents amounted to RMB437.79 million, representing a year-on-year increase of RMB92.17 million.

Item	2025 (RMB'000)	2024 (RMB'000)
Net cash generated from operating activities	552,897	434,083
Net cash used in investing activities	-317,360	-540,179
Net cash (used in)/generated from financing activities	-143,371	205,464
Net increase in cash and cash equivalents	92,166	99,368
Cash and cash equivalents at the beginning of the period	345,622	246,254
Cash and cash equivalents at the end of the period	437,788	345,622

Net cash generated from operating activities

During the Reporting Period, net cash generated from operating activities of the Group amounted to RMB552.90 million, representing a year-on-year increase of RMB118.81 million, primarily due to the improved collection of trade receivables.

Net cash used in investing activities

During the Reporting Period, net cash used in investing activities of the Group amounted to RMB317.36 million, representing a year-on-year decrease of RMB222.82 million, primarily due to the decrease in payment for purchase of property, plant and equipment and construction in progress.

Net cash used in financing activities

During the Reporting Period, net cash used in financing activities of the Group amounted to RMB143.37 million, representing a year-on-year decrease of RMB348.84 million, primarily due to a year-on-year decrease in the issuance amount, as the Group issued the green medium-term notes of RMB1.5 billion in 2024 and the green medium-term notes of RMB1.0 billion in 2025.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(VI) COMMITMENTS

At the end of the Reporting Period, purchase commitments of the Group in connection with construction contracts were as follows:

Item	As at 31 December 2025 (RMB'000)	As at 31 December 2024 (RMB'000)
Contracted for	65,727	77,832
Authorized but not contracted for	212,067	325,836
Total	277,794	403,668

(VII) FOREIGN EXCHANGE RISK

The Group's functional currency is RMB. Foreign exchange risks faced by the Group were mainly derived from account payables arising from procurement which were mainly denominated in foreign currencies, with the primary currency being HKD. Other than that, most of the assets and transactions of the Group were denominated in RMB, and the capital expenditures of the Group's domestic business were generally funded with the revenue in RMB. As a result, the Group is not exposed to significant foreign exchange risks.

The Group did not use any financial derivatives to hedge against any foreign exchange risks.

(VIII) CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no material contingent liabilities.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(IX) PLEDGE OF ASSETS

At the end of the Reporting Period, the bank loans of the Group amounting to RMB73,349,000 (31 December 2024: RMB77,280,000) were secured by equipment provided by 洛陽海中環保科技有限責任公司 (Luoyang Haizhong Environmental Protection Technology Co., Ltd.*), a subsidiary of the Group.

At the end of the Reporting Period, the bank loans of the Group amounting to RMB74,677,000 (31 December 2024: RMB47,550,000) were secured by plant and right-of-use assets of 寧海馨源泰環保科技有限公司 (Ninghai Xinyuntai Environmental Protection Technology Co., Ltd.*), a subsidiary of the Group.

At the end of the Reporting Period, the bank loans of the Group amounting to RMB17,609,000 (31 December 2024: RMB0) were secured by equipment of 寧海馨源泰環保科技有限公司 (Ninghai Xinyuntai Environmental Protection Technology Co., Ltd.*), a subsidiary of the Group.

(X) IMPAIRMENT OF ASSETS

The Company recognized an aggregate amount of RMB142.3 million of the impairment loss for trade and other receivables, property, plant and equipment and interest in associates (the “**Impairment**”), details of which are as follows:

1. Property, plant and equipment

Nature and description

As at 31 December 2025, the net book value of property, plant and equipment related to solid and hazardous waste disposal amounted to RMB7,234 million, of which the net book value of plant and buildings was RMB3,340 million, and the net book value of machinery and equipment was RMB3,008 million. An impairment loss of RMB59.14 million was recognised in 2025.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Details of the Impairment

According to IAS 36 — Impairment of Assets, an entity shall assess at the end of each Reporting Period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. At the end of the Reporting Period, the Company performed impairment tests on the cash-generating units (CGUs) that exhibited indicators of impairment, with an impairment loss of RMB59.14 million recognised, as detailed below:

Company	Book Value (RMB'000)	Recoverable Amount (RMB'000)	Variance (RMB'000)
Jinzhou Conch Venture Environmental Protection Technology Co., Ltd. 錦州金利源環保科技有限公司	332,019	315,700	16,319
Ninghai Xinyuantai Environmental Protection Technology Co., Ltd. 寧海馨源泰環保科技有限公司	259,839	245,000	14,839
Jiyuan Haizhong Environmental Protection Technology Co., Ltd. 濟源海中環保科技有限責任公司	84,294	74,700	9,594
HulunBuir Haimeng Technology Development Co., Ltd. 呼倫貝爾市海蒙科技發展有限責任公司	97,558	88,070	9,488
Luoyang Haizhong Environmental Protection Technology Co., Ltd. 洛陽海中環保科技有限責任公司	119,299	110,400	8,899
Impairment-affected CGUs	893,009	833,870	59,139

The reasons for impairment on property, plant and equipment

In 2025, certain subsidiaries of the Company exhibited signs of asset impairment due to intensified regional market competition and declining solid and hazardous waste disposal prices, and other related factors.

The valuation method and reasons for using such method

According to IAS 36 — Impairment of Assets, impairment testing requires estimating the recoverable amount of the relevant CGU. Recoverable amount is the higher of the net amount of the asset group's fair value less costs of disposal and the present value of its expected future cash flows. In this valuation, the present value of estimated future cash flows was ultimately adopted as the recoverable amount of the relevant asset group.

4. MANAGEMENT DISCUSSION AND ANALYSIS

The values of input used together with basis and assumptions

The key inputs used in the valuation assessment include the revenue growth rate and discount rate, which are determined based on historical performance, management forecasts, and market conditions.

Company	Valuation method	Average revenue growth rate	Pre-tax discount rate
Impairment-affected CGUs	Discounted cash flow method	7%–32%	8.5%–8.7%

The explanation on any changes in valuation method used or inputs or assumptions

There were no significant changes in the valuation methods and key inputs and assumptions.

2. Trade and other receivables

Nature and description

As at 31 December 2025, the carrying amount of trade and other receivables is RMB789.41 million, with impairment losses recognized during the year 2025 of RMB49.52 million. Specifically, the trade receivables are receivable for disposal of solid and hazardous waste, with a carrying amount of RMB691 million and impairment losses recognized during the year 2025 of RMB48.11 million. The details of trade and other receivables as at 31 December 2025 are as follows:

	2025 (RMB'000)	2024 (RMB'000)
Trade receivables	809,441	890,654
Bills receivable	54,472	84,863
Less: Loss allowance	(118,495)	(70,381)
Trade and bills receivables	745,418	905,136
Other receivables		
— Deposits	16,774	16,534
— Others	28,623	12,847
Less: Loss allowance	(1,410)	—
Trade and bills receivables, other receivables	789,405	934,517

4. MANAGEMENT DISCUSSION AND ANALYSIS

Details of impairment on expected credit losses for trade and other receivables

According to the requirements of International Financial Reporting Standards No. 9 for impairment of financial instruments (“IFRS 9”), companies should assess whether the credit risk of relevant financial instruments has significantly increased since initial recognition on each balance sheet date, and measure their loss allowance, recognize expected credit losses (“ECLs”), and their changes based on specific circumstances. The Company’s management evaluated the ECLs of trade receivables on 31 December 2025.

ECLs on trade receivables are assessed using the following method: Trade receivables from customers with known financial difficulties or significant doubt on collection are individually assessed for ECLs. The remaining trade receivables are grouped based on similar credit risk characteristics and aging analysis to assess the ECLs.

As at 31 December 2025, the balance of trade receivable, expected loss rate, and credit impairment of the Company are shown in the table below:

	As at 31 December 2025		
	Expected loss rate %	Gross carrying amount (RMB'000)	Loss allowance (RMB'000)
Current	0.95%	595,519	(5,650)
Less than 1 year	14.05%	105,680	(14,850)
1 to 2 years	71.32%	35,726	(25,479)
Over 2 years	100.00%	19,684	(19,684)
Individual assessment	100.00%	52,832	(52,832)
		809,441	(118,495)

For trade receivables with ECLs measured on a collective basis, the Company estimates historical loss rates and incorporates forward-looking information by combining current conditions with forecasts of future economic environments. The ECLs are calculated by applying the exposure at default and the lifetime expected credit loss rate. The method of measuring ECLs on a collective basis did not change materially in the current year compared with the prior year. In 2025, the ECLs on trade receivables measured on a collective basis amounted to RMB13.82 million.

For trade receivables with ECLs measured on an individual basis, the Company assesses their expected recoverable amount based on factors such as the customer’s operational status, financial capacity, and litigation status. Affected by market conditions in 2025, certain customers demonstrated deterioration in repayment capacity and willingness. The Company has recognized a 100% impairment loss on customers with clear indications of difficulty in repayment, amounting to RMB34.29 million.

4. MANAGEMENT DISCUSSION AND ANALYSIS

3. Interest investments in associates

Nature and description

As at the end of the Reporting Period, the Company's interest investments in associates comprise four companies, all engaged in industrial solid and hazardous waste treatment. As at 31 December 2025, the carrying amount of long-term equity investments was RMB68.79 million, with an impairment provision amount of RMB33.76 million. Information on the four associates is as follows:

Name of associate	Form of business structure	Proportion of ownership interest	Principal activities
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. (“ Jiangsu Jiexia ”) (江蘇傑夏環保科技有限公司)	Incorporated as limited liability company	35%	Industrial solid and hazardous waste treatment
Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. (雲浮光嘉海中環保科技有限公司)	Incorporated as limited liability company	40%	Industrial solid and hazardous waste treatment
Chongqing Nantong Environmental Protection Technology Co., Ltd. (重慶南桐環保科技有限公司)	Incorporated as limited liability company	35%	Industrial solid and hazardous waste treatment
Nanchen Nuoke Haizhong Environmental Protection Technology Co., Ltd. (南城諾客海中環保科技有限責任公司)	Incorporated as limited liability company	49%	Industrial solid and hazardous waste treatment

Details of impairment on interest in associates

The Company's associate Jiangsu Jiexia is primarily engaged in the treatment of solid and hazardous waste. Located within the plant area of Jiangsu Xinjie Southern Cement Co., Ltd. (江蘇新街南方水泥有限公司) (“**Xinjie Southern**”), it utilizes the latter's 5,000 t/d cement kiln and has an annual disposal capacity of 100,000 tonnes of hazardous waste and 90,000 tonnes of general solid waste.

In August 2019, the Company, through its subsidiary Haizhong Environmental, acquired an equity interest in Jiangsu Jiexia. Prior to the investment decision, a project due diligence was conducted, covering matters such as the operating conditions of the cement kiln and the market prospects for solid and hazardous waste disposal.

4. MANAGEMENT DISCUSSION AND ANALYSIS

During the project due diligence phase, the Company had noted that the project's underlying operating entity, Xinjie Southern, faced a lack of a self-owned limestone mine reserve and a stable supply channel for its raw materials. However, at the time of the investment in 2019, the market demand for solid and hazardous waste disposal was strong and the industry outlook was favorable. The project, based on the cement kiln co-processing model with strong profitability, was expected generate considerable returns over its operation period. The Company made the equity investment decision based on the market prospects prevailing at that time.

As at the end of the Reporting Period, the carrying amount of the long-term equity investment in this company was RMB33.76 million, of which the initial investment cost was RMB28 million. During its operation, Jiangsu Jiexia distributed profits, and Haizhong Environmental received cumulative cash dividends of RMB25.02 million.

In recent years, due to a downturn in the cement market and persistently high costs of externally purchased limestone, Xinjie Southern has faced increasing operational pressure. Xinjie Southern transferred the production capacity of its 5,000 t/d clinker production line to other entities in 2025, indicating the permanent shutdown of this cement kiln. Consequently, Jiangsu Jiexia's co-processing project for solid and hazardous waste has been completely suspended since 2025 with no possibility of resuming operations. As a result, the Company can no longer recover the remaining investment amount through the continued operation of the project, and the Company made a full provision of RMB33.76 million for the impairment of its long-term equity investment in Jiangsu Jiexia.

This investment was a normal commercial decision made by the Company based on the market prospect at the time of investment, and the related risks arose from subsequent changes in the external operating environment. The Company considers it unnecessary to take legal recovery actions. Given that the cumulative cash dividends received by the Company are close to the initial investment cost, the suspension of operations has not had a material impact on the Company's cash flow. In light of the discontinued operations of Jiangsu Jiexia, the Company is in discussions with other shareholders regarding the liquidation and deregistration of the entity, which is subject to approval by the shareholders' meeting of Jiangsu Jiexia.

4. MANAGEMENT DISCUSSION AND ANALYSIS

4. Assessment of the Board

The Board has reviewed the impairment assessments as mentioned above, and is of the view that the parameters adopted are fair, reasonable and on normal commercial terms.

Property, plant and equipment (RMB59.14 million)

The Company's property, plant and equipment are primarily used for solid and hazardous waste disposal, with a net book value of RMB7,234 million as at 31 December 2025. The impairment of RMB59.14 million was triggered by intensified regional market competition and declining disposal prices. Recoverable amount was based on value-in-use, which was determined using the discounted cash flow (DCF) method, with key inputs, namely revenue growth rates and pre-tax discount rates, derived from historical performance, management forecasts and observable market conditions. No material changes in methodology or assumptions occurred. The Board therefore considers the assessment appropriate.

Trade and other receivables (RMB49.52 million)

The trade receivables of the Company mainly represent amounts due from customers for the disposal of solid and hazardous waste. The impairment losses recognized in 2025 of RMB48.11 million were measured using a provision matrix supplemented by individual assessments. As this methodology is consistent with IFRS 9 and prior periods, the Board is satisfied that it is fair and reasonable.

Interest in associates (RMB33.76 million)

The impairment provision for interests in associates of RMB33.76 million relates specifically to Jiangsu Jiexia. The cement kiln upon which it relied was permanently shut down, resulting in a complete cessation of operations with no prospect of resumption and near-depleted cash flows. The Board considers the full provision fully justified.

(XI) MATERIAL INVESTMENTS

During the Reporting Period, the Group had no material investment, acquisitions, or disposals.

(XII) FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS ACQUISITION

During the Reporting Period, the Board did not approve any future plans for material investment or capital asset acquisition.

(XIII) MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(XIV) HUMAN RESOURCES

The Group will continue to explore a more optimized employment management model based on the strategic planning for future development and the actual needs of the operation and management, and innovate the employment methods by combining the actual situation of each project; meanwhile, under the existing salary and performance appraisal system of the Group, the appraisal indicators are continuously improved and refined to make them more suitable for the Group's operation and management, so that the performance appraisal can be more effective. In addition, the Group offers competitive remuneration packages and various enriching training programs to its employees, taking into account the salary level of the industry and the local economic development level of the area where the projects are located.

The Group is committed to building a diversified and regularized employee training system. During the Reporting Period, the Group carried out training programs to enhance employee capabilities in areas such as production processes, safety and environmental protection, and finance across various professional lines. The Group also continued to advance the application and evaluation of intermediate and senior technical qualifications in the engineering series, as well as national safety-related qualification training and certification. Additionally, the Group revised its employee re-education policy, strengthened the supporting mechanisms, and promoted the skills improvement of specialized talent and the broadening of talent perspectives. The Group further improved the evaluation system for cadre talent, establishing a ranking mechanism for evaluation and implementing dynamic adjustments to the "outstanding young cadre" pool to foster a positive competitive environment. This aims to build a more layered and specialized cadre and talent team, ensuring human resources support for the Group's high-quality development.

As at the end of the Reporting Period, the Group had 2,854 employees (2024: 3,288 employees). The remuneration of employees is determined by qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

During the Reporting Period, the total remuneration of employees (including the remuneration of the Directors) included in profit or loss was approximately RMB521.18 million (2024: approximately RMB466.51 million). The year-on-year increase was mainly due to the increase in projects that were transferred from construction in progress to fixed assets.

4. MANAGEMENT DISCUSSION AND ANALYSIS

(XV) FUTURE PLAN AND OUTLOOK

2026 marks the first year of the implementation of the national “15th Five-Year Plan” and a pivotal year for China to deepen its ecological civilization system reform and advance the prevention and control of pollution. With the solid implementation of the Action Plan for Comprehensive Treatment of Solid Waste and the continuous progression of the “dual carbon” goals, the environmental protection industry is accelerating its transformation towards resource utilization and standardized operations. The Group will seize these policy opportunities, focus on the development of our core environmental protection business, and leverage our advantages in industrial synergy and refined management to continuously consolidate our competitiveness. This will ensure a strong start and solid foundation for high-quality development during the “15th Five-Year Plan” period. To this end, we will focus on the following aspects of work:

Focusing on core business for upgrading and transformation led by planning and forward-looking layout

The Group will take “synergistic disposal, resource utilization, and low-carbon recycling” as the development direction, persistently driving progress through projects and technology. We will focus our efforts on achieving breakthroughs in the following aspects. First, the Group will stick to the development plan, concentrating on environmental protection industries including fly ash, sludge, alternative fuels, and medical waste, proactively seeking project opportunities, and coordinating regional efforts in regular market research and policy analysis. Second, the Group will seize policy opportunities, strengthen research in industries such as the resource utilization of construction waste, waste plastics, tires, tailings, and the comprehensive treatment of phosphogypsum, preparing technical reserves in advance to build momentum for the development of emerging industries. Third, the Group will fully capitalize on opportunities for industry consolidation, focusing on mature industries and actively seeking high-quality project mergers and acquisition opportunities.

Expanding volume and raising prices and optimizing operations to improve quality and efficiency

In terms of market expansion, the Group will: first, further subdivide market segment, give greater play to its role in regional coordination, and focus on increasing customer transfer volumes and contract fulfillment rates to maintain and enhance market share; second, actively engage in communication and exchanges with industry peers to foster a healthy industry ecosystem, spare no effort to stabilize and increase market prices, and enhance the Company’s economic efficiency; third, prioritize the development of bulk industrial solid waste businesses, including calcium fluoride, tailings slag, white mud and red mud, and capitalize on the favorable national approaching zero-waste landfill policy to vigorously expand the fly ash market. Additionally, the Group will deeply advance the layout of alternative fuel sources and expand the scale of raw material supply to broaden business and channels.

In operation and management, the Group will: first, strengthen benchmarking management, optimize production and operational cost control, and promote cost reduction and efficiency enhancement; second, deeply advance the integration of production management with cement manufacturers, enhance coordination management, and broaden the co-treatment capacity for solid and hazardous waste; third, formulate assistance plans and improvement strategies for underperforming units to boost production efficiency.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Upholding technology-driven and innovation empowerment to consolidating core competitiveness

The Group will intensify R&D in cutting-edge technologies, promoting the application of innovations such as light calcium carbonate and new sludge treatment agents, and accelerating the deployment of kiln dust washing projects. The Group will organize applied research projects addressing key operational challenges in fly ash, sludge, and oil sludge treatment, continuously refining technologies to reduce production costs. Furthermore, the Group will expedite our digital and intelligent transformation by steadily advancing information systems for non-kiln hazardous waste, such as oil sludge, leveraging digitalization to enhance production efficiency.

Deepening governance and stabilizing operations to prevent operating risks

First, the Group will strengthen the management and control of accounts receivable, promote the establishment of a customer credit rating system, rigorously track contract performance, and ensure stable and secure cash flow. Second, the Group will promote the optimization and upgrading of projects with subpar economic returns and deepen the integration and allocation of resources. Third, the Group will consolidate the foundation of safety and environmental management, thoroughly carry out hazard investigations, improve the standardized operation mechanism, and build a solid foundation for sustainable development.

5. CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the year.

(1) CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to the Listing Rules as the basis for the Company’s corporate governance practices.

During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

The Company continues to promote good investor relationship, and increase the communication with the Shareholders and potential investors, in order to facilitate the Shareholders conducting comments to the application of the CG Code of the Company. Please refer to “Communication with Shareholders and Investors” and “Shareholders’ Rights” for details.

(2) GOVERNANCE CULTURE

The Group is a large-scale environmental protection enterprise specializing in the field of energy conservation, integrating process development, design and innovation, production and operation, terminal disposal and after-sales services. The main businesses of the Group include industrial solid waste and general hazardous waste treatment, fly ash treatment, oil sludge treatment, and comprehensive resource utilization. The Group recognizes the importance of a healthy corporate culture in achieving its corporate vision and strategy. The Board’s responsibility is to foster a corporate culture with the following core principles and to ensure that the Group’s vision, values and business strategies are aligned with the corporate culture.

1. To abide by ethics, control risks and promote compliance. The Group has established a governance structure with “governance-management-execution” as its core, in order to gradually embed sustainability governance into the systematic and professional multidimensional management of business and operations. Meanwhile, we strengthen our own compliance management, and improve internal supervision and risk control, so as to create an integrity and corruption-free business environment.
2. We are committed to sustainability and are proactively fulfilling our environmental responsibilities. The Group has always adhered to the business concept of “lucid waters and lush mountains are invaluable assets”, actively responded to the national call for energy saving and emission reduction, and undertook the important task of promoting the concept of environmental protection and the improvement of ecological environment, and incorporated the work of climate change risk identification into the important part of corporate management.
3. We adhere to the cultural concepts of “unity, innovation, dedication and commitment”. We encourage our employees to pursue the craftsmanship of dedication, fineness, and meticulous care, and we believe that the spirit of unity, innovation, and dedication of Conch can inspire a sense of mission and a sense of belonging among our employees and is a source of motivation for the Group to keep moving forward.

5. CORPORATE GOVERNANCE REPORT

(3) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors.

Specific enquiry has been made to all the Directors and all Directors confirmed that they have complied with the Model Code during the Reporting Period.

(4) THE BOARD

The Board currently consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Detailed biographies of the current Directors are set out in the section headed “Biographies of Directors and Senior Management” of this report.

During the Reporting Period, the composition of the Board was as follows:

Name	Position	Date of appointment	Length of tenure	Current term of
			(note 1) (As of 31 December 2025)	appointment (note 2)
Mr. LI Qunfeng (resigned on 3 April 2026)	Non-executive Director and Chairman of the Board	9 October 2022	3 years	1 year
Mr. WANG Chunjian	Executive Director and General Manager	29 August 2024	1 year	1 year
Ms. LIAO Dan	Executive Director and Company Secretary	9 October 2022	3 years	2 years
Mr. FAN Zhan (resigned on 3 April 2026)	Executive Director	9 October 2022	3 years	3 years
Mr. LYU Wenbin (appointed on 24 March 2025)	Non-executive Director	24 March 2025	9 months	1 year
Mr. MA Wei	Non-executive Director	9 October 2022	3 years	2 years
Mr. DING Wenjiang	Independent non-executive Director	21 August 2023	2 years	2 years
Ms. WANG Jiafen	Independent non-executive Director	18 July 2022	3 years	1 year
Ms. LI Chen	Independent non-executive Director	27 March 2023	2 years	1 year
Mr. JIANG Dehong (resigned on 24 March 2025)	Non-executive Director	11 December 2023	N/A	N/A

Notes:

- (1) “Length of tenure” refers to the duration of a Director’s service calculated from the date of their initial appointment by the Board, encompassing their continuous service period as a director of the Company.
- (2) “Current term of appointment” refers to the Director’s existing term of appointment following their most recent re-election approved by the shareholders of the Company at a general meeting.

5. CORPORATE GOVERNANCE REPORT

There is no financial, business, family or other material or relevant relationship among all members of the Board.

Mr. LYU Wenbin, who was appointed as a non-executive Director on 24 March 2025, and Mr. ZHOU Xiaochuan and Mr. LIU Tiantian, who were appointed as an executive Director and a non-executive Director respectively on 3 April 2026, obtained the legal opinion referred to in Rule 3.09D of the Hong Kong Listing Rules on 21 March 2025 and 2 April 2026, respectively, and have confirmed that they understand their responsibilities as directors of a listed issuer.

Independence of Independent Non-executive Directors

During the Reporting Period, the Board which at all times meets the requirements under Rules 3.10 and 3.10A of the Listing Rules, that have at least three independent non-executive Directors (representing at least one-third of the Board), and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received annual letters of confirmation from all independent non-executive Directors in respect of their independence in accordance with various factors set out in Rule 3.13 of the Listing Rules. The Company concurs with their independence and is of the view that all independent non-executive Directors are independent. All independent non-executive Directors have duly performed their duties, protected Shareholders' interests independently and objectively, and provided checks and balances in the decision-making of the Board in accordance with requirements of relevant laws and regulations.

(5) FUNCTIONS AND OPERATION OF THE BOARD AND MANAGEMENT

The Board is responsible for the leadership, control and management of the Company. Its primary role is to provide strategic guidance for the Company and effectively supervise the administrative staff of the Company. Each Director shall perform their duties objectively and prudently in the interest of the Company and shall be accountable to Shareholders.

The Board reserves its right to make decisions on all major matters of the Company, including to approve and supervise the policies, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those which may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters, etc.

The Management is responsible for the daily management of the business operation of the Company, the implementation of strategies, plans and business targets of the Company, and the formulation of business plans and budgets and making recommendation on such issues to the Board.

All Directors have full and timely access to all relevant information as well as the advice and services from the company secretary, with a view to ensuring that the Board's procedures and all applicable rules and regulations are followed. Each Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

5. CORPORATE GOVERNANCE REPORT

(6) CONTINUOUS TRAINING AND DEVELOPMENT OF DIRECTORS

During the Reporting Period, the Directors confirmed that they have complied with the Rule 3.09F of the Listing Rules on Directors' training and they were consistently provided with the latest information regarding legal and regulatory developments as well as business and market environment for their performance of duties.

Each Director will receive formal, comprehensive and tailored induction on the occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's duties and responsibilities under the Listing Rules and relevant statutory requirements. On 30 July 2025, all Directors participated in an online training session organized by Jingtian & Gongcheng regarding directors' responsibilities for performance of duties. Ms. LIAO Dan, the executive Director and the company secretary of the Company, attended the "Demonstration Course on Training of Directors, Senior Management and Company Secretary and the 88th Seminar on Enhancement of Continuous Professional Development of Governance Professionals" organized by The Hong Kong Chartered Governance Institute on 17 to 19 December 2025 and circulated the relevant materials to Directors.

During the Reporting Period, a summary of training received by the Directors is as follows:

Name of Director	Attending courses/ seminars/ conferences	Reading books/ journals/articles
Mr. LI Qunfeng	✓	✓
Mr. WANG Chunjian	✓	✓
Ms. LIAO Dan	✓	✓
Mr. FAN Zhan	✓	✓
Mr. LYU Wenbin	✓	✓
Mr. MA Wei	✓	✓
Mr. DING Wenjiang	✓	✓
Ms. WANG Jiafen	✓	✓
Ms. LI Chen	✓	✓

5. CORPORATE GOVERNANCE REPORT

(7) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the Code Provision C.2.1 of CG Code, the duties and responsibilities of the Chairman to manage the Board should be clearly separated from those of the Chief Executive Officer to manage the business operation of the Company and should not be performed by the same individual.

During the Reporting Period, the Chairman of the Board and the Chief Executive Officer of the Company (i.e. general manager) are served by Mr. LI Qunfeng and Mr. WANG Chunjian respectively so as to ensure a clear division of the duties between them. The Chairman of the Board is mainly responsible for formulating the overall strategic development of the Group, leading the Board and ensuring the effectiveness of the Board when performing his duties as the Chairman of the Board. The Chief Executive Officer (i.e. general manager) is mainly responsible for the daily operations and management of the Company and the implementation of the Board's decisions, strategies, plans and business targets of the Company.

(8) APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures of appointment, re-election and removal of Directors are stipulated in the Articles of Association.

As of the date of this report, the Company has entered into service contracts with all executive Directors and all non-executive Directors for a term of three years. In addition, the Company has also entered into appointment letters with all independent non-executive Directors for a term of three years. Such appointments may be terminated by not less than three months' written notice from either party.

Pursuant to Articles 108(a) and (b) of the Articles of Association, notwithstanding any other provisions in these Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the quorum required) any Director who wishes to retire and not to offer himself for re-election.

Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

5. CORPORATE GOVERNANCE REPORT

In accordance with Article 112 of the Articles of Association. The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

Hence, pursuant to Articles 108(a) and (b) of the Articles of Association, Mr. DING Wenjiang, Mr. MA Wei and Ms. LIAO Dan will retire by rotation at 2026 annual general meeting of the Company and, being eligible, offer themselves for re-election. In accordance with Article 112 of the Articles of Association, Mr. ZHOU Xiaochuan (appointed as an executive Director by the Board on 3 April 2026) and Mr. LIU Tiantian (appointed as a non-executive Director by the Board on 3 April 2026) will hold office until 2026 AGM, they will retire by rotation and, being eligible, offer themselves for re-election.

(9) BOARD MEETING

Code Provision C.5.1 of the CG Code prescribes that regular Board meetings should be held at least four times a year and at least at quarterly intervals with active participation of majority of Directors, either in person or by electronic means of communication. The Company has adopted the practice of holding regular board meetings. The Company gives not less than 14 days' notice of all regularly scheduled Board meetings to give all Directors an opportunity to attend regular meetings and to place relevant matters on the agenda.

During the Reporting Period, the Board held 6 meetings to approve the final results for the year ended 31 December 2024 and interim results for the six months ended 30 June 2025 and other matters. The Board was of the view that each Director was given sufficient space to supervise the affairs of the Company at the meetings held during the year.

In 2026, the Company will continue to comply with Code Provision C.5.1 of the CG Code in holding at least one regular Board meeting for each quarter to discuss or approve matters in relation to, among other things, operating strategies, external expansion, financial planning.

5. CORPORATE GOVERNANCE REPORT

The attendance records of each Director at the Board meetings, the Board Committee meetings and general meetings of the Company during the Reporting Period are as follows:

Name of Director	Board	Audit Committee	Remuneration and Nomination Committee	Strategy, Sustainability and Risk Management Committee	Annual General Meeting	Extraordinary General Meeting
Mr. LI Qunfeng (resigned on 3 April 2026)	6/6	N/A	2/2	1/1	1/1	1/1
Mr. WANG Chunjian	6/6	N/A	N/A	1/1	1/1	1/1
Ms. LIAO Dan	6/6	N/A	N/A	N/A	1/1	1/1
Mr. FAN Zhan (resigned on 3 April 2026)	6/6	N/A	N/A	N/A	1/1	1/1
Mr. LYU Wenbin (appointed on 24 March 2025)	4/4	N/A	N/A	0/0	1/1	0/0
Mr. MA Wei	6/6	N/A	N/A	N/A	0/1	1/1
Mr. DING Wenjiang	6/6	3/3	2/2	1/1	0/1	1/1
Ms. WANG Jiafen	6/6	3/3	2/2	N/A	1/1	1/1
Ms. LI Chen	6/6	3/3	2/2	N/A	1/1	1/1
Mr. JIANG Dehong (resigned on 24 March 2025)	2/2	N/A	N/A	1/1	0/0	1/1

(10) COMMITTEES OF THE BOARD

The Board has established three committees, namely the Audit Committee, the Remuneration and Nomination Committee and the Strategy, Sustainability and Risk Management Committee, and formulated the relevant terms of references for overseeing particular aspects of affairs of the Company. All committees of the Board are established with defined written terms of reference. The terms of reference of each committee of the Board are posted on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.conchenviro.com) and are available to Shareholders.

1. Audit Committee

(1) Members

As at the date of this report, the Audit Committee currently consists of three independent non-executive Directors, and their positions are as follows:

Name	Position
Ms. WANG Jiafen (Independent non-executive Director)	Chairlady
Ms. LI Chen (Independent non-executive Director)	Member
Mr. DING Wenjiang (Independent non-executive Director)	Member

5. CORPORATE GOVERNANCE REPORT

None of the members of the Audit Committee is a former partner of the current external auditors of the Company.

The Terms of Reference of the Audit Committee of the Board clearly stipulates the duties and rules of the committee. In accordance with the Terms of Reference of the Audit Committee of the Board, the chairman of the committee shall be acted by an independent non-executive Director.

(2) Summary of Functions and Duties

The Terms of Reference of the Audit Committee of the Board stipulates that the primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor; to review the financial statements and information; to provide advice and oversight in respect of financial reporting; and to consider any significant or unusual matters and report to the Board for consideration. The Company held three meetings of the Audit Committee during the Reporting Period, the work done by the Audit Committee was set forth below:

- a. reviewed the audited consolidated annual results for the year ended 31 December 2024 and the interim results for the six months ended 30 June 2025 of the Group, and the related results announcements, reports and other matters or issues raised by external auditors;
- b. made recommendations to the Board on the change of external auditors;
- c. reviewed and reported to the Board on the Group's financial and accounting policies and practices; and
- d. reviewed and made recommendations to the Board on the continuing connected transactions of the Group.

5. CORPORATE GOVERNANCE REPORT

2. Remuneration and Nomination Committee

(1) Members

As at the date of this report, the Remuneration and Nomination Committee currently consists of one executive Director and three independent non-executive Directors, and their positions are as follows:

Name	Position
Mr. DING Wenjiang (Independent non-executive Director)	Chairman
Mr. ZHOU Xiaochuan (Executive Director) (appointed on 3 April 2026)	Member
Ms. WANG Jiafen (Independent non-executive Director)	Member
Ms. LI Chen (Independent non-executive Director)	Member
Mr. LI Qunfeng (Non-executive Director) (resigned on 3 April 2026)	Member

The Terms of Reference of the Remuneration and Nomination Committee of the Board clearly stipulates the duties and rules of the committee. In accordance with the Terms of Reference of the Remuneration and Nomination Committee of the Board, the chairman of the committee shall be acted by an independent non-executive Director.

(2) Summary of Functions and Duties

The primary functions of the Remuneration and Nomination Committee are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group; to make recommendation to the Board on the remuneration packages for each of the executive Directors and senior management; to review performance-based remuneration and ensure none of the Directors participate in deciding their own remuneration; to review the structure, size and composition (including the skills, knowledge and experiences) of the Board at least annually; to make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; to identify and select individuals suitably qualified as potential Board members or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the chairman/chief executive officer/general manager; and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

5. CORPORATE GOVERNANCE REPORT

The Company held two meetings of the Remuneration and Nomination Committee during the Reporting Period, the work done by the Remuneration and Nomination Committee was set forth below:

- a. reviewed and made recommendations to the Board on the remuneration policies and structure of the Directors and senior management of the Company;
- b. assessed and reported to the Board on performance of executive Directors;
- c. reviewed and evaluated the independence of the independent non-executive Directors, and reported to the Board;
- d. reviewed and made recommendations to the Board on the structure, size, and composition of the Board (including the skills, knowledge, and experience);
- e. reviewed and made recommendations to the Board on the board diversity policy, and implemented the measurable objectives for Board diversity;
- f. discussed and made recommendations to the Board on the resolutions on the re-election and appointment of Directors;
- g. discussed and made recommendations to the Board on remuneration to newly appointed Directors and their service contracts; and
- h. discussed and made recommendations to the Board on the renewal of certain Directors' service contracts.

At the meeting of the Remuneration and Nomination Committee held in March 2026, the Remuneration and Nomination Committee reviewed and assessed each Director's time commitment and contribution to the Board to ensure they can effectively fulfill their duties. The Remuneration and Nomination Committee confirmed that each Director is able to effectively perform their responsibilities and make contributions to the Board.

5. CORPORATE GOVERNANCE REPORT

(3) Director Nomination Policy

The Company has adopted a director nomination policy, which sets forth the procedures for nominating candidates for election as Directors, the procedures and criteria adopted by the Remuneration and Nomination Committee in selecting and recommending candidates for election as Directors and the subsequent procedures for considering and, approving nominations made by the Board and, if applicable, the Shareholders of the Company.

In evaluating and selecting a candidate for directorship of the Company, the Remuneration and Nomination Committee shall review the biographical information (or relevant details) provided by the nominated candidate and conduct the following procedures (based on the following criteria) to assess and evaluate whether the candidate is eligible for directorship of the Company:

1. qualifications, skills, knowledge, competence and experience and the time and attention that may be devoted to the performance of the duties of a Director under common law, legislation and applicable rules, regulations and guidelines; expertise and industry experience which may be relevant to the Company and the potential contributions that such candidate could bring to the Board;
2. candidate's personal ethics, integrity and reputation (including without limitation to conducting appropriate background checks and other verification processes against such candidate);
3. with reference to the board diversity policy of the Company, the existing structure, size and composition of the Board and corporate strategy;
4. board succession planning considerations and the long-term needs of the Company;
5. in case of a candidate for an independent non-executive Director, to assess whether the candidate meets the independence criteria under the Listing Rules and the guidelines and requirements relating to independent non-executive Directors set out in the "Guidance for Boards and Directors" published by the Stock Exchange; and
6. any other factors and matters as the Remuneration and Nomination Committee may consider appropriate.

During the Reporting Period, the Remuneration and Nomination Committee has made recommendations to the Board on the selection of Directors (including re-election and appointment) in accordance with the procedures of the director nomination policy and the selection and recommendation criteria of the Company. The Board has considered the recommendation of the Remuneration and Nomination Committee in making the decision on the appointment of a candidate for directorship.

5. CORPORATE GOVERNANCE REPORT

(4) Board Diversity Policy

The Company has adopted a board diversity policy.

As the Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, the Board adopted a board diversity policy, whereby setting forth principles adopted to realize the board diversity.

The Remuneration and Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. The Company's selection of director candidates will be subject to a series of standards regarding diversity, with reference to the Company's business model and specific needs, including but not limited to gender, race, language, age, cultural background, educational background, industry experience, professional experience, skills, knowledge and length of service. The final decision will be made based on the strengths of the candidates and such contributions they can make to the Board. The Company strives to maintain diversified opinions in every aspect in the Board, especially the opinions that are consistent with the strategy and objectives of the Company, and conduct regular assessment on the board diversity and progress in achieving the objective of diversity.

The Company has formulated the following measurable objectives for the board diversity policy:

- (a) at least 80% of Board members have college education background;
- (b) at least 80% of Board members have relevant working experiences in China;
- (c) at least one female Director is appointed; and
- (d) at least one third of the Board members are independent non-executive Directors.

The Board confirms that the above objectives had been achieved at the end of the Reporting Period. The Remuneration and Nomination Committee will regularly review the relevant policies and the measurable objectives to ensure the diversity of the Board.

The Company considers that the compositions of the current Board are consistent with the diversity principles under the board diversity policy, taking into account the skills, regions, genders, and other qualities of the existing Directors. The composition of the Board could accommodate the operation and development needs of the Company. In the future development of the Company, the Company will consider the aforesaid differences when considering changes to the composition and the portfolio of the Board. The appointment of a Board member is dependent on merit, and the diversity is also taken into consideration.

5. CORPORATE GOVERNANCE REPORT

To establish a potential pool of talents for the Board succession that can achieve gender diversity, the Company has adopted and regularly reviews the following measures:

- (a) regularly assess the diversity status of the Board to identify potential succession needs and gaps in diversity;
- (b) actively consider and include qualified candidates of different genders when identifying potential director candidates;
- (c) encourage and support potential diverse talents (including female talents) to participate in relevant professional development and training.

(5) Employee Gender Diversity

As at the end of the Reporting Period, the gender ratios of all employees (excluding senior management) and senior management of the Group are set out in the table below.

Category	Male	Female
All employees (excluding senior management)	84%	16%
Senior management	83%	17%

The Group has revised its employee diversity targets based on past actual conditions, lowering the target female ratio for all employees from 20% to not less than 15%, and setting the target female ratio for senior management at 15%. The Company considers that the Group's gender ratio is normal for a company in the solid waste and hazardous waste disposal industry. As industrial solid waste and hazardous waste disposal process involve transportation, sorting, testing etc., the strength of labour is required, therefore the number of male applicants is larger than female. Furthermore, the Group mainly considered his/her knowledge skills, education, working experience in considering the recruitment, but not the gender.

The Company has adopted an employee diversity policy. The Remuneration and Nomination Committee is responsible for the monitoring and evaluation of the employee diversity policy and reviews the implementation of the policy on an annual basis. Pursuant to the employee diversity policy, the Company will proactively take measures to actively promote the diversity composition of its employees, establish and improve training, job rotation and promotion mechanisms to provide fair career development opportunities for all employees; continuously optimise recruitment channels and processes, with a focus on gender diversity and balance, particularly in the recruitment of management and core professional positions.

5. CORPORATE GOVERNANCE REPORT

3. Strategy, Sustainability and Risk Management Committee

(1) Members

As of the date of this report, the Strategy, Sustainability and Risk Management Committee consists of two executive Directors, one non-executive Director and one independent non-executive Director, and their positions are as follows:

Name	Position
Mr. ZHOU Xiaochuan (appointed on 3 April 2026)	Chairman
Mr. WANG Chunjian (Executive Director)	Member
Mr. DING Wenjiang (Independent non-executive Director)	Member
Mr. LYU Wenbin (Non-executive Director) (appointed on 24 March 2025)	Member
Mr. LI Qunfeng (Non-executive Director) (resigned on 3 April 2026)	Chairman
Mr. JIANG Dehong (Non-executive Director) (resigned on 24 March 2025)	Member

The Terms of Reference of the Strategy, Sustainability and Risk Management Committee of the Board clearly stipulates the duties and rules of the committee.

(2) Summary of Functions and Duties

The Strategy, Sustainability and Risk Management Committee is mainly responsible for formulating the mid- and long-term planning of development strategies of the Group, considering and making recommendations on policies for the sustainable development, monitoring and reviewing the implementation of strategic development plans and policies related to sustainable development, overseeing and reviewing the risk management and internal control and management system, and assisting the Board in fulfilling its management and supervision responsibilities related to the sustainable development of the Group.

The Company held one meeting of the Strategy, Sustainability and Risk Management Committee during the Reporting Period. The work done by the Strategy, Sustainability and Risk Management Committee was set forth below:

- a. reviewed the Company's 2024 Environmental, Social and Governance Report; and
- b. reviewed the effectiveness of the risk management and internal control system and the internal audit function of the Group for the year 2024, including all material controls, in particular financial controls, operational controls, and compliance controls.

For details of the Strategy, Sustainability and Risk Management Committee reviewing the effectiveness of internal control and risk management of the Company for the year 2024, please refer to the "Risk Management and Internal Controls" section of the Corporate Governance Report of Annual Report 2024 of the Company.

5. CORPORATE GOVERNANCE REPORT

(11) CORPORATE GOVERNANCE FUNCTIONS

During the Reporting Period, the Board has performed the functions set out in Code Provision A.2.1 of the CG Code as follows: the Board shall develop and review the Company's policies and practices on corporate governance, review and monitor the training and continuous professional development of Directors and senior management, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, develop, review and monitor the compliance by the Directors and employees of the code of the Group's securities dealing conduct, and review the compliance of the Company with the CG Code and the disclosures in the corporate governance report.

(12) BOARD INDEPENDENCE

The Company has established the Board independence evaluation mechanism which has stipulated processes and procedures in order to ensure a strong independent element on and independent views and advice available to the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objective of the evaluation is the continuing improvement and development of the Board and its committee processes and procedures through Board independence evaluation, which provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

During the Reporting Period, all Directors have individually completed the Board independence evaluation by the way of questionnaire. The Board reviewed the implementation and efficiency of the Board independence evaluation mechanism, and the results all met the requirements.

(13) BOARD PERFORMANCE EVALUATION

During the Reporting Period, the Board has evaluated its own performance to ensure it continues to perform its duties effectively. All Directors have completed the Board performance evaluation by way of questionnaires. The evaluation covers various aspects, including the composition and professional expertise of the Board, communication with Board members, Board processes and effectiveness, as well as continuous development and training. The Board has reviewed the Board evaluation questionnaires and is satisfied with the results of the Board performance evaluation.

5. CORPORATE GOVERNANCE REPORT

(14) AUDITOR'S REMUNERATION

KPMG has retired as auditor of the Company upon the expiration of its current term of office at the conclusion of the 2025 annual general meeting of the Company held on 26 June 2025 (the "2025 AGM"). Ernst & Young has been appointed as the new auditor of the Company effective immediately following the retirement of KPMG at the conclusion of 2025 AGM.

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements for the year ended 31 December 2025 of the Group is set out in the section headed "Independent Auditor's Report" of this report.

The fee paid/payable to Ernst & Young, the auditor, by the Company for the year ended 31 December 2025 is set out below:

Services	Fee paid/payable (RMB'000)
Audit services — audit fee for 2025	1,680
Total	1,680

(15) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors recognize and acknowledge their responsibility for preparing the financial statements of the Company for each financial year. The financial statements have truly and fairly reflected the financial position of the Group and the Company and the results of operation and cash flows of the Group in the year. The Board had adopted appropriate accounting policies and ensured such accounting policies have been applied consistently in preparing the financial statements for the year ended 31 December 2025, made prudent, fair and reasonable judgments and estimates, and prepared the accounts on an ongoing concern basis. The Directors believe after making reasonable inquiries that the Group has sufficient fund to meet the constant operations in the foreseeable future, therefore the ongoing basis is appropriate for the preparation of the financial statements.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the section headed "Independent Auditor's Report" of this report.

5. CORPORATE GOVERNANCE REPORT

(16) RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is fully responsible for, and assesses the risk management and internal control systems of the Group so as to protect the investments of the Shareholders of the Company and the assets of the Group. The Board had complied with the code provisions regarding risk management and internal control systems as set out in the CG Code. The Board acknowledges its responsibility for the risk management and internal control systems of the Group and regularly reviews the effectiveness of such systems. The Board also acknowledges that the risk management and internal control systems are designed to manage risks related to achieving business objectives. The Board confirms that the Group's risk management and internal control systems are adequate and effective to achieve the purposes stated in Principle D.2 of the Corporate Governance Code.

The Company has set up an internal audit function and optimized its risk management and internal control structure, and continuously improving the scope, substance, methodology and procedure of work of the internal control structure. The Company has established the Audit Department as a permanent department for risk management and internal control, which identifies, evaluates and manages significant risks. The Audit Department organizes and implements the daily work of risk management, reviews the risk management and internal control system of the Company and its subsidiaries, and if any serious internal control deficiency is identified, it will report directly to the Strategy, Sustainability and Risk Management Committee and the Board and take appropriate measures and make timely improvements.

The Group has established a risk management framework and defined the risk management process. In accordance with the requirements and business characteristics of internal control, the Group also sets up internal management departments, with each functional department having clear segregation of duties, and responsibilities and liabilities. Among which, each of them has cooperative relationship and monitors for each other, establishing an internal control system with powers and responsibilities, which lays a solid foundation for the long-term effective development of the Group.

The Group deepens its effort to improve risk management and consistently positions internal control as a key pillar of the corporate governance system and a vital instrument for mitigating operational risks. We are committed to establishing an internal control framework characterized by clearly defined roles and responsibilities, orderly operations, and robust enforcement mechanisms. The Group establishes "three lines of defense" in risk prevention and control, which are business department, compliance and management department, and audit department, by comprehensively incorporating risk management into the Company's systems, work standard and business process, in order to ensure the effective operation of the risk control system.

During the Reporting Period, the Company conducted economic responsibility audits on the business activities of major subsidiaries, involving material sectors including sale management, procurement management, investment management, capital management and logistics management, and organized the annual self-appraisal on internal control for the major subsidiaries. No material internal control deficiency in financial reporting and non-financing reporting of the Company and subsidiaries has been identified.

5. CORPORATE GOVERNANCE REPORT

The Board continues to supervise the risk management and internal control systems of the Company, and reviews the effectiveness of the risk management and internal control systems of the Company and its subsidiaries at the end of the year annually. The Board has received the confirmation from the Management in respect of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and considered that such systems were effective and sufficient. The Board, through the Strategy, Sustainability and Risk Management Committee, has reviewed the effectiveness of the Group's risk management and internal control systems, including all significant controls, in particular financial controls, operational controls, compliance controls, and considering the resources, qualifications and experience of staff, and the adequacy of training received by staff in the Company's accounting, internal audit and financial reporting functions and in relation to environmental, social and governance performance and reporting of the issuer, in order to ensure the effectiveness of risk management and internal control systems and the identification and prevention of risks so as to provide reasonable assurance regarding the effective operation of the Group.

The Company has formulated the Measures for the Management of Complaints and Reports, which has regulated the responsible personnels for complaints and reports, the scope of complaints and reports, and the procedures for complaints and reports, including verification requirements for handling relevant matters, basic requirements for work, confidentiality measures, and protection of whistleblower, etc., and to urge the subordinate units to carry out operation and management in accordance with the law and regulations, to resolve relevant requests in a reasonable manner, and to truly play a supervisory role.

The Company has formulated the Regulations for the Administration of Information Disclosure, which provided relevant requirements on the processing and disclosure procedures of corporate information (including inside information), such as confidentiality measures for inside information and management of insiders, and will update the statistics of insiders from time to time and provide explanation to them on relevant rules in a timely manner, so as to monitor and handle the inside information effectively.

(17) COMPANY SECRETARIES

Ms. LIAO Dan was re-designated as the company secretary from the joint company secretary of the Company on 17 October 2025. Mr. Lee Leong Yin resigned as the joint company secretary of the Company on 17 October 2025.

Pursuant to Rule 8.17 of the Listing Rules, the Company shall appoint a company secretary who satisfies the requirements of Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that the Company shall appoint as its company secretary an individual who, in the opinion of the Stock Exchange, is capable of discharging the functions of company secretary by virtue of his/her academic or professional qualifications or relevant experience.

5. CORPORATE GOVERNANCE REPORT

On 15 October 2025, the Company received a confirmation from the Stock Exchange confirming that Ms. LIAO Dan, with the assistance of Mr. Lee Leong Yin, has attained the relevant experience and is capable of discharging the functions of company secretary under Rule 3.28 of the Listing Rules during the waiver period, such that no further waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules is required. Accordingly, Mr. Lee Leong Yin, the other joint company secretary of the Company, resigned as the joint company secretary of the Company.

For the year ended 31 December 2025, Ms. LIAO Dan had taken no less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

Detailed biography of Ms. LIAO Dan is set out in the section headed “Biographies of Directors and Senior Management” of this report.

(18) SHAREHOLDERS’ RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

The following procedures for Shareholders to convene an extraordinary general meeting of the Company are prepared in accordance with article 64 of the Articles of Association.

1. One or more Shareholders (“**Requisitionist(s)**”) 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 shall have the right, by written notice, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition.
2. Such requisition shall be made in writing to the Board or the company secretary at the following:

Address:	No. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, the People’s Republic of China
Email:	liaodan@conchenviro.com
Attention:	The Board of Directors/Company Secretary
3. The extraordinary general meeting shall be held within two months after the deposit of such requisition.
4. If the Directors fail to proceed to convene such meeting within twenty-one (21) days upon such deposit, 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 convening such meeting by the Directors shall be reimbursed to the Requisitionist(s) by the Company.

5. CORPORATE GOVERNANCE REPORT

Procedures for raising enquiries

1. Shareholders should direct their questions about their shareholdings, share transfer, share registration, and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Computershare Hong Kong Investor Services Limited

Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
 Email: hkinfo@computershare.com.hk
 Tel: (852) 28628555
 Fax: (852) 28650990/25296087

2. Shareholders may at any time make any enquiry to the Company at the following designated contacts, correspondence address, email address and enquiry hotlines of the Company:

Address: No. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, the People's Republic of China
 Email: liaodan@conchenviro.com
 Tel: (86) 553-8398216
 Attention: The Board of Directors/Company Secretary

3. Shareholders of the Company are encouraged to make enquires via the online enquiry form available on the Company's website at www.conchenviro.com.
4. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company at the appropriate time.

Procedures and contact details for putting forward proposals at Shareholders' meetings

1. To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("**Proposal**") with his/her/its detailed contact information at the Company's principal place of business in Hong Kong at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
2. The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and effective, the Board will include the Proposal in the agenda for the general meeting.

5. CORPORATE GOVERNANCE REPORT

3. The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the type of meeting as follows:
 - (1) Notice of not less than 21 clear days in writing shall be given if the Proposal requires an ordinary resolution or a special resolution at an annual general meeting of the Company;
 - (2) Notice of not less than 14 clear days in writing shall be given for all other general meetings (including extraordinary general meetings).

(19) CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there were no amendments to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Company (www.conchenviro.com) and the Stock Exchange (www.hkexnews.hk).

(20) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

During the Reporting Period, the Group maintained active engagement with Shareholders through multiple channels, including general meetings, on-site and telephone briefings, and results roadshows. These initiatives ensured that Shareholder concerns were duly heard. On 26 June 2025, the Company successfully convened its annual general meeting for 2025. Mr. LI Qunfeng, the then Chairman of the Board, Mr. WANG Chunjian, General Manager, and certain Directors attended the meeting. Representatives from Conch Cement and CV Group, as well as individual shareholders, were present. At the meeting, the Company's management engaged in in-depth discussions with attending Shareholders on key topics such as the development of innovative businesses, improvement of capacity utilisation rates, and market capitalisation management measures. The management carefully listened to and incorporated valuable suggestions from Shareholders regarding the Company's operational and strategic development. During the Reporting Period, the Group hosted approximately 20 research visits from domestic and international securities firms and investors, including Dinghong Capital, CMBC Capital, Southern Asset Management, RAYS Capital and Industrial Securities. Furthermore, the Company organised results roadshows in Hong Kong for the year 2024 and the interim period of 2025 in March 2025 and August 2025, respectively. To systematically address key concerns raised by the capital market, the Group regularly updates its investor Q&A memorandum, ensuring that outcomes from Shareholder engagements are effectively implemented.

The Company has adopted a shareholders' communication policy with the objective of ensuring that the Shareholders will have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. Information will be communicated to the Shareholders mainly through the Company's website, email, financial reports, annual general meetings and other extraordinary general meetings that may be convened as well as disclosures submitted to the Stock Exchange.

5. CORPORATE GOVERNANCE REPORT

The Company recognizes its transparent and timely disclosure of corporate information, which enables Shareholders and investors to make investment decisions in their best interests. The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

To seek and understand the opinions of Shareholders and stakeholders, the Company maintains a website at www.conchenviro.com as a communication platform with Shareholders and investors, where the financial information and other relevant information of the Company are available for public access. Shareholders and investors may send written enquiries or requests to the Company through the following channels:

Domestic Office and Correspondence Address:

No. 39 Wenhua Road, Jinghu District, Wuhu City, Anhui Province, the People's Republic of China

The Principal Place of Business in Hong Kong:

Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
Email: hlhb@conchenviro.com

In order to be valid, Shareholder(s) shall deposit and send the duly signed original written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification. Information of Shareholders may be disclosed as required by law.

The Company has reviewed its Shareholder communication policy during the Reporting Period and is of the opinion that it is effectively implemented, primarily based on:

1. annual and interim reports, announcements and circulars are published in a timely manner as required by the Listing Rules;
2. publishing press releases and presentation materials on the Company's website to facilitate the understanding of Shareholders and investors of the latest developments of the Group;
3. the Company actively maintained communication with the capital market during the Reporting Period by regularly holding investor relations activities, including annual general meeting, roadshows, one-on-one or group meetings with investors/analysts, etc.

6. REPORT OF THE DIRECTORS

Directors hereby present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

(1) GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 2 March 2020 as an exempted company with limited liability and the Shares of the Company were listed on the Main Board of the Stock Exchange on 30 March 2022.

(2) PRINCIPAL ACTIVITIES

The Group is a large-scale energy conservation and environmental protection enterprise specializing in the field of energy conservation and environmental protection integrating scientific research and development, design, production, sales and after-sales services. The Group pioneered the use of cement kiln waste treatment services to facilitate the safe, harmless and efficient treatment of industrial solid and hazardous waste.

The Group's principal businesses also include fly ash treatment, oil sludge treatment, sludge treatment, alternative fuels and comprehensive resource utilization. The Group is committed to the research and development of emerging technologies, in a bid to meet the ever-changing industry and customer needs.

(3) RELATIONS WITH THE SUBSTANTIAL STAKEHOLDERS

The Group fully understands that staff, customers and suppliers are key to the sustainability and stability of the Group's development. The Group is committed to working closely with the staff, cooperating with the suppliers and providing the customers with products and services of high quality, so as to achieve a sustainable corporate development.

The Group's customers are primarily industrial companies that are in need of treating industrial solid and hazardous waste. In order to maintain customer relationship, the Group has established regional management teams responsible for the overall market development. Meanwhile, we also engage third parties for marketing our industrial solid and hazardous waste treatment services, supplementary to our in-house team.

The Group attaches great importance to the feelings and development of its employees and provides them with competitive remuneration and welfare packages and sound and adequate vocational skills training system and career development planning. The Group continuously strengthens talents team building through a series of measures such as opening up external introduction channels, improving internal selection mechanisms, and perfecting training and exchange systems.

The Group's suppliers primarily consist of engineering equipment providers, construction service providers and cement company suppliers. The Group hopes to establish common cooperation values with suppliers, and is committed to building a responsible supply chain to achieve long-term cooperation and responsible cooperation.

6. REPORT OF THE DIRECTORS

(4) RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 96 of this report.

(5) BUSINESS REVIEW

A review of the business of the Group, an analysis of the Group's performance using key financial performance indicators and a discussion on the Group's future business development are set out in the section headed "Management Discussion and Analysis" of this report.

The relationships with substantial stakeholders, description of major risk and uncertainties facing the Group, compliance with laws and regulations, the Group's environmental policies and performance and significant events after the Reporting Period are set out in the section headed "Report of Directors" of this report. These information forms part of the Report of the Directors.

(6) RESERVES AND DIVIDEND

Details of other changes in reserves are set out in note 25 to the financial statements and the consolidated statement of changes in equity on page 99 of this report.

On 16 March 2022, the Board adopted a dividend policy which sets out the principles and guidelines of the Group. The Company intends to declare and pay the dividend to its Shareholders on an annual basis. The declaration, payment and amount of dividends shall be determined at the absolute sole discretion of the Board subject to the Company's financial results, cash flow position, business condition and strategy, future operation and income, capital need and expenditure plan, interest of the Shareholders, any restriction on dividend payment and any other factors deemed relevant by the Board. The Board may recommend and/or declare interim dividend, annual special dividend and any net profit distribution deemed fit by the Board for or during the financial year. The Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by the Board.

As at 31 December 2025, the Company's reserves available for distribution to its Shareholders amounted to approximately RMB1,172.08 million. The Board did not recommend the payment of the final dividend for the year ended 31 December 2025.

(7) ANNUAL GENERAL MEETING

The Company will arrange for the convening of the forthcoming annual general meeting ("**2026 AGM**") as soon as practicable, and the notice convening the 2026 AGM will be published and despatched to shareholders of the Company who have already provided instructions indicating their preference to receive hard copies in due course. The closure of register of members will be announced by the Company in the notice of the 2026 AGM to be published or in a further announcement.

6. REPORT OF THE DIRECTORS

(8) PROPERTY, PLANT AND EQUIPMENT

As at the end of the Reporting Period, the property, plant and equipment of the Group amounted to approximately RMB7,233.78 million. Details of the changes in property, plant and equipment of the Group during the Reporting Period are set out in note 10 to the financial statements. As disclosed on pages 179 to 186 of the Listing Document of the Company, as of the latest practicable date (i.e. 13 March 2022), we had not obtained the land use right certificates for the land occupied by eight properties with a total gross floor area of 39,133.8 square meters (the “**Relevant Lands**”). Details of the Relevant Lands, including but not limited to the use, reasons for non-compliance, rectification status and expected time to obtain the real property ownership certificates, are disclosed in the table on pages 179 to 182 of the Listing Document.

- (1) Progress of Property No. 1: The supplier of the Cement Company has granted the Group the pre-emptive right of the relevant land use rights. Currently, the Cement Supplier is in the process of applying for the land use right certificates for all the land in its plant. Upon obtaining the relevant land use rights, the land use right certificates will be transferred to the Group. The Group expects that the expected time to obtain the land use right certificates for Property No. 1 among the Relevant Lands will be further adjusted from December 2026 to December 2027 or before.
- (2) Progress of Property No. 2 : The Group obtained the land use right certificate for Property No. 2 among the Relevant Lands on 23 March 2022, which has a gross site area of 27,229 sq.m., for a term commencing from 7 June 2022 to 7 June 2072. The Group also obtained the real property ownership certificate of the property on 9 October 2023, which has a gross floor area of 8,659.74 sq.m..
- (3) Progress of Property No. 3: In view of the delay in the completion of consideration and approval procedure of change in the land use right for the competent governmental authority, the Group expects that the expected time to obtain the land use right certificates for Property No. 3 among the Relevant Lands will be further adjusted from December 2025 to December 2027 or before.
- (4) Progress of Property No. 4: The Group obtained the land use right certificate for Property No. 4 among the Relevant Lands on 23 June 2025, whose gross site area was 5,994.73 sq.m. for a term commencing from 23 June 2025 to 20 June 2057. In view of the delay in the completion of consideration and approval procedure of change in the land use right for the competent governmental authority, the Group is preparing the necessary documents for the application of the ownership certificate for the Property. The Group expects that the expected time to obtain the land use right certificates for Property will be further adjusted from June 2026 to December 2027 or before.

6. REPORT OF THE DIRECTORS

- (5) Progress of Property No. 5: The Group obtained the land use right certificate for Property No. 5 among the Relevant Lands on 19 September 2022, whose gross site area was adjusted from 27,240 sq.m. to 123,969 sq.m. due to the expansion and new construction of the project, for a term commencing from 19 September 2022 to 25 November 2071 with an estimated gross floor area of 60,293 sq.m.. In view of the expansion and new construction of the project, and additional time required for the local government to complete the internal administrative process, the Group expects that the expected time to obtain the real property ownership certificate of the property will be further adjusted from December 2025 to December 2027 or before.
- (6) Progress of Property No. 6 and Property No. 7: As the suppliers of the cement company are in the process of fulfilling the commercial decision-making procedures regarding the transfer of the relevant land use rights, the Group expects that the expected time to obtain the land use right certificates for Property No. 6 and No. 7 among the Relevant Lands will be further adjusted from December 2025 to December 2027 or before.
- (7) Progress of Property No. 8: The Group obtained the land use right certificate for Property No. 8 among the Relevant Lands on 24 June 2022, which has a gross site area of 10,636.19 sq.m., for a term commencing from 17 January 2011 to 16 January 2061 with an estimated gross floor area of 3,456 sq.m.. In view of the delay in the completion of project completion examination, the Group expects that the expected time to obtain the real property ownership certificate of the property will be further adjusted from December 2025 to December 2027 or before.

The Company will take proactive actions to obtain land use right certificates and real property ownership certificates of the Relevant Lands.

(9) SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of the major subsidiaries and associated companies of the Company are set out in notes 13 and 14 to the financial statements.

(10) SHARE CAPITAL

Details of the Company's capital structure are set out in note 25 to the financial statements. As at the end of the Reporting Period, the Company had a total of 1,826,765,059 Shares in issue.

6. REPORT OF THE DIRECTORS

(11) DISCLOSURE OF INTERESTS

1. Substantial Shareholders' Interests or Short Positions

At the end of Reporting Period, as far as the Directors were aware, the interests or short positions of the persons other than the Directors and chief executive of the Company in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of part XV of the SFO as recorded in the register of substantial Shareholders required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
Conch Venture	Beneficial owner	13,900,000	Long positions	0.76%
	Interest of controlled corporation (note 1)	481,395,879	Long positions	26.35%
Subtotal		495,295,879		27.11%
China Conch Venture Holdings International Limited	Interest of controlled corporation (note 1)	481,395,879	Long positions	26.35%
Wuhu Conch Venture Property Co., Ltd.	Interest of controlled corporation (note 1)	481,395,879	Long positions	26.35%
Conch Holdings	Interest of controlled corporation (note 1)	481,395,879	Long positions	26.35%
Conch Cement	Beneficial owner	101,389,500	Long positions	5.55%
	Interest of controlled corporation (note 2)	286,134,000	Long positions	15.66%
	Interests held jointly with another person (note 3)	93,872,379	Long positions	5.14%
Subtotal		481,395,879		26.35%
Conch International Holdings (HK) limited	Beneficial owner	286,134,000	Long positions	15.66%
SA Conch	Interest of controlled corporation (note 4)	109,178,000	Long positions	5.98%
CV Group	Interest of controlled corporation (note 5)	109,178,000	Long positions	5.98%
QI Shengli (note 9)	Beneficial owner	9,412,500	Long positions	0.52%
	Interests held jointly with another person (note 3)	471,983,379	Long positions	25.84%
Subtotal		481,395,879		26.35%

6. REPORT OF THE DIRECTORS

Name of Shareholders	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
GUO Dan	Interest of controlled corporation (note 6)	32,725,000	Long positions	1.79%
	Interests held jointly with another person (note 3)	448,670,879	Long positions	24.56%
	Subtotal	481,395,879		26.35%
YAN Zi	Interest of controlled corporation (note 7)	35,033,752	Long positions	1.92%
	Interests held jointly with another person (note 3)	446,362,127	Long positions	24.43%
	Subtotal	481,395,879		26.35%
JI Xian	Interest of controlled corporation (note 8)	10,080,000	Long positions	0.55%
	Interests held jointly with another person (note 3)	471,315,879	Long positions	25.80%
	Subtotal	481,395,879		26.35%
WANG Jingqian	Beneficial owner	1,930,000	Long positions	0.11%
	Interests held jointly with another person (note 3)	479,465,879	Long positions	26.25%
	Subtotal	481,395,879		26.35%

Notes:

- (1) Among the above Shares, (i) 195,261,879 Shares are owned by Conch Cement and its Parties Acting in Concert; and (ii) 286,134,000 Shares are owned by Conch International Holdings (HK) Limited which is wholly-owned by Conch Cement. Conch Holdings is the holding company of Conch Cement. As 49% of the issued share capital of Conch Holdings is held by Wuhu Conch Venture Property Co., Ltd., Wuhu Conch Venture Property Co., Ltd. is wholly owned by China Conch Venture Holdings International Limited, and China Conch Venture Holdings International Limited is ultimately wholly owned by Conch Venture. By virtue of SFO, Conch Holdings, Wuhu Conch Venture Property Co., Ltd., China Conch Venture Holdings International Limited and Conch Venture are respectively deemed to be interested in the Shares in which Conch Cement and its Parties Acting in Concert and Conch International Holdings (HK) Limited are interested.
- (2) 286,134,000 Shares are held by Conch International Holdings (HK) Limited, which is a wholly owned subsidiary of Conch Cement. Accordingly, by virtue of SFO, Conch Cement is deemed to be interested in the Shares in which Conch International Holdings (HK) Limited is interested.

6. REPORT OF THE DIRECTORS

- (3) By virtue of SFO, Conch Cement and its Parties Acting in Concert are respectively deemed to be interested in the Shares in which Conch Cement and its Parties Acting in Concert are interested, namely (i) 387,523,500 Shares held by Conch Cement and its wholly owned subsidiary Conch International Holdings (HK) Limited, (ii) 9,412,500 Shares held by QI Shengli, (iii) 2,050,000 Shares held by LI Qunfeng, (iv) 100,000 Shares held by WANG Chunjian, (v) 32,725,000 Shares held by GUO Dan, (vi) 35,033,752 Shares held by YAN Zi, (vii) 10,080,000 Shares held by JI Xian, (viii) 2,541,127 Shares held by MA Wei and (ix) 1,930,000 Shares held by WANG Jingqian.
- (4) Among the above Shares, 98,039,000 Shares, 5,943,000 Shares and 5,196,000 Shares are owned respectively by (i) Conch Venture Holdings (Zhuhai) Co., Ltd.* (海螺創投控股(珠海)有限公司) (“**CV Holdings (Zhuhai)**”), (ii) Anhui Conch Venture Medical Investment Management Co., Ltd.* (安徽海螺創業醫療投資管理有限責任公司) (“**CV Medical**”), and (iii) Conch Venture International Limited* (海螺創業國際有限公司) (“**CVI**”), all of which are wholly owned by CV Group. CV Group is deemed to be interested in the Shares in which CV Holdings (Zhuhai), CV Medical and CVI are interested by virtue of the SFO. As 82.93% of CV Group’s registered capital is held by SA Conch, SA Conch is deemed to be interested in the Shares in which CV Group is interested by virtue of the SFO.
- (5) Among these Shares, 98,039,000 Shares, 5,943,000 Shares and 5,196,000 Shares are owned by CV Holdings (Zhuhai), CV Medical and CVI, respectively. CV Group is deemed to be interested in the Shares in which CV Holdings (Zhuhai), CV Medical and CVI are interested by virtue of the SFO.
- (6) These Shares are owned by Dazzling Star Investments Limited. Dazzling Star Investments Limited is wholly owned by Guo Dan. Guo Dan is deemed to be interested in the Shares held by Dazzling Star Investments Limited by virtue of the SFO.
- (7) These Shares are owned by Fortune Gold Limited. Fortune Gold Limited is wholly-owned by YAN Zi. YAN Zi is deemed to be interested in the Shares held by Fortune Gold Limited by virtue of the SFO.
- (8) These Shares are owned by Golden Convergence Limited. Golden Convergence Limited is wholly owned by JI Xian. JI Xian is deemed to be interested in the Shares held by Golden Convergence Limited by virtue of the SFO.
- (9) On 29 January 2026, Mr. QI Shengli ceased to be a party acting in concert with Conch Cement due to statutory retirement. Consequently, the Shares of Conch Environment held by him were deemed as a corresponding decrease in the interests in the Shares of Conch Environment held by Conch Cement and the relevant parties acting in concert.

According to section 336 of the SFO, substantial shareholders are required to file disclosure of interest forms when certain criteria are fulfilled. When the shareholdings of the substantial shareholders in the Company change, it is not necessary for the substantial shareholders to notify the Company and/or the Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the substantial shareholders in the Company may be different from the shareholdings filed with the Stock Exchange.

Save as disclosed above and in the section headed “Directors’ and Chief Executive’s Interests and Short Positions” below, at the end of Reporting Period, the Directors were not aware of any other persons, other than Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register of substantial shareholders required to be kept by the Company pursuant to section 336 of the SFO.

6. REPORT OF THE DIRECTORS

2. Directors' and Chief Executive's Interests and Short Positions

At the end of Reporting Period, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

The Company

Name of Director	Nature of interests	Number of Shares	Long/Short Positions	Approximate percentage of shareholdings
Mr. LI Qunfeng (Note 1)	Beneficial owner	2,050,000	Long positions	0.11%
	Interests held jointly with another person	479,345,879	Long positions	26.24%
	Subtotal	481,395,879		26.35%
Mr. WANG Chunjian (Note 1)	Beneficial owner	100,000	Long positions	0.01%
	Interests held jointly with another person	481,295,879	Long positions	26.35%
	Subtotal	481,395,879		26.35%
Mr. MA Wei (Note 1)	Beneficial owner	2,541,127	Long positions	0.14%
	Interests held jointly with another person	478,854,752	Long positions	26.21%
	Subtotal	481,395,879		26.35%
Ms. LIAO Dan (Note 2)	Interest of spouse	481,395,879	Long positions	26.35%

Notes:

- Mr. LI Qunfeng, Mr. WANG Chunjian and Mr. MA Wei are Parties Acting in Concert. Accordingly, Mr. LI Qunfeng, Mr. WANG Chunjian and Mr. MA Wei are deemed to be interested in (i) 387,523,500 Shares held by Conch Cement and its wholly owned subsidiary Conch International Holdings (HK) Limited, (ii) 9,412,500 Shares held by Qi Shengli, (iii) 2,050,000 Shares held by LI Qunfeng, (iv) 100,000 Shares held by WANG Chunjian, (v) 32,725,000 Shares held by GUO Dan, (vi) 35,033,752 Shares held by YAN Zi, (vii) 10,080,000 Shares held by JI Xian, (viii) 2,541,127 Shares held by MA Wei and (ix) 1,930,000 Shares held by WANG Jingqian.

6. REPORT OF THE DIRECTORS

2. Ms. LIAO Dan is deemed to be interested in the Shares held by Mr. WANG Jingqian, the spouse of Ms. LIAO Dan and one of the Parties Acting in Concert. Accordingly, Mr. WANG Jingqian is deemed to be interested in (i) 387,523,500 Shares held by Conch Cement and its wholly owned subsidiary Conch International Holdings (HK) Limited, (ii) 9,412,500 Shares held by QI Shengli, (iii) 2,050,000 Shares held by LI Qunfeng, (iv) 100,000 Shares held by WANG Chunjian, (v) 32,725,000 Shares held by GUO Dan, (vi) 35,033,752 Shares held by YAN Zi, (vii) 10,080,000 Shares held by JI Xian, (viii) 2,541,127 Shares held by MA Wei and (ix) 1,930,000 Shares held by WANG Jingqian.

Save as disclosed above, at the end of Reporting Period, none of the Directors and chief executive of the Company had interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 they have taken, or are deemed to have taken, under such provisions of the SFO), or recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code.

(12) MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the sales to the largest customer of the Group and the sales to the five largest customers of the Group in aggregate accounted for 7.64% and 15.06% of the total sales of the Group respectively.

During the Reporting Period, the procurement from the largest supplier of the Group and the procurement from the five largest suppliers of the Group in aggregate accounted for 10.51% and 18.44% of the total procurement of the Group respectively.

(13) PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)).

As at the end of the Reporting Period, the Company did not hold any treasury shares (including any treasury shares held or deposited with CCASS (as defined in the Listing Rules)).

(14) MINIMUM PUBLIC FLOAT

As at the Latest Practicable Date, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed percentage of public float as required under the Listing Rules.

6. REPORT OF THE DIRECTORS

(15) EMPLOYEES AND REMUNERATION POLICIES

As at the end of the Reporting Period, the Group had 2,854 employees. As of the end of Reporting Period, 915 employees had bachelor's degrees or above, accounting for 32% of the total number of employees.

The remuneration of employees of the Group is determined by qualifications, experience, work performance and market conditions. As required by the PRC regulations on social insurance, the Group participated in the social insurance schemes operated by local government authorities which include pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. During the Reporting Period, the total remuneration of employees (including the remuneration of the Directors) included in profit or loss was approximately RMB521.18 million (2024: approximately RMB466.51 million).

(16) DIRECTORS (FOR THIS FINANCIAL YEAR AND UP TO THE REPORTING DATE)

Name	Position	Date of appointment
Mr. ZHOU Xiaochuan	Executive Director and Chairman	Appointed on 3 April 2026
Mr. WANG Chunjian	Executive Director and General Manager	Appointed on 29 August 2024
Ms. LIAO Dan	Executive Director and Company Secretary	Appointed on 9 October 2022
Mr. LIU Tiantian	Non-executive Director	Appointed on 3 April 2026
Mr. LYU Wenbin	Non-executive Director	Appointed on 24 March 2025
Mr. MA Wei	Non-executive Director	Appointed on 9 October 2022
Mr. DING Wenjiang	Independent Non-executive Director	Appointed on 21 August 2023
Ms. WANG Jiafen	Independent Non-executive Director	Appointed on 18 July 2022
Ms. LI Chen	Independent Non-executive Director	Appointed on 27 March 2023
Mr. LI Qunfeng	Non-executive Director and Chairman	Appointed on 9 October 2022 and resigned on 3 April 2026
Mr. FAN Zhan	Executive Director	Appointed on 9 October 2022 and resigned on 3 April 2026
Mr. JIANG Dehong	Non-executive Director	Appointed on 11 December 2023 and resigned on 24 March 2025

Pursuant to articles 108(a) and (b) of the Articles of Association, Mr. DING Wenjiang, Mr. MA Wei and Ms. LIAO Dan will retire from office by rotation and, being eligible, offer themselves for re-election at the 2026 AGM. In accordance with Article 112 of the Articles of Association, Mr. ZHOU Xiaochuan (appointed as an executive Director by the Board on 3 April 2026) and Mr. LIU Tiantian (appointed as a non-executive Director by the Board on 3 April 2026) will hold office until 2026 AGM, they will retire by rotation and, being eligible, offer themselves for re-election.

None of the Directors had entered into any service contract with the Company or any of its subsidiaries which was not terminable within one year without payment of compensation (other than statutory compensation).

6. REPORT OF THE DIRECTORS

(17) DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the director service contract and this report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Reporting Period.

(18) INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in this report and their respective interests in the Group, none of the Directors nor their respective close associates had any interests in any business which compete or is likely to compete with the business of the Group during the Reporting Period.

(19) DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

The remunerations of Directors are determined by the Board based on the recommendation of the Remuneration and Nomination Committee with reference to the salaries paid by comparable companies, their time commitment and responsibilities and the performance of the Group. The Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are reasonably and necessarily incurred for providing services to the Company or performing their duties in relation to the operation of the Company. Pursuant to the service contracts, Mr. FAN Zhan (resigned on 3 April 2026), the executive Director, Mr. LI Qunfeng (resigned on 3 April 2026), Mr. LYU Wenbin and Mr. MA Wei, the non-executive Directors, do not receive remuneration from the Group during the Reporting Period. The Company regularly reviews and determines the remuneration packages of the Directors and senior management.

Details of the Directors' remuneration and the five highest paid individuals of the Company during the Reporting Period are set out in notes 7 and 8 to the financial statements.

During the Reporting Period, individual remuneration of the senior management of the Company (excluding those senior management personnel who also serve as Directors) was within the following bands:

Bands (RMB)	Number of individuals
0–1,000,000	2
1,000,001–2,000,000	2

6. REPORT OF THE DIRECTORS

(20) THE BOARD AND BOARD COMMITTEES

As at the date of this report, the Board of the Company comprised nine Directors. The biographies of the Directors are set out in the section headed “Biographies of Directors and Senior Management” of this report.

The Board of the Company has three committees, namely the Audit Committee, the Remuneration and Nomination Committee and the Strategy, Sustainability and Risk Management Committee. Details of the committees are set out in the section headed “Corporate Governance Report” of this report.

(21) CHANGES IN DIRECTORS AND DIRECTORS’ INFORMATION

During the Reporting Period, details of changes in Directors and Directors’ information of the Company were as follows:

1. Ms. LI Chen has been appointed as the independent director of Tianshan Material with effect from 11 February 2025;
2. Mr. JIANG Dehong has resigned as the non-executive Director and a member of the Strategy, Sustainability and Risk Management Committee of the Company with effect from 24 March 2025;
3. Mr. LYU Wenbin has been appointed as the non-executive Director and a member of the Strategy, Sustainability and Risk Management Committee of the Company with effect from 24 March 2025 and the non-executive director of Conch Venture with effect from 27 March 2025, and has resigned as an employee representative supervisor of Tianshan Material with effect from 14 July 2025;
4. Mr. FAN Zhan has resigned as the non-executive director of West Cement with effect from 27 May 2025 and has been appointed as the employee director of Conch Cement with effect from 29 May 2025;
5. Mr. LI Qunfeng has resigned as the general manager of Conch Cement with effect from 11 August 2025 and has been appointed as the deputy general manager of Conch Holdings;
6. Ms. LIAO Dan was re-designated as the company secretary from the joint company secretary of the Company on 17 October 2025;
7. Mr. WANG Chunjian obtained the senior engineer qualification (Building Materials) on 25 December 2025.

6. REPORT OF THE DIRECTORS

Subsequent to the Reporting Period and up to the date of this report, details of the changes in Directors and Directors' information of the Company were as follows:

1. Mr. LI Qunfeng has resigned as the Chairman of the Board, a non-executive Director, the chairman of the Strategy, Sustainability and Risk Management Committee and a member of the Remuneration and Nomination Committee with effect from 3 April 2026;
2. Mr. ZHOU Xiaochuan has been appointed as the Chairman of the Board, an executive Director, the chairman of the Strategy, Sustainability and Risk Management Committee and a member of the Remuneration and Nomination Committee with effect from 3 April 2026;
3. Mr. FAN Zhan has resigned as an executive Director with effect from 3 April 2026;
4. Mr. LIU Tiantian has been appointed as a non-executive Director with effect from 3 April 2026;
5. The authorized representative and process agent of the Company has changed from Mr. LI Qunfeng and Mr. WANG Chunjian to Mr. ZHOU Xiaochuan and Ms. LIAO Dan with effect from 3 April 2026.

Save as disclosed above, no changes in Directors and Directors' information are subject to disclosure under Rule 13.51B(1) of the Listing Rules.

(22) MANAGEMENT CONTRACT

During the Reporting Period, the Company had not entered into any contract with any individual, company or corporation for management and administration of the whole or any substantial part of the business of the Company.

(23) CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in the section headed "Connected Transactions" below, during the Reporting Period, (i) there were no contracts of significance between the Group and a controlling shareholder or any of its subsidiaries; and (ii) there were no contracts of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries.

6. REPORT OF THE DIRECTORS

(24) CONNECTED TRANSACTIONS

During the Reporting Period, details of the Group's connected transactions and continuing connected transactions are set out below:

1. Connected Persons

As of the end of the Reporting Period, CNBM held 50% equity interest in Conch CNBM HK, a subsidiary of the Company, and therefore is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder at the listed issuers' subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules.

As of the end of the Reporting Period, Conch Cement is the controlling shareholder of the Company which holds and controls approximately 27% of the voting rights attached to all issued shares of the Company together with its subsidiaries and its Parties Acting in Concert. Accordingly, Conch Cement is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder of the listed issuers pursuant to Rule 14A.07(1) of the Listing Rules. Conch IT Engineering is a wholly owned subsidiary of Conch Cement and Conch Design Institute is a wholly owned subsidiary of Conch Holdings, the holding company of Conch Cement. Accordingly, Conch Design Institute and Conch IT Engineering are the associates of Conch Cement and the connected persons of the Company.

2. Non-exempt Continuing Connected Transactions

(1) Continuing connected transactions with CNBM Group

On 16 March 2022, Haizhong Environmental (for itself and on behalf of its subsidiaries) entered into a cement kiln co-treatment framework agreement ("**Cement Kiln Co-Treatment Framework Agreement**") with CNBM (for itself and on behalf of other members of CNBM Group). Taking into account that the Cement Kiln Co-Treatment Framework Agreement expired on 31 December 2024, Haizhong Environmental (for itself and on behalf of its subsidiaries) entered into the 2025 Renewed Framework Agreement ("**2025 Renewed Co-Treatment Framework Agreement**") with CNBM (on behalf of the CNBM Group) on 24 February 2025 to renew the Cement Kiln Co-Treatment Framework Agreement for a term of three years from 1 January 2025 to 31 December 2027, pursuant to which, CNBM Group agreed to provide comprehensive cement kiln co-treatment services and related supporting services to Haizhong Environmental for certain industrial waste treatment projects. The comprehensive cement kiln co-treatment services and supporting services primarily include providing cement kiln systems, ancillary equipment, and co-treatment construction services. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

Note: Connected transactions between Haizhong Environmental and CNBM from 1 January 2025 to 24 February 2025 have been fully exempted under Rule 14A.76(1) of the Listing Rules.

6. REPORT OF THE DIRECTORS

Historical amount and proposed annual cap

The historical amounts under the 2025 Renewed Co-Treatment Framework Agreement and the annual caps for the transactions contemplated thereunder are set out below:

Historical amount for the three years ended 31 December 2025 (RMB in million)	Proposed annual cap for the three years ending 31 December 2027 (RMB in million)
2023: 32.15	2025: 50.00
2024: 27.61	2026: 51.00
2025: 25.09	2027: 53.00

Pricing Policy of the 2025 Renewed Co-Treatment Framework Agreement

With respect to the service fees payable for the cement kiln co-treatment, the service fees payable by the Group are mainly based on (i) the locations of the projects, the amount of industrial solid and hazardous waste treated by the cement kiln, (ii) the type of the industrial solid and hazardous waste, and (iii) the respective fee rates determined after arm's length negotiation between the parties with reference to prevailing market rates.

With respect to the purchase fees payable for the ancillary equipment and construction services, the purchase fees payable by the Group shall be determined on arm's length basis with reference to (i) total area, locations and topography of the project site, (ii) the specification, model, unit price type and quality of the equipment, (iii) the operational costs (including labor costs, material costs and administrative costs), and (iv) the prevailing market fee rates of similar equipment or construction service provided by the Independent Third Parties.

Reasons for entering into the 2025 Renewed Co-Treatment Framework Agreement

CNBM possesses abundant cement production capacity and is one of the largest cement producers and cement engineering service providers in the PRC. Leveraging the surplus production capacity of CNBM and the waste heat generated from the cement production process, the Group could implement co-treatment of the industrial solid and hazardous waste in a reliable and cost-effective manner by utilizing their existing cement kiln facilities and equipment through cement kiln co-treatment business cooperation with CNBM. Such cooperation business model has been encouraged by a series of favorable policies promulgated by PRC government and is in line with the general market practice in the environmental protection industry.

6. REPORT OF THE DIRECTORS

(2) Continuing connected transactions with Conch Cement Group

1. *2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, 2023 Engineering Design Services Framework Agreement and 2023 Information System Procurement Framework Agreement (“2023 Framework Agreement with Conch Cement Group”)*

On 9 December 2022, the Company (on behalf of the Group) entered into the 2023 industrial solid and hazardous waste treatment framework agreement (“**2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement**”) with Conch Cement (on behalf of Conch Cement, its subsidiaries and associates, but excluding Conch Design Institute and Conch IT Engineering); entered into the 2023 engineering design services framework agreement (“**2023 Engineering Design Services Framework Agreement**”) with Conch Design Institute; and entered into the 2023 information system procurement framework agreement (“**2023 Information System Procurement Framework Agreement**”) with Conch IT Engineering.

According to the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, Conch Cement agreed to provide comprehensive industrial solid and hazardous waste treatment services and ancillary products and services to the Group for certain industrial waste treatment projects, which primarily includes providing cement kiln system and cement kiln heat sources, technical modification service, as well as labor protection appliance and etc. The precise scope of service and products, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

According to the 2023 Engineering Design Services Framework Agreement, Conch Design Institute agreed to provide engineering design services and/or technology modification services for industrial solid and hazardous treatment projects, which primarily includes designing the facilities for industrial waste treatment systems and developing technology modification for further demands upon existing cement kiln co-treatment systems. The precise scope of services, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

According to the 2023 Information System Procurement Framework Agreement, Conch IT Engineering agreed to provide certain information technology systems to the Group for certain industrial solid and hazardous waste treatment projects, which primarily includes providing DCS (i.e., distributed control system), central control system and security early warning system and etc. The type of information technology products, fee calculation, method of payment and other details of the products will be agreed between the relevant parties separately.

6. REPORT OF THE DIRECTORS

The term of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement is effective from 8 March 2023 to 31 December 2025.

As the engineering design services and/or technology modification services provided by Conch Design Institute and the information technology products provided by Conch IT Engineering are all supporting products or services for industrial solid and hazardous treatment projects, the proposed annual caps of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement shall be aggregated ("**Aggregated Proposed Annual Caps**").

As the highest applicable percentage ratio in respect of the Aggregated Proposed Annual Caps exceeds 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

The 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement have been approved by Independent Shareholders on 8 March 2023, and please refer to the Company's announcements dated 11 December 2022 and 8 March 2023 and the circular dated 16 February 2023 for details.

Historical amount and proposed annual cap

The historical amounts and the annual caps for the transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement are set out below:

2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement

Historical amount for the three years ended 31 December 2025 (RMB in million)	Proposed annual cap for the three years ended 31 December 2025 (RMB in million)
2023: 74.41	2023: 135
2024: 71.18	2024: 150
2025: 91.50	2025: 159

6. REPORT OF THE DIRECTORS

2023 Engineering Design Services Framework Agreement

Historical amount for the three years ended 31 December 2025 (RMB in million)	Proposed annual cap for the three years ended 31 December 2025 (RMB in million)
2023: 5.97	2023: 19
2024: 3.42	2024: 16
2025: 1.58	2025: 15

2023 Information System Procurement Framework Agreement

Historical amount for the three years ended 31 December 2025 (RMB in million)	Proposed annual cap for the three years ended 31 December 2025 (RMB in million)
2023: 11.17	2023: 22
2024: 3.32	2024: 15
2025: 0.65	2025: 13

Pricing Policy of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement

With respect to the service fees payable for the cement kiln co-treatment, the service fees payable by the Group shall be determined by adding a reasonable profit over a reasonable cost. The costs are mainly determined, after arm's length negotiation between the parties, on the basis of (i) the amount and type of industrial solid and hazardous waste treated by the cement kiln, resulting in cost variations in respect of the fuel, water and electricity, etc. consumed; and (ii) the prevailing market rates of cost in the geographical area where the project is located, such as electricity prices (government-guided prices) and coal prices. The profits are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the negotiations between the parties to the transactions in accordance with normal commercial terms. Based on the historical transactions, the profit rate was generally ranging from 10% to 15%. The Group will appoint an independent organization to conduct cost audit and review the profit rate. The Group will also endeavor to keep pace with the charging standard of the cement kiln co-treatment project by the peer companies to ensure that the service fees payable are fair and reasonable.

6. REPORT OF THE DIRECTORS

With respect to the service fees payable for the technical modification service, the service fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) the scale, investment amount, and complication of the project; (ii) the technical indicators and scope of technical modification; and (iii) the prevailing market prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms (such prices are obtained by the Group from not less than two Independent Third Parties on a regular basis).

With respect to the purchase fees payable for the ancillary products, the purchase fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) the specification, model, unit price type and quality of such products; (ii) the operational costs (including material costs and administrative costs); and (iii) the prevailing market fee rates of similar products provided by the Independent Third Parties in the ordinary course of business on normal commercial terms (such rates are obtained by the Group from not less than two Independent Third Parties on a regular basis).

Reasons for entering into the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement

Conch Cement has well-established existing cement kiln systems and possesses abundant cement production capacity. The Group could implement co-treatment of the industrial solid and hazardous waste in a reliable and cost-effective manner by leveraging the existing cement kiln facilities and equipment of Conch Cement through the co-treatment business cooperation with it. Such a cooperation business model has been encouraged by a series of favourable policies promulgated by PRC governments and is in line with the general market practice in the environmental protection industry.

Pricing Policy of 2023 Engineering Design Services Framework Agreement

The service fees payable by the Group shall be determined with reference to the Engineering Survey Design Fee Standards (2002 Revised Version) (《工程勘察設計收費標準》(2002年修訂本)), jointly promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as the National Development Planning Commission of the PRC (中華人民共和國國家發展計劃委員會)) and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部, previously known as the Ministry of Construction of the PRC (中華人民共和國建設部)), and the Interim Provisions on Consulting Charges for Preliminary Work of Construction Projects (Ji Jia Ge [1999] No. 1283) (《建設項目前期工作諮詢收費暫行規定》(計價格[1999]1283號)) promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as the National Planning Commission of the PRC (中華人民共和國國家計劃委員會)), as well as the project scale, investment amount, scope of design, complication of the project, technology indicators and the prevailing market rates and prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms (i.e. the Group will seek quotations for similar services from no less than two independent suppliers for each project) after arm's length negotiation.

6. REPORT OF THE DIRECTORS

Reasons for entering into the 2023 Engineering Design Services Framework Agreement

Conch Design Institute has extensive experience in building materials industry design and cement technology development and possesses Grade A qualification in the relevant industry. It is relatively familiar with the general factory layout, structures and set-up of the Group and had previously undertaken the design of most of the Group's environmental protection projects. Certain industrial solid and hazardous waste treatments of the Group designed or modified by Conch Design Institute have been successfully put into operation. The Company believes that commissioning Conch Design Institute to undertake the engineering design or technology modification of certain industrial waste treatment projects of the Company will be conducive to the coordination and implementation of the projects and hence ensure that the progress and quality of the projects will be under control.

Pricing Policy of 2023 Information System Procurement Framework Agreement

The purchase fees payable for the information technology products by the Group shall be determined by adding a reasonable profit over a reasonable cost. The costs are mainly determined, after arm's length negotiation between the parties, on the basis of (i) specification, upgraded version and quality of such products; (ii) the open tender conducted by Conch IT Engineering (mainly for hardware products); and (iii) the prevailing market prices charged for similar products in the industry (mainly for software products) and the development costs, i.e. the cost structure provided by Conch IT Engineering. The profits are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the negotiations between the parties to the transactions in accordance with normal commercial terms. Based on the historical transactions, the base profit rate is approximately 10%.

Reasons for entering into the 2023 Information System Procurement Framework Agreement

Conch IT Engineering has extensive experience in the development and design, as well as operation and maintenance of industrial automation and enterprise informatization in the cement and building materials industry, and has obtained level-3 qualification for information system integration granted by China Information Technology Industry Federation (中國電子信息行業聯合會). The Group believes that the procurement of information technology products from Conch IT Engineering could ensure safe and stable operation of the industrial solid and hazardous waste treatment projects of the Group.

6. REPORT OF THE DIRECTORS

The 2023 Framework Agreement with Conch Cement Group expired on 31 December 2025. The 100% equity interest in Conch IT Engineering was acquired by Conch Cement from Conch Holdings in January 2024 and Conch IT Engineering became a wholly owned subsidiary of Conch Cement. Therefore, the Company decided to combine and renew the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement and the 2023 Information System Procurement Framework Agreement, which were entered into with Conch Cement and Conch IT Engineering respectively, by entering into the 2026 Industrial Solid and Hazardous Waste Treatment Comprehensive Framework Agreement (the **“2026 Industrial Solid and Hazardous Waste Treatment Comprehensive Framework Agreement”**) with Conch Cement (on behalf of the Conch Cement Group which includes Conch IT Engineering) on 5 December 2025. The scope of the 2026 Industrial Solid and Hazardous Waste Treatment Comprehensive Framework Agreement will cover the services contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement and the 2023 Information System Procurement Framework Agreement. It will also include the additional entrusted production and operation management services for industrial solid and hazardous treatment projects. The Company renewed the 2023 Engineering Design Services Framework Agreement by entering into the 2026 Engineering Design Services Framework Agreement (the **“2026 Engineering Design Services Framework Agreement”**) with Conch Design Institute on 5 December 2025.

As the project equipment and entrusted production and operation management services provided by Conch Cement and the engineering design services and/or technology modification services provided by Conch Design Institute are all supporting products or services for industrial solid and hazardous treatment projects, the proposed annual caps of the 2026 Industrial Solid and Hazardous Waste Treatment Comprehensive Framework Agreement and the 2026 Engineering Design Services Framework Agreement shall be aggregated (the **“Aggregated Proposed Annual Caps of the 2026 Framework Agreement”**).

As the highest applicable percentage ratio in respect of the Aggregated Proposed Annual Caps of the 2026 Framework Agreement exceeds 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and independent Shareholders' approval under Chapter 14A of the Listing Rules.

The 2026 Industrial Solid and Hazardous Waste Treatment Comprehensive Framework Agreement, the 2026 Engineering Design Services Framework Agreement were approved by the independent shareholders on March 6, 2026. For details, please refer to the announcements of the Company dated 5 December 2025 and 6 March 2026, and the circular of the Company dated 11 February 2026.

6. REPORT OF THE DIRECTORS

2. *Alternative Fuel Framework Agreement*

On 29 December 2023, the Company (on behalf of the Group) and Conch Cement (on behalf of Conch Cement Group) entered into the Alternative Fuel Feeding Service Framework Agreement (the “**2024 Alternative Fuel Framework Agreement**”), which expired on December 31, 2024. The Group will continue carrying out the transactions under the 2024 Alternative Fuel Framework Agreement in the ordinary and usual course of business of the Group. Due to commercial arrangement considerations, for the purpose of renewal, on 27 December 2024, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) entered into the 2025 Renewed Framework Agreement (the “**2025 Renewed Framework Agreement**”) with Conch Cement in relation to, among other things, the provision of alternative fuel filling-up service and products by the Group to the Conch Cement Group. The term of the agreement shall commence on 1 January 2025 and end on 31 December 2027.

Pursuant to the 2025 Renewed Framework Agreement, the Group agreed to provide alternative fuel filling-up services and products to the Conch Cement Group, which primarily include filling up cement kilns with alternative fuels (including drying sludge), providing the channel service to transport alternative fuels into cements kilns, replacing coal fuel for cement kilns with alternative fuel products. Other details such as the precise scope of services and products, fee calculation, method of payment etc. will be agreed between the relevant parties separately.

As the highest applicable percentage ratio in respect of the annual caps for the 2025 Renewed Framework Agreement with Conch Cement is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders’ approval under Chapter 14A of the Listing Rules.

The 2025 Renewed Framework Agreement with Conch Cement has been approved by Independent Shareholders on 19 February 2025, and please refers to the Company’s announcements dated 27 December 2024 and 19 February 2025 and the circular dated 24 January 2025 for details.

Historical amount and proposed annual cap

The historical amounts under the 2025 Renewed Framework Agreement and the annual caps for the transactions contemplated thereunder are set out below:

Historical amount for the three years ended 31 December 2025 (RMB in million)	Proposed annual cap for the three years ending 31 December 2027 (RMB in million)
2023: 15.74	2025: 189
2024: 61.58	2026: 259
2025: 125.38	2027: 282

6. REPORT OF THE DIRECTORS

Pricing Policy of the 2025 Renewed Framework Agreement

With respect to the service fees payable for the alternative fuel filling-up services, the service fee payable by the Conch Cement Group shall be determined on the basis of market based pricing principle, and by adding a reasonable profit over the cost. The costs are mainly determined, after arm's length negotiation between the parties, on the basis of the operating cost and additional cost, including fees in relation to depreciation, auxiliary material costs and labor costs. The profits are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the arm's length negotiations between the parties to the transactions in accordance with normal commercial terms. Based on previous transactions, the profit rate for such services generally ranged from 10% to 15%.

With respect to the purchase fees payable for the products, the purchase fees payable by the Conch Cement Group shall be determined on arm's length negotiation between the parties with reference to (i) the market prices of such products. To determine the market price, the Group will, to the extent practicable, collect as many prices and terms of comparable transactions as possible, such as the market prices of alternative fuels quoted or sold by independent third parties; and (ii) the unit price, type and quality of such products. If there are no comparable market prices, the unit price of products shall be determined based on the production costs (including but not limited to material costs and administrative costs) and a reasonable profit rate, and are ultimately determined based on the arm's length negotiations between the parties to the transactions in accordance with normal commercial terms. Based on previous transactions, the profit rate for such products generally ranged from 6% to 10%.

The estimated profit rate for such services generally ranges from 10% to 15%, and for such products generally ranges from 6% to 10%, which are determined after arm's length negotiation between the parties with reference to the market prices of similar or comparable transactions with Independent Third Parties and the historical profit rates of the corresponding services and products.

Reasons for the 2025 Renewed Framework Agreement

The construction of China's ecological civilization is entering a critical period in which carbon reduction is the key strategic direction. The research and use of alternative fuels and alternative fuel filling-up services will be a necessary path for traditional enterprises to achieve energy saving and carbon reduction. The Chinese government has introduced a series of favorable policies. For example, pursuant to the 'Special Action Plan for Energy Conservation and Carbon Reduction in the Cement Industry,' the proportion of cement kilns using alternative fuel technology production lines shall reach 30% by the end of 2025. The Group closely follows the pace of the national development of green and low-carbon industries, actively seize the new industry development opportunities driven by green development and "dual carbon" goals, and accelerate the layout of alternative fuel projects.

6. REPORT OF THE DIRECTORS

The main sources of alternative fuels in the cement industry are urban solid waste, industrial waste, and biomass. By leveraging the Group's market-leading position and advanced technology in solid and hazardous waste treatment, the Group can better assist Conch Cement Group in increasing the use of alternative fuels and achieving energy saving and carbon reduction goals. Furthermore, cooperation with Conch Cement Group in alternative fuel filling-up services and products will enable the Group to increase revenue in the alternative fuel business segment, accelerate the Group's layout in the alternative fuel industry, and further expand its market share. The Group is in the view that entering into the 2025 Renewed Framework Agreement with Conch Cement is conducive to enhancing the Group's profitability and further strengthening the Group's leading position in the industry.

The related party transactions described in note 30 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules during the Reporting Period except for those related party transactions between the Group and the Conch Cement Group which constituted connected transactions or continuing connected transactions, and the Company complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Reporting Period.

Save as disclosed in this report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions. The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into:

- i. in the ordinary and usual course of business of the Group;
- ii. on normal commercial terms or better terms; and
- iii. according to the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

6. REPORT OF THE DIRECTORS

The auditor of the Company has performed certain agreed-upon procedures regarding the continuing connected transactions as set out above and entered into by the Group during the year ended 31 December 2025, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA, and confirms that:

- i. nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- ii. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- iii. nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- iv. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

(25) SHARE SCHEME

The Group did not adopt any share scheme under Chapter 17 of the Listing Rules.

(26) EQUITY-LINKED AGREEMENTS

During the Reporting Period, no equity-linked agreements were entered into by the Company or subsisted at the end of the year.

(27) TAX RELIEF AND EXEMPTION

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

(28) PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the applicable laws of the Cayman Islands (place of incorporation of the Company) which would oblige the Company to offer new shares on a pro-rata basis to the current Shareholders.

6. REPORT OF THE DIRECTORS

(29) AUDITOR

KPMG retired as the auditor of the Company upon the conclusion of the 2025 AGM. Ernst & Young was appointed as the new auditor of the Company with effect immediately following the retirement of KPMG upon the conclusion of the 2025 AGM.

The consolidated financial statements for the year ended 31 December 2025 have been audited by Ernst & Young.

(30) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, at no time was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 years owns or exercises any right to subscribe for equity or debt securities of the Company or any other body corporate.

(31) MAJOR RISKS AND UNCERTAINTIES

The Group is principally engaged in the provision of industrial solid and hazardous waste treatment services, which are subject to a number of major risks and uncertainties, including: (1) the environmental protection industry developed by the Group complies with the requirements of national policies, but the risk of fluctuations caused by the influence of industry policies cannot be ruled out; (2) the Group's customers are industrial companies that require disposal of industrial solid and hazardous waste, mainly in the energy and chemical, petroleum mining, electronic equipment and automobile manufacturing industries. If there are major adverse changes in the financial status or operations of major customers, it will have an adverse impact on the Group's financial status and operating results; (3) the solid and hazardous waste disposal services provided by the Group are uncertain due to external factors such as the parts of transportation and storage, and there are potential risks to safe and environmentally friendly production. The above is not an exhaustive list of risk factors. Save as mentioned above, there may be other risks and uncertainties of which the Group is not aware, or which may not be material at present but which may become material in the future.

(32) MATERIAL LITIGATION

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatening against the Company.

(33) COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements. The risk of non-compliance of such requirements may result in termination of operation license. The Group has assigned systems and human resources to ensure continued compliance with rules and regulations, and maintain good working relationships with the regulatory authorities through effective communication.

6. REPORT OF THE DIRECTORS

During the Reporting Period, to the best knowledge of the Group, the Group has: (1) for solid waste and hazardous waste treatment, complied with the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Administration Measures of Operation License for Hazardous Waste (《危險廢物經營許可證管理辦法》), the Management Measures for Hazardous Wastes Movement (《危險廢物轉移管理辦法》), the Law of the People's Republic of China on Road Traffic Safety (《中華人民共和國道路交通安全法》), the Regulation of the People's Republic of China on Road Transport (《中華人民共和國道路運輸條例》), the Provisions on the Administration of Road Transport of Dangerous Goods (《道路危險貨物運輸管理規定》) and other related rules and regulations; (2) for environmental protection, complied with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Management Regulations of Environmental Protection of Construction Project (《建設項目環境保護管理條例》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Administrative Measures of Pollutant Discharge (《排污許可管理條例》) and other related rules and regulations; (3) for the establishment, operation and management of foreign-invested enterprises, complied with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) and other related rules and regulations; (4) for production safety, complied with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Law of the People's Republic of China (《中華人民共和國消防法》), the Regulations on the Reporting, Investigation and Disposition of Production Safety Accidents (《生產安全事故報告和調查處理條例》), the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》) and other related rules and regulations; (5) for labour protection, complied with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Implementation Regulations on Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》) and other related rules and regulations; (6) for foreign exchange, complied with the Regulations of the People's Republic of China on the Management of Foreign Exchanges (《中華人民共和國外匯管理條例》); (7) for taxation, complied with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), the Regulations on the Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) and other related rules and regulations; (8) for intellectual property rights, complied with the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and other related rules and regulations.

6. REPORT OF THE DIRECTORS

(34) ENVIRONMENT POLICIES AND PERFORMANCES

The Group has realized the importance of environmental protection, and has taken stringent environmental measures to ensure that the Group complies with existing environmental laws and regulations. For details of the environmental policies and performance of the Group, please refer to the Environmental, Social and Governance Report of the Company for the year ended 31 December 2025, to be separately published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's own website (www.conchenviro.com) according to the Listing Rules.

(35) DONATION

During the Reporting Period, the Group did not make any charitable or any other kind of donations.

(36) PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, the Directors (including other persons) can be indemnified when any act, costs, expenses, damages, compensation and expenditure are caused or suffered by actions done, approved and omitted in the execution of their duties, or assumed duties in their respective jobs or trusts, except that by their own deceit or fraud (if any). The Company has maintained Directors' liability insurance during the Reporting Period to provide proper insurance cover in case of certain legal actions against the Directors.

(37) PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders who are in doubt about the tax implications of purchasing, holding, disposing of, dealing in the Shares of the Company, or the exercise of any rights in relation to the Shares of the Company, are advised to consult an expert.

(38) EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after the end of the Reporting Period and up to the date of this report.

On behalf of the Board

Mr. WANG Chunjian

Executive Director and General Manager

24 March 2026

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(I) DIRECTORS

1. Executive Directors

Mr. ZHOU Xiaochuan (周小川先生), aged 55, was appointed as an executive Director and the Chairman of the Board of the Company on 3 April 2026. He currently serves as a member of the Remuneration and Nomination Committee and the Chairman of the Strategy, Sustainability and Risk Management Committee of the Company. Mr. Zhou Xiaochuan graduated from Anqing Teachers College with a major in English Education in July 1994. Mr. Zhou Xiaochuan possesses extensive experience in corporate governance and capital markets. He joined Anhui Conch Cement Company Limited in 1994, and also served as director, party deputy secretary, deputy general manager and board secretary of Conch New Materials, director, party deputy secretary and general manager of Anhui Conch Technology Innovation Material Co., Ltd., executive director and board secretary of Conch Cement, as well as deputy chief economist of Conch Holdings.

Mr. WANG Chunjian (汪純健先生), aged 57, was appointed as an executive Director of the Company on 29 August 2024. He currently serves as a member of the Strategy, Sustainability and Risk Management Committee, a director and general manager of Anhui Conch Environment Group, and the chairman of Conch CNBM HK. Mr. Wang Chunjian is responsible for the overall management of the Group's production operations. He graduated from Anhui Technical School of Building Materials in cement technology in July 1989, and from Wuhan University of Technology in inorganic non-metallic materials engineering in January 2014, respectively. Mr. Wang Chunjian obtained the senior engineer qualification in December 2025. Mr. Wang Chunjian has extensive experiences in cement technology and corporate management. He joined Conch Cement in 1989. He successively held positions such as deputy head of sales department of Anhui Tongling Conch Cement Co., Ltd. (安徽銅陵海螺水泥有限公司), general manager of Ningbo Conch Cement Co., Ltd. (寧波海螺水泥有限公司), officer-in-charge of the regional committee in Zhejiang and Guangdong of Conch Cement, head of human resources department and deputy secretary of the Party Committee of Conch Cement, and head of organization human resources department, head of the organization department of the Party Committee, director of office of external affair management and head of the united front work department of the Party Committee of Conch Holdings.

Ms. LIAO Dan (廖丹女士), aged 46, was appointed as an executive Director of the Company on 9 October 2022, appointed as joint company secretary of the Company on 14 October 2022 and was re-designated as company secretary on 17 October 2025. She currently serves as the director of several subsidiaries including Anhui Conch Environment Group and Haizhong Environmental, and the chairman of several subsidiaries such as Conch Venture Mengxi Technology. Ms. Liao Dan graduated from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in financial management in July 2004. Ms. Liao Dan has extensive experience in corporate management and compliance. She joined Conch Cement Group in July 2004, and served as the financial head of Ningguo Cement Plant of Anhui Conch Cement Company Limited, the business supervisor and deputy director of the board secretary office of Conch Cement, and the affairs representative of Conch Cement.

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

2. Non-executive Directors

Mr. LIU Tiantian (劉田田先生), aged 59, was appointed as a non-executive Director of the Company on 3 April 2026. Mr. Liu Tiantian graduated from Shanghai Institute of Building Materials Industry with a major in Construction Enterprise Management in July 1987. Mr. Liu Tiantian possesses extensive experience in enterprise operation and management. He joined Conch Cement Group in 1987 and held positions including assistant to general manager of Anhui Tongling Conch Cement Co., Ltd., officer-in-charge of the general manager office and officer-in-charge of the office of the board of Conch Holdings, deputy officer-in-charge of the Regional Committee in northern Anhui of Conch Cement, secretary of the Party Committee of Wuhu Conch Cement Co., Ltd., deputy secretary of the Party Committee and chairman of the staff union of Conch Cement, etc.

Mr. LYU Wenbin (呂文斌先生), aged 59, was appointed as a non-executive Director of the Company on 24 March 2025. He currently serves as a member of the Strategy, Sustainability and Risk Management Committee. Mr. Lyu possesses extensive experience in corporate management. He served as an employee and the deputy director of the computing center of Beijing New Building Material Factory (北京新型建築材料總廠) from July 1987 to March 1993, and worked at the computing center of China New Building Materials Corporation (中國新型建築材料公司) from January 1993 to January 2000. He served as the deputy general manager of Beijing China United Guantong Economic and Trade Co., Ltd. (北京中聯貫通經貿有限公司) from January 2000 to June 2002, the deputy manager of the corporate management department and the general manager of the operations management department of China United Cement Corporation (中國聯合水泥集團有限公司) from June 2002 to September 2009, the general manager of the materials department of South Cement Company Limited (南方水泥有限公司) from May 2009 to January 2015, the vice president of South Cement Company Limited (南方水泥有限公司) from September 2009 to May 2014, the executive vice president of South Cement Company Limited (南方水泥有限公司) from June 2014 to January 2022, the president of Hunan South Cement Group Company Limited (湖南南方水泥集團有限公司) from January 2015 to December 2021, a member of the Party Committee of South Cement Company Limited (南方水泥有限公司) from November 2015 to September 2019, a standing member of the Party Committee of South Cement Company Limited (南方水泥有限公司) from September 2019 to January 2022, the secretary of the Party Committee of Hunan South Cement Group Company Limited (湖南南方水泥集團有限公司) from December 2019 to December 2021, the chairman of Jiangxi South Cement Company Limited (江西南方水泥有限公司) from June 2020 to December 2021, the chairman and president of Sinoma Cement Co., Ltd. (中材水泥有限責任公司) from December 2021 to December 2022, and an employee representative supervisor of Tianshan Material from March 2023 to July 2025. He has also served as the secretary of the Party Committee, director and president of Hunan South Cement Group Company Limited (湖南南方水泥集團有限公司) since December 2021, and a non-executive Director of Conch Venture since March 2025.

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lyu obtained a bachelor's degree in computer science and technology in July 2002 and a master's degree in business administration in June 2008 from Beijing Institute of Technology, respectively. He obtained the senior engineer qualification in November 2004.

Mr. MA Wei (馬偉先生), aged 58, was appointed as a non-executive Director of the Company on 9 October 2022. He is also currently the director of Anhui Conch Environment Group. Mr. Ma Wei graduated from Anhui Vocational and Technical College (安徽職業技術學院), in cement process in July 1989 and from Wuhan University of Technology (武漢理工大學) in silicate technology in January 1997. Mr. Ma Wei has extensive experience in project investment, development and operation. He joined Conch Cement Group in July 1989 and successively served as the assistant to general manager, deputy general manager and general manager in subsidiaries of Conch Cement. He is currently the chief of strategic development department of Conch Cement.

3. Independent Non-executive Directors

Mr. DING Wenjiang (丁文江先生), aged 74, was appointed as an independent non-executive Director on 21 August 2023. He currently serves as the chairman of the Remuneration and Nomination Committee, a member of each of the Audit Committee and the Strategy, Sustainability and Risk Management Committee. Mr. Ding has engaged in research on advanced magnesium alloy materials and alloy processing for a long period. Mr. Ding has been working at Shanghai Jiao Tong University since 1981 and consecutively held the positions of assistant, lecturer, associate professor and professor. Mr. Ding is currently the director of Light Alloy Net Forming National Engineering Research Center (輕合金精密成型國家工程研究中心), the vice president of the China Magnesium Association (中國鎂業協會), the executive director of the Chinese Materials Research Society (中國材料研究學會), and a member of the Communist Party Committee of the School of Materials Science and Engineering of Shanghai Jiao Tong University (中共上海交通大學材料科學與工程學院委員會). He served as the vice president at Shanghai Jiao Tong University from July 2002 to December 2004 and the deputy director at Science and Technology Commission of Shanghai (上海市科學技術委員會) from December 2004 to September 2006.

Mr. Ding obtained a bachelor's degree in casting technology and equipment from Shanghai Jiao Tong University in July 1978 and a master's degree in casting from Shanghai Jiao Tong University in March 1981. Mr. Ding was elected as an academician of Chinese Academy of Engineering in 2013. Mr. Ding, as the first awardee, won the second prize of National Scientific and Technological Progress Award (國家科技進步二等獎) in 2003, the second prize of National Defense Scientific and Technological Progress Award (國防科技進步二等獎) in 2006, and the second prize of the National Technology Invention Award (國家技術發明二等獎) in 2006. Mr. Ding was also awarded the National Innovative Progress Award (全國創新爭先獎狀) in 2023.

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. WANG Jiafen (王嘉奮女士), aged 53, was appointed as an independent non-executive Director on 18 July 2022. She currently serves as the chairlady of Audit Committee and a member of the Remuneration and Nomination Committee. Ms. Wang has been working in Syensqo Fine Chemicals Asia Pacific Company) since July 2025. She is currently the global financial director of the household and personal consumption market and the amine market, and also serves as the Asia Pacific regional financial director. Ms. Wang worked at Arthur Andersen from August 1995 to December 1998, and her last position was senior auditor; she worked as a financial reporter at Singapore Press Holdings Limited from July 2000 to November 2001; from August 2002 to August 2005, she successively served as the financial director of the Asia-Pacific region and the accounting manager of the Asia-Pacific region in AkzoNobel (Asia) Co., Ltd.; from August 2005 to June 2006, she worked in ITT (China) Investment Co., Ltd. (埃梯梯(中國)投資有限公司) as the Compliance Manager of the Asia-Pacific region; and served as Senior Manager of Asia Pacific at Unisys (Shanghai) Information Technology Co., Ltd. (優利(上海)信息技術有限公司) from August 2006 to December 2010. She was a member of the audit committee of Shanghai American School (上海美國學校) from August 2015 to June 2022. From March 2011 to June 2025, she worked in Syensqo Investment Co., Ltd., where she was the global financial director of the household and personal consumption market and the amine market, and also served as the Asia Pacific regional financial director.

Ms. Wang obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in June 1995, a postgraduate diploma in business management from the National University of Singapore in July 2000, and an EMBA (Executive Master of Business Administration) degree from the Kellogg School of Business of Northwestern University and the Hong Kong University of Science and Technology in June 2016. Ms. Wang is a member of the Chinese Institute of Certified Public Accountants, the Chartered Institute of Global Management Accountants and the Chartered Institute of Management Accountants, and is a certified internal auditor and a certified internal control self-assessor.

Ms. LI Chen (李琛女士), aged 42, was appointed as an independent non-executive Director on 27 March 2023. She currently serves as a member of the Audit Committee and a member of the Remuneration and Nomination Committee. Ms. Li has extensive experience in the investment, development and technological innovation of cement and environment protection fields. From September 2015 to September 2016, she served as a researcher in China Building Material Federation (中國建築材料聯合會). From October 2016 to January 2017, she served as a researcher in China Cement Association (中國水泥協會). Since January 2017, she has been serving as the secretary general in the Carbon Emission Reduction Expert Committee (碳減排專家委員會) of China Cement Association. Since December 2019, she has been serving as the deputy secretary general in China Cement Association (中國水泥協會). Ms. Li also has served as a part-time postgraduate tutor in Beijing University of Technology (北京工業大學) since 2020 and an independent director in Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000672) since May 2022, as well as an independent director of Tianshan Material since February 2025.

Ms. Li obtained a bachelor's degree in material science and engineering from Beijing University of Technology in July 2007, a master's degree in material science and engineering from Beijing University of Technology in July 2010 and a doctoral degree in material science from Beijing University of Technology in July 2015. Ms. Li obtained the qualifications of Senior Engineer in December 2018 and Chief Senior Engineer in December 2023. Ms. Li was awarded the 2019 Building Material Science and Technology Award (2019年度建築材料科學技術獎) by China Building Material Federation and the Chinese Ceramic Society (中國硅酸鹽學會) in 2020.

7. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

(II) SENIOR MANAGEMENT

Mr. HU Yong (胡勇先生), aged 46, was appointed as the deputy general manager of the Company on 2 November 2024. He currently also serves as the director of the East China Region of the Group. Mr. Hu graduated from Shaanxi University of Science and Technology (陝西科技大學) in July 2003, majoring in Business Administration. Mr. Hu has extensive experience in corporate management and marketing. He joined Conch Cement Group in August 2003 and has held various positions including director of the marketing planning office of the sales department, assistant to the Sales Department director, deputy director of the general manager's office, and director of the general manager's office at Conch Cement.

Mr. ZHOU Zhengyou (周正友先生), aged 59, was appointed as the deputy general manager of the Company on 26 December 2022. Mr. Zhou currently serves as the chairman of Haizhong Environmental and a director of several subsidiaries including Conch CNBM HK. Mr. Zhou graduated from Nanjing Chemical College (南京化工學院) in July 1990, majoring in Cement Technology. Mr. Zhou has extensive experience in cement production and project operations. He joined Conch Cement Group in 1990 and has held various positions including assistant general manager, deputy general manager, general manager of Conch Cement subsidiaries, director and president of the Northern Anhui and Jiangxi Regional Management Committees of Conch Cement Group.

Mr. FANG Cun (方存先生), aged 48, was appointed as the assistant general manager of the Company on 26 December 2022. He currently also serves as a director and general manager of several subsidiaries including Haizhong Environmental. Mr. Fang graduated from Anhui University (安徽大學) in July 1999, majoring in Industrial Automation. Mr. Fang has extensive experience in cement production and project development. Mr. Fang joined Conch Cement Group in 1999, and joined Conch Venture in 2007, he successively served as the assistant to general manager of CK Engineering, deputy general manager, the deputy director of strategy department in Conch Venture, the director of investment development department of the Group.

Mr. LI Limin (李利民先生), aged 47, was appointed as the assistant general manager of the Company on 2 November 2024. He currently also serves as a director and general manager of Wuhu Conch Environmental Protection. Mr. Li graduated from Luoyang Institute of Science and Technology (洛陽理工學院) in July 2002, majoring in Inorganic Non-metallic Materials Engineering. Mr. Li has extensive experience in cement production and project operations. He joined Conch Cement Group in August 2002 and has held various positions including deputy general manager of Ganzhou Conch Cement Co., Ltd., deputy director of Ningguo Cement Plant of Anhui Conch Cement Co., Ltd., and general manager of Yangchun Conch Cement Co., Ltd..

(III) COMPANY SECRETARY

Ms. LIAO Dan (廖丹女士), please refer to the resume of the aforementioned executive Director.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Conch Environment Protection Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Conch Environment Protection Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 95 to 194, 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 cash flow statement 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") 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") as issued by the Hong Kong Institute of Certified Public Accountants ("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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the matter

Impairment of property, plant and equipment

At 31 December 2025, the Group held property, plant and equipment ("PPE") with the amount of RMB7,234 million, representing 91.34% of the Group's total non-current assets.

Management performs impairment assessment on PPE when an indication of impairment exists. Management performed an impairment assessment on such PPE by determining the recoverable amounts of the cash-generating units ("CGUs") that the PPE were allocated to. As a result of the impairment assessment, impairment losses of RMB59 million were recognised by the Group for the year ended 31 December 2025.

Our audit procedures to evaluate impairment assessment of property, plant and equipment included the following:

1. Obtained an understanding, evaluated the design, and tested the operating effectiveness of the key controls over the impairment assessment process;
2. Evaluated the reasonableness of management's identification of CGUs with reference to the requirements of the prevailing accounting standards;
3. Assessed the significant assumptions used in the calculations, which included, amongst others, revenue growth rates and gross profit margins adopted by management, performed sensitivity analyses on key inputs used;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the matter
Impairment of property, plant and equipment (Continued)	
<p>Auditing management's impairment assessment of PPE was complex due to the significant estimates and judgements involved in the projections of future cash flows, including the future revenue growth rates and gross profit margins applied to these forecasted future cash flows. These estimates and judgements may be significantly affected by changes in future market, policies or economic conditions. Therefore, we identified the impairment assessment of PPE as a key audit matter.</p> <p>Please refer to Note 1(l)(ii) Impairment of other non-current assets, Note 2(iii) Impairment of other non-current assets and Note 10 Property, plant and equipment in the consolidated financial statements.</p>	<p>4. Evaluated the objectivity, independence, and professional competence of external evaluation experts hired by the Group;</p> <p>5. On a sample basis, involved our internal valuation specialists to assist us in evaluating the methodology used and the underlying assumptions and parameters adopted by management to estimate the recoverable amounts of the cash-generating units;</p> <p>6. Assessed the adequacy of the Group's disclosures included in the consolidated financial statements regarding the impairment assessment of PPE.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the matter
Expected credit loss allowance for trade receivables	
<p>At 31 December 2025, the gross carrying amounts of trade receivables in the consolidated financial statements were approximately RMB809 million, and the amounts of provision for expected credit losses ("ECL") were approximately RMB118 million.</p> <p>Trade receivables from customers with known financial difficulties or significant doubt on collection are individually assessed for ECLs. The remaining trade receivables are grouped based on similar credit risk characteristics and aging analysis to assess the ECLs. When estimating the ECLs, the management takes relevant information into consideration, including the customer's historical default rate and other specific factors (such as the historical collections and write-offs of bad debts), as well as the forward-looking information.</p> <p>As the amount of trade receivable was significant and the determination of ECLs required significant accounting judgements and estimations by the management, we identified the ECL of trade receivable as a key audit matter.</p> <p>Please refer to Note 1(l)(i) Credit losses from financial instruments, Note 2(ii) Loss allowance for trade receivables, Note 16 Trade and other receivables and other assets and Note 27(a) Credit risk for disclosures of trade receivable in the consolidated financial statements.</p>	<p>Our audit procedures to assess the ECL allowance of trade receivables included the following:</p> <ol style="list-style-type: none"> 1. Obtained an understanding, evaluated the design, and tested the internal controls in relation to the ECLs of trade receivable; 2. Reviewed and evaluated the ECL model with the assistance of internal valuation experts, including the estimation of credit loss and the historical statistics and other forward-looking information used to calculate the credit risk loss; 3. Tested the accuracy of the ageing of trade receivable and the mathematical accuracy of the amount of ECLs calculated by the management using the ECL model; 4. For trade receivables assessed individually, discussed with management on the reasonableness of identification and analysed the recoverability of such receivables; and 5. Evaluated the adequacy of disclosures regarding the ECLs of trade receivable by the management.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

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

- 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for 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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Ho Siu Fung, Terence (practising certificate number: P04202).

Ernst & Young

Certified Public Accountants

Hong Kong

24 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2025
(Expressed in Renminbi Yuan (“RMB”))

	Note	2025 RMB'000	2024 RMB'000
Revenue	3	1,640,315	1,686,990
Cost of sales		(1,167,665)	(1,057,717)
Gross profit		472,650	629,273
Other net income	4	12,796	42,600
Distribution costs		(145,736)	(169,827)
Administrative expenses		(425,108)	(339,243)
Impairment loss on trade and other receivables and other assets	16(b)	(49,524)	(19,630)
Impairment loss on property, plant and equipment	10	(59,139)	(10,370)
Impairment loss on interest in associates	14	(33,761)	–
(Loss)/Profit from operations		(227,822)	132,803
Finance costs	5(a)	(107,598)	(117,259)
Share of losses of associates	14	(5,158)	(5,517)
(Loss)/Profit before taxation	5	(340,578)	10,027
Income tax	6(a)	(6,073)	(15,395)
Loss for the year		(346,651)	(5,368)
Attributable to:			
Equity shareholders of the Company		(228,427)	6,275
Non-controlling interests		(118,224)	(11,643)
Loss for the year		(346,651)	(5,368)
(Loss)/Earnings per share	9		
		RMB cents	RMB cents
Basic and diluted		(12.50)	0.34

The notes on pages 101 to 194 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025
(Expressed in Renminbi Yuan)

	2025	2024
	RMB'000	RMB'000
Loss for the year	(346,651)	(5,368)
Other comprehensive income for the year (after tax and reclassification adjustments)	–	–
Total comprehensive income for the year	(346,651)	(5,368)
Attributable to:		
Equity shareholders of the Company	(228,427)	6,275
Non-controlling interests	(118,224)	(11,643)
Total comprehensive income for the year	(346,651)	(5,368)

The notes on pages 101 to 194 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2025
(Expressed in Renminbi Yuan)

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	10	7,233,781	7,396,978
Right-of-use assets	11	317,607	319,818
Intangible assets	12	112,833	129,784
Goodwill		10,254	10,254
Interests in associates	14	35,024	73,943
Non-current portion of trade and other receivables and other assets	16	179,616	293,991
Deferred tax assets	20(b)	30,352	17,339
		7,919,467	8,242,107
Current assets			
Inventories	15	20,695	38,525
Trade and other receivables and other assets	16	846,609	998,218
Restricted bank deposits	17	55,426	125,906
Bank deposits with original maturity over three months	17	84,000	–
Cash and cash equivalents	17	437,788	345,622
		1,444,518	1,508,271
Current liabilities			
Loans and borrowings	18	713,946	867,687
Trade and other payables	19	1,338,017	1,382,760
Contract liabilities	21	20,631	16,825
Lease liabilities	22	1,519	1,537
Income tax payables	20(a)	938	3,128
		2,075,051	2,271,937
		(630,533)	(763,666)
Total assets less current liabilities		7,288,934	7,478,441

The notes on pages 101 to 194 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2025
(Expressed in Renminbi Yuan)

	Note	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Loans and borrowings	18	1,407,330	2,280,178
Long-term payables		6,761	–
Unsecured medium-term notes (“MTNs”)	23	2,500,000	1,500,000
Lease liabilities	22	11,569	8,929
Deferred tax liabilities	20(b)	27,052	30,410
Deferred income	24	26,219	–
		3,978,931	3,819,517
NET ASSETS			
		3,310,003	3,658,924
CAPITAL AND RESERVES			
Share capital	25(c)	14,837	14,837
Reserves		2,704,716	2,933,143
Total equity attributable to equity shareholders of the Company			
		2,719,553	2,947,980
Non-controlling interests			
		590,450	710,944
TOTAL EQUITY			
		3,310,003	3,658,924

Approved and authorised for issue by the board of directors on 24 March 2026.

Li Qunfeng
Director

Wang Chunjian
Director

The notes on pages 101 to 194 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2025
(Expressed in Renminbi Yuan)

Note	Attributable to equity shareholders of the company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Retained earnings	Sub-total			
	RMB'000 (Note 25(c))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000	RMB'000			
Balance at 1 January 2024	14,837	1,184,167	(156,918)	278,937	1,672,014	2,993,037	717,153	3,710,190	
Changes in equity for the year ended 31 December 2024:									
Profit/(loss) for the year	-	-	-	-	6,275	6,275	(11,643)	(5,368)	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	6,275	6,275	(11,643)	(5,368)	
Capital contribution by non-controlling interests									
Appropriation to reserves	25(d)(iii)	-	-	3,159	(3,159)	-	-	-	
Profit distribution to non-controlling interests	-	-	-	-	-	-	(4,737)	(4,737)	
Dividends approved in respect of the previous years	-	(51,332)	-	-	-	(51,332)	-	(51,332)	
Balance at 31 December 2024	14,837	1,132,835	(156,918)	282,096	1,675,130	2,947,980	710,944	3,658,924	

Note	Attributable to equity shareholders of the company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital	Share premium	Capital reserve	PRC statutory reserves	Retained earnings	Sub-total			
	RMB'000 (Note 25(c))	RMB'000 (Note 25(d)(i))	RMB'000 (Note 25(d)(ii))	RMB'000 (Note 25(d)(iii))	RMB'000	RMB'000			
Balance at 1 January 2025	14,837	1,132,835	(156,918)	282,096	1,675,130	2,947,980	710,944	3,658,924	
Changes in equity for the year ended 31 December 2025:									
Loss for the year	-	-	-	-	(228,427)	(228,427)	(118,224)	(346,651)	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	(228,427)	(228,427)	(118,224)	(346,651)	
Capital contribution by non-controlling interests									
Appropriation to reserves	25(d)(iii)	-	-	5,217	(5,217)	-	-	-	
Profit distribution to non-controlling interests	-	-	-	-	-	-	(11,243)	(11,243)	
Disposal of a subsidiary with non-controlling interests	-	-	-	-	-	-	(4,057)	(4,057)	
Balance at 31 December 2025	14,837	1,132,835	(156,918)	287,313	1,441,486	2,719,553	590,450	3,310,003	

The notes on pages 101 to 194 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2025
(Expressed in Renminbi Yuan)

	Note	2025 RMB'000	2024 RMB'000
Operating activities:			
Cash generated from operations	17(b)	577,531	466,158
Income tax paid	20(a)	(24,634)	(32,075)
Net cash generated from operating activities		552,897	434,083
Investing activities:			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		(233,745)	(560,126)
Proceeds from disposal of property, plant and equipment		6,659	727
Payment for purchase of right-of-use assets		(2,570)	(28,914)
Payment for disposal of a subsidiary, net of cash held	26	(7,335)	–
Payment for investments in associates		–	(8,000)
Proceeds from disposal of financial assets measured at FVTPL		–	45,000
Proceeds from maturity of bank deposits with original maturity over three months		–	4,044
Payment for bank deposits with original maturity over three months		(84,000)	–
Dividends received from associates		–	1,400
Interest received		3,631	5,690
Net cash used in investing activities		(317,360)	(540,179)
Financing activities:			
New loans and borrowings	17(c)	464,222	1,691,049
Repayment of loans and borrowings	17(c)	(1,492,681)	(2,801,174)
Proceeds from unsecured MTNs issuance	23	1,000,000	1,500,000
Unsecured MTNs issuance fee		–	(547)
Profit distribution to non-controlling interests		(15,218)	(700)
Interest paid	17(c)	(107,807)	(139,521)
Capital contribution from non-controlling interests		13,030	10,171
Dividends paid to the shareholders	25(b)	–	(51,332)
Capital element of lease rentals paid	17(c)	(4,311)	(2,028)
Interest element of lease rentals paid	17(c)	(606)	(454)
Net cash (used in)/generated from financing activities		(143,371)	205,464
Net increase in cash and cash equivalents		92,166	99,368
Cash and cash equivalents at the beginning of the year		345,622	246,254
Cash and cash equivalents at the end of the year	17(a)	437,788	345,622

The notes on pages 101 to 194 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

(a) General Information

China Conch Environment Protection Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands with limited liability under the Cayman Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 30 March 2022 (the “Listing”).

The Company and its subsidiaries (together the “Group”) principally provide treatment solutions for industrial solid waste and hazardous waste, utilising cement kiln waste treatment technologies in the People’s Republic of China (the “PRC”).

The parent company of the Company is Anhui Conch Cement Company Limited (“Conch Cement”), and the ultimate controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People’s Government.

(b) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). IFRS Accounting Standards include all individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 1(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 include the financial statements of the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial assets stated at their fair value (see note 1(h)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net current liabilities of RMB630,533,000 as at 31 December 2025. The directors have reviewed the current financial performance and working capital forecast as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable basis to conclude that the Group is able to continue as a going concern for at least the next twelve months from the year ended 31 December 2025 to meet its obligations, as and when they fall due, having regard to the following:

- (1) the Group generated net cash inflows from operating activities of approximately RMB553 million during the year ended 31 December 2025 and expects to continue to improve its working capital management and generate positive operating cash flows for the next twelve months;
- (2) the Group has the ability to obtain new banking and other financing facilities as well as borrowings and has the ability to renew or refinance the banking facilities upon maturity and obtain other borrowings. As at 31 December 2025, the Group had available unutilised banking facilities of RMB3.1 billion;
- (3) Anhui Conch Environment Group Co., Ltd. ("Conch Environment Group"), a subsidiary of the Company, has been approved to apply for the registration and issuance of unsecured MTNs with a total amount of no more than RMB3 billion, valid for two years from the date of completion of registration on 25 July 2024. As at 31 December 2025, the Group had available unutilised amount of RMB0.5 billion;

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(c) Basis of preparation of the financial statements *(Continued)*

Consequently, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(d) Changes in accounting policies

The Group has adopted amendments to IAS 21 Lack of Exchangeability for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to IAS 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. As the currencies that the Group had transacted in were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the IASB has issued amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 8, IAS 36 and IAS 37 Disclosures about Uncertainties in the Financial Statements, which added illustrative examples in the corresponding IFRS Accounting Standards. These examples reflect existing requirements in the corresponding IFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(q) and 1(r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(f) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). They are initially recorded at cost, which includes transaction costs.

Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECLs model to such other long-term interests where applicable (see note 1(l)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 1(l)(ii)).

(g) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 1(l)).

(h) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries and associates, are set out below:

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL, for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income from the investment is calculated using the effective interest method, (see note 1(v)(ii)) and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- fair value through other comprehensive income (“FVTOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. All other changes in fair value are recognised in other comprehensive income (OCI). Fair value changes that have been recognised in OCI are recycled to profit or loss upon derecognition of the debt instrument.
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the investment is not held for trading purposes and, on initial recognition, the Group makes an irrevocable election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such an election is made for a particular investment at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(v)(ii)(b).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 1(l)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Any gain or loss on the disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative period are as follows:

Plant and buildings	20 to 30 years
Machinery and equipment	10 to 15 years
Office and other equipment	5 years
Motor vehicles	5 years

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Intangible assets

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets *(Continued)*

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative period are as follows:

Software	2 to 10 years
Pollutant discharge licences	5 years
Customer relationships	10 years
Non-patent technology	10 years

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value assets which, for the Group, are primarily leased apartments for employees. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and 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, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECLs”) on:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and other assets: the effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: the current effective interest rate.

ECLs are measured on either of the following bases:

- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECLs model applies; or
- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(I) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less any estimated costs of completion and costs to be incurred in selling the inventories.

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(v)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 1(o)).

(o) Trade and other receivables and other assets

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost less expected credit losses (see note 1(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs (see note 1(l)(i)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1(x).

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Defined contribution retirement plans

Contributions to PRC local retirement schemes, pursuant to the relevant labour rules and regulations in the PRC, are recognised as an expense in profit or loss as incurred.

(t) Income tax

Income tax expense comprises current tax 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 comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Income tax *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates and a joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognises deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(u) Provision and contingent liabilities

Generally, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of an outflow of economic benefits is remote.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group expects to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

(a) Revenue from services

The Group provides stand-ready solid and hazardous waste treatment solutions to customers, and generally charges a fixed price per volume of services during the contract period. The Group recognises service revenue for which it has a right to invoice in the period during which the related volume of services is performed.

(b) Revenue from the sale of products

The Group sells by-products of hazardous waste treatment, which is a type of comprehensive utilisation of resources. Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customer and are based on the billing schedule established in the contracts or purchase orders with customers.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(v) Revenue and other income *(Continued)*

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

(b) Dividends

Dividend income from investments is recognised when the shareholder’s right to receive payment is established.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

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 or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 MATERIAL ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's 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.

In the process of applying the Group's accounting policies, management has made the following accounting judgements and estimates:

(i) Depreciation and amortisation

As described in notes 1(i) and 1(k), property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in note 1(j)(i), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period.

The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Loss allowance for trade receivables

Management measures loss allowance for trade receivables at an amount equal to lifetime ECLs. Management estimates ECLs on these financial assets by using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and assesses both the current and forecast general economic conditions at the reporting date. Management reassesses the loss allowance for trade receivables at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

2 MATERIAL ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(iii) Impairment of other non-current assets (other than goodwill)

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, right-of-use assets, intangible assets, and investments in its associates, the recoverable amount of the assets need to be determined. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of estimated sales volume, selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and operating costs.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of treatment solutions for industrial solid and hazardous waste.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS#15, recognised over time		
Solid and hazardous waste solutions		
Industrial solid waste treatment services	366,002	407,976
Industrial hazardous waste treatment services		
— General hazardous waste	838,995	958,226
— Oil sludge	106,666	107,583
— Fly ash	127,386	85,890
	1,439,049	1,559,675
Revenue from contracts with customers within the scope of IFRS#15, recognised at a point in time		
Solid and hazardous waste solutions		
Comprehensive resource utilisation	201,266	127,315
	1,640,315	1,686,990

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(ii) Revenue expected to be recognised in the future arises from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and does not disclose revenue that the Group will be entitled to when it satisfies the remaining performance obligations as the Group recognises revenue in the amount to which it has a right to invoice, which corresponds directly to the fixed price per volume of services provided during the contract period.

(b) Segment reporting

(i) Services from which reportable segments derive their revenue:

Information reported to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of its industrial solid and hazardous waste solutions. Resources are allocated based on what is beneficial for the Group in enhancing its industrial solid and hazardous waste solutions activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers that there is only one operating segment under the requirements of IFRS 8, *Operating Segments*.

(ii) Geographic information

The geographical location of revenue is based on the selling location. All of the Group's revenue from external customers is from the PRC. The geographical location of the specified non-current assets (primarily property, plant and equipment; right-of-use assets, intangible assets and interests in associates) is based on the physical location of the assets, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interests in associates. Substantially all of the Group's specified non-current assets are physically located in the PRC.

4 OTHER NET INCOME

	2025 RMB'000	2024 RMB'000
Interest income on bank deposits	3,631	5,690
Government grants (i)	10,000	32,781
Net gain/(loss) on disposal of property, plant and equipment	76	(323)
Others	(911)	4,452
	12,796	42,600

- (i) Government grants mainly represented subsidies received from the local government authorities for encouraging the Group's development in the industrial solid and hazardous waste solutions in the respective PRC cities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	2025 RMB'000	2024 RMB'000
Interest on loans and borrowings (Note 17(c))	74,764	137,301
Interest on lease liabilities (Note 17(c))	606	454
Interest on unsecured MTNs (Note 17(c))	44,384	13,046
*Less: Interest expense capitalised in construction in progress	(12,156)	(33,542)
	107,598	117,259

* For the year ended 31 December 2025, the borrowing costs were capitalised at rates ranging from 1.80% to 2.60% per annum (2024: 2.31% to 4.65%).

(b) Staff costs:

	2025 RMB'000	2024 RMB'000
Salaries, wages and other benefits	471,626	412,566
Contributions to defined contribution plans (i)	49,558	53,948
	521,184	466,514

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated as a percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

5 (LOSS)/PROFIT BEFORE TAXATION *(Continued)*

(c) Other items:

	2025 RMB'000	2024 RMB'000
Cost of services provided [#]	1,167,665	1,057,717
Depreciation of owned property, plant and equipment [#]	359,114	289,863
Depreciation of right-of-use assets [#]	10,810	10,943
Amortisation of intangible assets [#]	17,920	17,724
Loss allowance for trade and other receivables and other assets	49,524	19,630
Short-term lease payments not included in the measurement of lease liabilities	5,788	3,462
Auditors' remuneration	1,680	1,900
Impairment loss on property, plant and equipment (Note 10)	59,139	10,370
Impairment loss on interests in associates (Note 14)	33,761	–

[#] For the year ended 31 December 2025, the cost of services provided includes RMB549,542,000 (2024: RMB493,895,000) relating to staff costs, depreciation of owned property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets. These items are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(a) Current taxation in the consolidated statement of profit and loss represents:

	2025 RMB'000	2024 RMB'000
Current tax — Hong Kong Profits Tax		
Provision for the year	–	–
Current tax — PRC income tax		
Provision for the year	20,513	32,367
Under provision/(over provision) in respect of prior years	1,931	(2,822)
Deferred tax:		
Origination and reversal of temporary differences (Note 20(b))	(16,371)	(14,150)
	6,073	15,395

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(a) Current taxation in the consolidated statement of profit and loss represents:

(Continued)

- (1) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (2) The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at 16.5% of the estimated assessable profits. No provision for Hong Kong profits tax has been made for the year ended 31 December 2025 (2024: Nil) as there were no assessable profits during the years ended 31 December 2025 and 2024.
- (3) The provision for PRC income tax is based on a statutory rate of 25% on the assessable income of the Company's Chinese Mainland subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.
- (4) Pursuant to Notice No.23 issued by the State Administration of Taxation on 23 April 2020 and relevant notices from local tax authorities, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC.
- (5) Pursuant to the PRC Enterprise Income Tax Law Implementing Regulations issued by the State Council of the PRC, certain subsidiaries engaged in industrial solid and hazardous waste solutions are eligible for an income tax exemption for the first three years starting from the year in which revenue is generated and 50% income tax reduction for the next three years.
- (6) According to Caishui [2023] No. 12, "The Announcement on Further Supporting the Implementation of Inclusive Tax Relief Policy on Small-scaled Minimal Profit Enterprise", enterprises that meet the following three conditions annual taxable income not exceeding RMB3,000,000; number of employees not exceeding 300; and total assets not exceeding RMB50,000,000. Eligible enterprises are is entitled to a preferential tax treatment of 75% exemption on taxable income and applicable income tax rate of 20%, which shall continue to be implemented until 31 December 2027.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(Continued)

(b) Reconciliation of tax expense/credit based on profit/loss before tax to income tax expense at the effective tax rate:

	2025 RMB'000	2024 RMB'000
Profit/(Loss) before taxation	(340,578)	10,027
Tax at the statutory tax rate of 25%	(85,145)	2,506
Tax effect of unused tax losses and deductible temporary differences not recognised	46,281	48,319
Tax impact of costs, expenses and losses not deductible for tax purpose	7,437	5,109
PRC tax concessions	34,279	(39,096)
Under provision/(over provision) in respect of prior years	1,931	(2,822)
Share of losses of associates	1,290	1,379
Income tax expense at the effective rate	6,073	15,395

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed are as follows:

Year ended 31 December 2025						
		Directors'	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Wang Chunjian	(i)	–	644	376	41	1,061
Ms. Liao Dan		–	428	384	41	853
Mr. Fan Zhan	(ii)	–	–	–	–	–
Non-executive directors:						
Mr. Li Qunfeng	(iii)	–	–	–	–	–
Mr. Jiang Dehong	(iii)	–	–	–	–	–
Mr. Ma Wei	(iii)	–	–	–	–	–
Mr. Lv Wen Bin	(iii)	–	–	–	–	–
Independent non-executive directors:						
Mr. Ding Wenjiang		150	–	–	–	150
Mrs. Wang Jiafen		145	–	–	–	145
Mrs. Li Chen		150	–	–	–	150
		445	1,072	760	82	2,359

Year ended 31 December 2024						
		Directors'	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Wang Chunjian	(i)	–	210	838	15	1,063
Ms. Liao Dan		–	423	497	41	961
Mr. Fan Zhan	(ii)	–	–	–	–	–
Non-executive directors:						
Mr. Li Qunfeng	(iii)	–	–	–	–	–
Mr. Jiang Dehong	(iii)	–	–	–	–	–
Mr. Ma Wei	(iii)	–	–	–	–	–
Independent non-executive directors:						
Mr. Ding Wenjiang		150	–	–	–	150
Mrs. Wang Jiafen		148	–	–	–	148
Mrs. Li Chen		150	–	–	–	150
		448	633	1,335	56	2,472

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

7 DIRECTORS' REMUNERATION *(Continued)*

- (i) Mr. Wang Chunjian was appointed as an executive director, the general manager and a member of the Strategy, Sustainable Development and Risk Management Committee on 29 August 2024.
- (ii) No amounts were paid by the Group to this director during the years ended 31 December 2025 and 2024.
- (iii) Mr. Jiang Dehong has resigned as Non-Executive Director, effect from 24 March 2025. Mr. Lv Wen Bin was appointed as a non-executive director of the Company on 24 March 2025. No amounts were paid by the Group to these directors during the years ended 31 December 2025 and 2024.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the years ended 31 December 2025 and 2024.

No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2025 and 2024.

During the year, there were no amounts paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments of the Group for the year included one (2024: two) directors whose emoluments are disclosed in note 7. The aggregate emoluments in respect of the remaining four (2024: three) highest paid individuals are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	1,735	1,219
Discretionary bonuses	1,868	1,800
Contributions to retirement benefit scheme	166	123
	3,769	3,142

The emoluments of the four (2024: three) individuals with the highest emoluments are within the following bands:

	2025 Number of individuals	2024 Number of individuals
HKD		
0 to 1,000,000	2	–
1,000,001 to 1,500,000	2	3
1,500,001 to 2,000,000	–	–

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2025 is based on the loss attributable to shareholders of the Company for the year ended 31 December 2025 of RMB228,427,000 (2024: profit of RMB6,275,000) and the weighted average number of ordinary shares of 1,826,765,059 outstanding (31 December 2024: 1,826,765,059).

Diluted earnings per share for the years ended 31 December 2025 and 2024 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2024	2,380,239	2,846,835	75,105	153,833	–	2,437,103	7,893,115
Additions	25,860	89,806	488	17,718	–	520,667	654,539
Transfer from construction in progress	1,060,576	761,527	977	–	–	(1,823,080)	–
Disposals	–	(331)	(147)	(3,377)	–	–	(3,855)
At 31 December 2024 and 1 January 2025	3,466,675	3,697,837	76,423	168,174	–	1,134,690	8,543,799
Additions	1,912	12,764	213	1,550	9,642	247,261	273,342
Transfer from construction in progress	269,863	285,483	–	–	–	(555,346)	–
Disposals	(10,144)	(9,313)	(933)	(11,039)	–	–	(31,429)
At 31 December 2025	3,728,306	3,986,771	75,703	158,685	9,642	826,605	8,785,712

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation and impairment losses:							
At 1 January 2024	(194,976)	(499,260)	(34,305)	(107,322)	-	-	(835,863)
Charge for the year	(84,705)	(191,493)	(11,733)	(15,462)	-	-	(303,393)
Impairment loss	-	(10,260)	(35)	(75)	-	-	(10,370)
Disposals	-	113	74	2,618	-	-	2,805
At 31 December 2024 and 1 January 2025	(279,681)	(700,900)	(45,999)	(120,241)	-	-	(1,146,821)
Charge for the year	(109,331)	(220,404)	(11,054)	(16,257)	(2,068)	-	(359,114)
Impairment loss	-	(59,139)	-	-	-	-	(59,139)
Disposals	620	2,076	355	10,092	-	-	13,143
At 31 December 2025	(388,392)	(978,367)	(56,698)	(126,406)	(2,068)	-	(1,551,931)
Net book value:							
At 31 December 2024	3,186,994	2,996,937	30,424	47,933	-	1,134,690	7,396,978
At 31 December 2025	3,339,914	3,008,404	19,005	32,279	7,574	826,605	7,233,781

As at 31 December 2025, plant and buildings and machinery and equipment with a carrying amount of RMB162,650,000 (2024: RMB132,029,000) were pledged as collateral for certain bank loans (see note 18).

As a result of financial performance of certain plants primarily due to low utilisation of their production capacity, management identified impairment indications in the property, plant and equipment related to treatment solutions. Management performed impairment assessments of these assets as at 31 December 2025 using value-in-use calculations by measuring the recoverable amount of these production lines based on discounted cash flow analysis using an after-tax discount rate of 7.00%. Based on the assessments, management concluded that an impairment provision of RMB59 million was recognised for the related property, plant and equipment of the Group based on the corresponding recoverable amount of RMB834 million.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

11 RIGHT-OF-USE ASSETS

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of each reporting period is as follows:

	Note	2025 RMB'000	2024 RMB'000
Properties leased for own use, carried at depreciated cost	(i)	2,972	3,111
Leasehold land for own use, carried at depreciated cost	(ii)	314,635	316,707
		317,607	319,818

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at depreciated cost	2,129	1,543
Leasehold land for own use, carried at depreciated cost	8,681	9,400
	10,810	10,943
Interest on lease liabilities (Note 5(a))	606	454
Expenses relating to short-term leases	5,788	3,462

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in note 17 and note 22, respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

11 RIGHT-OF-USE ASSETS *(Continued)*

(i) Properties leased for own use

The Group has obtained the right to use properties as its office buildings through tenancy agreements. The leases typically run for an initial period of 2 to 3 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

	Properties leased for own use RMB'000
Cost:	
At 1 January 2024	6,668
Additions	268
At 31 December 2024 and 1 January 2025	6,936
Additions	1,990
Disposals	(4,725)
At 31 December 2025	4,201
Accumulated depreciation:	
At 1 January 2024	(2,282)
Charge for the year	(1,543)
At 31 December 2024 and 1 January 2025	(3,825)
Charge for the year	(2,129)
Disposals	4,725
At 31 December 2025	(1,229)
Net book value:	
At 31 December 2024	3,111
At 31 December 2025	2,972

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

11 RIGHT-OF-USE ASSETS *(Continued)*

(ii) Leasehold land for own use

	Land use rights RMB'000	Other leasehold land for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2024	315,699	4,335	320,034
Additions	30,118	4,371	34,489
At 31 December 2024 and 1 January 2025	345,817	8,706	354,523
Additions	2,570	4,943	7,513
Disposals	–	(1,597)	(1,597)
At 31 December 2025	348,387	12,052	360,439
Accumulated depreciation:			
At 1 January 2024	(25,459)	(747)	(26,206)
Charge for the year	(10,728)	(882)	(11,610)
At 31 December 2024 and 1 January 2025	(36,187)	(1,629)	(37,816)
Charge for the year	(7,997)	(1,588)	(9,585)
Disposals	–	1,597	1,597
At 31 December 2025	(44,184)	(1,620)	(45,804)
Net book value:			
At 31 December 2024	309,630	7,077	316,707
At 31 December 2025	304,203	10,432	314,635

The Group has obtained land use rights in the PRC with lease periods of no more than 50 years when granted.

As at 31 December 2025, the remaining lease terms of leasehold land for own use ranged from 2 to 30 years.

As at 31 December 2025, leasehold land for own use with a carrying amount of RMB24,322,000 (2024: RMB30,605,000) were pledged as collateral for certain bank loans (see note 18).

NOTES TO THE FINANCIAL STATEMENTS

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12 INTANGIBLE ASSETS

	Software RMB'000	Pollutant discharge licences RMB'000	Customer relationships RMB'000	Non-patent technology RMB'000	Total RMB'000
Cost:					
At 1 January 2024	11,506	5,160	83,728	81,361	181,755
Additions	8,961	–	–	–	8,961
At 31 December 2024 and 1 January 2025	20,467	5,160	83,728	81,361	190,716
Additions	969	–	–	–	969
At 31 December 2025	21,436	5,160	83,728	81,361	191,685
Accumulated amortisation:					
At 1 January 2024	(1,625)	(4,244)	(23,212)	(13,211)	(42,292)
Charge for the year	(852)	(916)	(8,230)	(8,642)	(18,640)
At 31 December 2024 and 1 January 2025	(2,477)	(5,160)	(31,442)	(21,853)	(60,932)
Charge for the year	(737)	–	(8,289)	(8,894)	(17,920)
At 31 December 2025	(3,214)	(5,160)	(39,731)	(30,747)	(78,852)
Net book value:					
At 31 December 2024	17,990	–	52,286	59,508	129,784
At 31 December 2025	18,222	–	43,997	50,614	112,833

Customer relationships were acquired through the acquisitions of Yulin Conch Environmental Protection Technology Co., Ltd. in 2020 and Wuhan Hanshi Environmental Protection Engineering Co., Ltd. (“Wuhan Hanshi Environmental”) in 2023, the fair values of which at the dates of acquisition were determined by the directors of the Company with reference to the valuations performed by Beijing Industrial and Commercial Asset Valuation Co., Ltd. and Zhongshui Zhiyuan Asset Valuation Co., Ltd., respectively, independent qualified professional valuers. Customer relationships are recognised at fair value at the dates of acquisition and are subsequently amortised on a straight-line basis over 10 years.

Non-patent technology was acquired through the acquisitions of Shaoguan Environmental in 2022 and Wuhan Hanshi Environmental in 2023. It is recognised at fair value at the dates of acquisition and is subsequently amortised on a straight-line basis over 10 years. The fair values of the non-patent technology at the dates of acquisition were determined by the directors of the Company with reference to the valuations performed by Beijing Vocation International Asset Valuation Co., Ltd. and Zhongshui Zhiyuan Asset Valuation Co., Ltd., respectively, independent qualified professional valuers.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries that principally affected the results, assets or liabilities of the Group.

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
China Conch Environment Protection Holdings International Limited ("Conch Environment Protection BVI") 中國海螺環保控股國際有限公司 (iii)	BVI 2 March 2020	—	100%	100%	—	Investment holding
Conch Venture International Holdings (HK) Limited ("Conch Venture International") 海創國際控股(香港)有限公司 (iii)	Hong Kong 7 December 2016	—/HKD10,000	100%	—	100%	Investment holding
Conch Venture CNBM Hong Kong Holdings Limited ("Conch CNBM HK") 海建香港控股有限公司 (ii) (iii)	Hong Kong 12 February 2019	RMB500,000,000/ RMB500,000,000	50%	—	50%	Investment holding
Anhui Conch Venture Environmental Protection Technology Co., Ltd. 安徽海創環保科技有限公司 (i)	The PRC 5 June 2020	RMB200,000,000/ RMB200,000,000	100%	—	100%	Investment holding
Anhui Conch Venture Environment Technology Co., Ltd. ("Anhui Conch Venture") 安徽海螺環保集團有限公司 (i)	The PRC 24 June 2020	RMB202,020,000/ RMB202,020,000	99%	—	99%	Investment holding
Wuhu Conch Venture Environmental Protection Technology Co., Ltd. ("Wuhu Environmental") 蕪湖海螺環保科技有限責任公司 (i)	The PRC 13 June 2016	RMB200,000,000/ RMB200,000,000	100%	—	100%	Industrial solid and hazardous waste treatment
Huaining Conch Venture Environmental Protection Technology Co., Ltd. 懷寧海螺環保科技有限責任公司 (i)	The PRC 16 November 2016	RMB15,000,000/ RMB15,000,000	100%	—	100%	Industrial solid and hazardous waste treatment
Suzhou Conch Venture Environmental Protection Technology Co., Ltd. 宿州海創環保科技有限責任公司 (i)	The PRC 9 August 2016	RMB15,000,000 /RMB15,000,000	100%	—	100%	Industrial solid and hazardous waste treatment
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. 弋陽海螺環保科技有限責任公司 (i)	The PRC 9 November 2016	RMB15,000,000/ RMB15,000,000	100%	—	100%	Industrial solid and hazardous waste treatment
Huaibei Conch Venture Environmental Protection Technology Co., Ltd. 淮北海螺環保科技有限責任公司 (i)	The PRC 19 May 2016	RMB10,000,000/ RMB10,000,000	100%	—	100%	Industrial solid and hazardous waste treatment
Guangyuan Conch Venture Environmental Protection Technology Co., Ltd. 廣元海螺環保科技有限責任公司 (i)	The PRC 12 December 2016	RMB15,000,000/ RMB15,000,000	100%	—	100%	Industrial solid and hazardous waste treatment
Xingye Conch Venture Environmental Protection Technology Co., Ltd. 興業海螺環保科技有限責任公司 (i)	The PRC 18 January 2017	RMB15,000,000/ RMB15,000,000	100%	—	100%	Industrial solid and hazardous waste treatment

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(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Guiyang Conch Venture Environmental Protection Technology Co., Ltd. 貴陽海螺環保科技有限責任公司 (i)	The PRC 28 April 2018	RMB30,000,000/ RMB30,000,000	85%	–	85%	Industrial solid and hazardous waste treatment
Wenshan Conch Venture Environmental Protection Technology Co., Ltd. 文山海螺環保科技有限責任公司 (i)	The PRC 8 March 2017	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Chongqing Conch Venture Environmental Protection Technology Co., Ltd. 重慶海創環保科技有限責任公司 (i)	The PRC 11 September 2017	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qiyang Conch Venture Environmental Protection Technology Co., Ltd. 祁陽海創環保科技有限責任公司 (i)	The PRC 26 December 2017	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jining Conch Venture Environmental Protection Technology Co., Ltd. 濟甯海螺環保科技有限責任公司 (i)	The PRC 12 June 2017	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Chongqing Liangping Conch Venture Environmental Protection Technology Co., Ltd. 重慶市梁平區海螺環保科技有限責任公司 (i)	The PRC 12 June 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yangchun Conch Venture Environmental Protection Technology Co., Ltd. 陽春海螺環保科技有限責任公司 (i)	The PRC 27 December 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Linxiang Conch Venture Environmental Protection Technology Co., Ltd. 臨湘海螺環保科技有限責任公司 (i)	The PRC 18 January 2019	RMB20,000,000/ RMB20,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Dazhou Conch Venture Environmental Protection Technology Co., Ltd. ("Dazhou Environmental") 達州海螺環保科技有限責任公司 (i)	The PRC 9 April 2019	RMB11,400,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Longan Conch Venture Environmental Protection Technology Co., Ltd. 隆安海螺環保科技有限責任公司 (i)	The PRC 17 May 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ningguo Conch Venture Environmental Protection Technology Co., Ltd. 甯國海螺環保科技有限責任公司 (i)	The PRC 27 March 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu City Fanchang District Conch Venture Environmental Protection Technology Co., Ltd. 蕪湖市繁昌區海螺環保科技有限責任公司 (i)	The PRC 13 August 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Chizhou Conch Venture Environmental Protection Technology Co., Ltd. 池州海螺環保科技有限責任公司 (i)	The PRC 11 September 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Quanjiao Conch Venture Environmental Protection Technology Co., Ltd. 全椒海螺環保科技有限責任公司 (i)	The PRC 26 February 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Zongyang Conch Venture Environmental Protection Technology Co., Ltd. 縱陽海螺環保科技有限責任公司 (i)	The PRC 24 March 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Dongying Haiying Environmental Protection Technology Co., Ltd. 東營海瀛環保科技有限責任公司 (i)	The PRC 30 November 2020	RMB30,000,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Shuangfeng Conch Venture Environmental Protection Technology Co., Ltd. 雙峰海螺環保科技有限責任公司 (i)	The PRC 24 October 2019	RMB380,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xi'an Yaobai Environmental Protection Technology Engineering Co., Ltd. ("Xi'an Yaobai") 西安堯柏環保科技工程有限責任公司 (i)	The PRC 3 June 2013	RMB150,000,000/ RMB150,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xianyang Conch Venture Environmental Protection Technology Co., Ltd. 咸陽海螺環保科技有限責任公司 (i)	The PRC 27 October 2014	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hanzhong Yaobai Environmental Protection Technology Engineering Co., Ltd. 漢中堯柏環保科技工程有限責任公司 (i)	The PRC 27 September 2016	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qianyang Conch Venture Environmental Protection Technology Co., Ltd. 千陽海螺環保科技有限責任公司 (i)	The PRC 28 February 2017	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tongchuan Conch Venture Environmental Protection Technology Co., Ltd. 銅川海螺環保科技有限責任公司 (i)	The PRC 2 April 2018	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Fuping Conch Venture Environmental Protection Technology Co., Ltd. 富平海螺環保科技有限責任公司 (i)	The PRC 18 July 2019	RMB71,247,800/ RMB71,247,800	100%	–	100%	Industrial solid and hazardous waste treatment
Inner Mongolia Conch Venture Mengxi Technology Development Co., Ltd. 內蒙古海螺蒙西科技發展有限責任公司 (i)	The PRC 27 November 2019	RMB80,000,000/ RMB80,000,000	65%	–	65%	Investment holding
HulunBuir Haimeng Technology Development Co., Ltd. 呼倫貝爾市海蒙科技發展有限責任公司 (i)	The PRC 19 December 2019	RMB23,000,000/ RMB23,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Arong Banner Haimeng Technology Development Co., Ltd. 阿榮旗海蒙科技發展有限責任公司 (i)	The PRC 11 May 2020	RMB23,000,000/ RMB23,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ninghai Xinyuantai Environmental Protection Technology Co., Ltd. 寧海馨源泰環保科技有限公司 (i)	The PRC 11 October 2016	RMB66,666,700/ RMB66,666,700	70%	–	70%	Industrial solid and hazardous waste treatment
Yiyang Conch Venture Environmental Protection Technology Co., Ltd. 益陽海螺環保科技有限責任公司 (i)	The PRC 1 March 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xinhua Conch Venture Environmental Protection Technology Co., Ltd. 新化海螺環保科技有限責任公司 (i)	The PRC 24 March 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu Conch Venture Renewable Resources Comprehensive Utilization Co., Ltd. 蕪湖海螺再生資源綜合利用有限責任公司 (i)	The PRC 15 January 2020	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qingyang Conch Venture Environmental Protection Technology Co., Ltd. 慶陽海螺環保科技有限責任公司 (i)	The PRC 11 March 2020	RMB20,000,000/ RMB20,000,000	80%	–	80%	Industrial solid and hazardous waste treatment
Yulin Conch Environmental Protection Technology Co., Ltd. 榆林海螺環保科技有限責任公司 (i)	The PRC 30 October 2008	RMB130,000,000/ RMB130,000,000	92%	–	92%	Industrial solid and hazardous waste treatment
Jinzhou Conch Venture Environmental Protection Technology Co., Ltd. 錦州金利源環保科技有限公司 (i)	The PRC 3 August 2018	RMB75,000,000/ RMB75,000,000	80%	–	80%	Industrial solid and hazardous waste treatment
Anhui Haizhong Environmental Protection Technology Co., Ltd. 安徽海中環保有限責任公司 (i)	The PRC 14 March 2019	RMB500,000,000/ RMB500,000,000	100%	–	100%	Management of industrial solid and hazardous waste treatment business
Luoyang Haizhong Environmental Protection Technology Co., Ltd. 洛陽海中環保科技有限責任公司 (i)	The PRC 13 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jiyuan Haizhong Environmental Protection Technology Co., Ltd. 濟源海中環保科技有限責任公司 (i)	The PRC 18 June 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hangzhou Fuyang Haizhong Environmental Protection Technology Co., Ltd. 杭州富陽海中環保科技有限責任公司 (i)	The PRC 17 September 2019	RMB60,000,000/ RMB60,000,000	55%	–	55%	Industrial solid and hazardous waste treatment
Chongzuo Haizhong Environmental Protection Technology Co., Ltd. 崇左海中環保科技有限責任公司 (i)	The PRC 12 October 2019	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Guilin Haizhong Environmental Protection Technology Co., Ltd. 桂林海中環保科技有限責任公司 (i)	The PRC 24 July 2017	RMB21,000,000/ RMB21,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Dengfeng Haizhong Environmental Protection Technology Co., Ltd. 登封海中環保科技有限責任公司 (i)	The PRC 28 August 2019	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Quzhou Haizhong Environmental Protection Technology Co., Ltd. 衢州海中環保科技有限責任公司 (i)	The PRC 21 April 2020	RMB3,000,000/ RMB3,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Tai'an Dezheng Haizhong Environmental Protection Technology Co., Ltd. 泰安德正海中環保科技有限責任公司 (i)	The PRC 17 December 2019	RMB30,000,000/ RMB30,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Jiayuguan Haizhong Environmental Protection Technology Co., Ltd. 嘉峪關海中環保科技有限責任公司 (i)	The PRC 16 March 2020	RMB40,000,000/ RMB40,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Baoding Haizhong Zhongtian Environmental Protection Technology Co., Ltd. 保定海中眾天環保科技有限責任公司 (i)	The PRC 21 April 2021	RMB7,000,000/ RMB7,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Nanyang Haizhong Environmental Protection Technology Co., Ltd. 南陽海中環保科技有限責任公司 (i)	The PRC 18 May 2020	RMB60,000,000/ RMB60,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Jining Haizhong Environmental Protection Technology Co., Ltd. 濟寧海中環保科技有限責任公司 (i)	The PRC 16 June 2020	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tengzhou Haizhong Hongshun Environmental Protection Technology Co., Ltd. 滕州海中鴻順環保科技有限公司 (i)	The PRC 13 December 2019	RMB10,000,000/ RMB20,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Xin'an Haizhong Environmental Protection Technology Co., Ltd. 新安海中環保科技有限責任公司 (i)	The PRC 23 July 2020	RMB30,000,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wuhu Conch Venture Logistics Co., Ltd. 蕪湖海創物流有限責任公司 (i)	The PRC 3 March 2017	RMB32,000,000/ RMB50,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Yangchun Conch Venture Logistics Co., Ltd. 陽春海創物流有限責任公司 (i)	The PRC 7 April 2020	RMB4,300,000/ RMB10,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Shaanxi Bangda Jieshun Logistics Co., Ltd. 陝西邦達捷順運輸有限責任公司 (i)	The PRC 14 June 2019	RMB10,000,000/ RMB10,000,000	92%	–	92%	Logistics service for solid and hazardous waste
Shimen Conch Venture Environmental Protection Technology Co., Ltd. 石門海螺環保科技有限責任公司 (i)	The PRC 3 July 2020	–/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Anhui Haihua Environmental Protection Co., Ltd. 安徽海化環保有限責任公司 (i)	The PRC 18 August 2020	RMB200,000,000/ RMB250,000,000	65%	–	65%	Industrial solid and hazardous waste treatment
Quanjiao Haihua Environmental Protection Technology Co., Ltd. 全椒海化環保科技有限責任公司 (i)	The PRC 24 November 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qianxian Haihua Environmental Protection Technology Co., Ltd. 乾縣海化環保科技有限責任公司 (i)	The PRC 26 November 2020	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yunfu Haizhong Environmental Protection Technology Co., Ltd. 雲浮海中環保科技有限責任公司 (i)	The PRC 10 November 2020	RMB7,000,000/ RMB7,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Linxiang Haichuang Logistics Co., Ltd. 臨湘海創物流有限責任公司 (i)	The PRC 22 January 2021	RMB4,600,000/ RMB10,000,000	100%	–	100%	Logistics service for solid and hazardous waste
Guiyang Haihua Environmental Protection Co., Ltd. 貴陽海化環保有限責任公司 (i)	The PRC 3 June 2021	RMB1,440,000/ RMB40,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Ganzhou Haichuang Environmental Technology Co., Ltd. 贛州海創環保科技有限責任公司 (i)	The PRC 3 March 2021	RMB6,660,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Faithful Environmental Technology Limited ("Faithful Environmental") 誠信環保科技有限公司 (i) (iii)	Hong Kong 22 September 2020	HKD200/ HKD200	100%	–	100%	Investment holding
Able Bless Inc. Limited ("Able Bless") 萬福興業有限公司 (i) (iii)	Hong Kong 24 December 2015	HKD200/ HKD200	100%	–	100%	Investment holding
Western Environmental Technology Holdings Limited ("Western Environmental") 西部環保科技控股有限公司 (i) (iii)	BVI 9 September 2020	USD200/ USD50,000	100%	–	100%	Investment holding
Aqualink Global Limited ("Aqualink") (iii)	BVI 19 January 2016	USD200/ USD50,000	100%	–	100%	Investment holding
Chaohu Haichuang Environmental Technology Co., Ltd. 巢湖海螺環保科技有限責任公司 (i)	The PRC 27 May 2021	RMB6,000,000/ RMB6,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hainan Haichuang Environmental Technology Co., Ltd. 海南海創環保科技有限責任公司 (i)	The PRC 28 June 2021	RMB3,598,000/ RMB20,000,000	70%	–	70%	Industrial solid and hazardous waste treatment

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13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Chaohu Haihua Environmental Protection Technology Co., Ltd. 巢湖海化環保科技有限責任公司 (i)	The PRC 26 May 2021	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Hainan Haihua Environmental Protection Technology Co., Ltd. 海南海化環保科技有限責任公司 (i)	The PRC 29 June 2021	RMB2,000,000/ RMB50,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Tongchuan Conch Environmental Protection Technology Co., Ltd. 銅川海螺堯柏環保科技有限責任公司 (i)	The PRC 29 November 2021	RMB20,000,000/ RMB20,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Yan'an Haichuang Environmental Technology Co., Ltd. 延安海創環保科技有限責任公司 (i)	The PRC 3 March 2021	RMB12,000,000/ RMB30,000,000	60%	–	60%	Industrial solid and hazardous waste treatment
Beijing Haichuang Nengyuan Environmental Protection Technology Development Co., Ltd. 北京海創能遠環保科技發展有限公司 (i)	The PRC 5 February 2021	RMB30,000,000/ RMB100,000,000	60%	–	60%	Resource recycling service and technical consultation
Shanghai Haihuan Nengyuan Environmental Protection Technology Co., Ltd. 上海海環能遠環保科技有限責任公司 (i)	The PRC 26 April 2021	RMB5,000,000/ RMB50,000,000	100%	–	100%	Resource recycling service and technical consultation
Dezhou Haizhong Nuoke Environmental Technology Co., Ltd. 德州海中諾客環保科技有限責任公司 (i)	The PRC 15 August 2019	RMB30,000,000/ RMB30,000,000	89%	–	89%	Industrial solid and hazardous waste treatment
Juxian Haizhong Environmental Protection Technology Co., Ltd. 莒縣海中環環保科技有限責任公司 (i)	The PRC 13 January 2021	–/ RMB15,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Fujian Sanming Haizhong Environmental Protection Technology Co., Ltd. 福建三明海中環環保科技有限責任公司 (i)	The PRC 24 April 2017	RMB60,000,000 / RMB60,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Nanjing Haizhong Environmental Protection Technology Co., Ltd. 南京海中環環保科技有限責任公司 (i)	The PRC 8 February 2021	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Ganzhou Haihua Environmental Protection Technology Co., Ltd. 贛州海化環保科技有限責任公司 (i)	The PRC 30 July 2021	RMB100,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Lanzhou Haizhong Environmental Protection Technology Co., Ltd. 蘭州海中環環保科技有限責任公司 (i)	The PRC 15 October 2021	RMB30,000,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Yangchun Haihua Environmental Protection Technology Co., Ltd. 陽春海化環保科技有限責任公司 (i)	The PRC 27 October 2021	RMB750,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Pingliang Conch Environmental Protection Technology Co., Ltd. 平涼海螺環保科技有限責任公司 (i)	The PRC 23 September 2013	RMB35,000,000/ RMB35,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Mianyang Haizhong Environmental Protection Technology Co., Ltd. 綿陽市海中環保科技有限責任公司 (i)	The PRC 3 March 2022	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Junlian Haizhong Environmental Protection Technology Co., Ltd. 筠連海中環保科技有限責任公司 (i)	The PRC 8 April 2022	RMB6,890,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Dazhou Haiyu Nengyuan Environmental Protection Technology Co., Ltd. 達州海宇能遠環保科技有限公司 (i)	The PRC 10 May 2022	RMB5,000,000/ RMB10,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Liupanshui Conch Environmental Protection Technology Co. Ltd. 六盤水海螺環保科技有限責任公司 (i)	The PRC 9 December 2014	RMB32,000,000/ RMB32,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Beiliu Haihua Environmental Protection Technology Co. Ltd. 北流海化環保科技有限責任公司 (i)	The PRC 4 January 2022	RMB540,000 RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Fusui Conch Environmental Protection Technology Co., Ltd. 扶綏海螺環保科技有限責任公司 (i)	The PRC 20 May 2022	RMB4,387,200/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qingyuan Conch Environmental Protection Technology Co., Ltd. 清遠海螺環保科技有限責任公司 (i)	The PRC 3 August 2020	RMB30,000,000/ RMB30,000,000	61%	–	61%	Industrial solid and hazardous waste treatment
Shaoguan Conch Environmental Protection Technology Co., Ltd. 韶關海螺環保科技有限公司 (i)	The PRC 19 March 2019	RMB40,000,000/ RMB40,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Yiyang Haihua Environmental Protection Technology Co., Ltd. 弋陽海化環保科技有限責任公司 (i)	The PRC 20 December 2021	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Zhoushan Haichuang Environmental Protection Technology Co. Ltd. 舟山海創環保科技有限責任公司 (i)	The PRC 24 February 2022	RMB9,000,000/ RMB30,000,000	70%	–	70%	Industrial solid and hazardous waste treatment

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Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Jiande Haizhong Environmental Protection Technology Co., Ltd. 建德海中環保科技有限責任公司 (i)	The PRC 14 December 2021	RMB1,250,000/ RMB25,000,000	81%	–	81%	Industrial solid and hazardous waste treatment
Wuhu Haihuan Luyuan Environmental Protection Technology Co., Ltd. 蕪湖海環綠源環保科技有限責任公司 (i)	The PRC 17 February 2022	RMB15,000,000/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Anhui Haihuan Environmental Protection Technology Co., Ltd. 安徽海環環保科技有限責任公司 (i)	The PRC 20 April 2022	RMB3,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Tongling Haihuan Nengyuan Environmental Protection Technology Co., Ltd. 銅陵海環能遠環保科技有限責任公司 (i)	The PRC 12 January 2022	RMB10,000,000/ RMB10,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Yiyang Haizhong Environmental Protection Technology Co., Ltd. 宜陽海中環保科技有限責任公司 (i)	The PRC 10 January 2022	RMB4,400,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Binzhou Haichuang Environmental Protection Technology Co., Ltd. 濱州海創環保科技有限責任公司 (i)	The PRC 9 April 2021	RMB50,000,000/ RMB50,000,000	70%	–	70%	Industrial solid and hazardous waste treatment
Baoding Haizhong Environmental Protection Technology Co., Ltd. 保定海中環保科技有限責任公司 (i)	The PRC 13 May 2022	RMB700,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Xingtai Conch Environmental Protection Technology Co., Ltd. 邢臺海螺環保科技有限責任公司 (i)	The PRC 25 March 2022	RMB1,200,000/ RMB30,000,000	100%	–	35%	Industrial solid and hazardous waste treatment
Sanming Haihua Environmental Protection Technology Co., Ltd. 三明海化環保科技有限責任公司 (i)	The PRC 17 May 2022	–/ RMB15,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Zhongxian Conch Environmental Protection Technology Co., Ltd. 忠縣海螺環保科技有限責任公司 (i)	The PRC 19 May 2022	RMB20,000,000/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Leshan Shawan Haizhong Environmental Engineering Co., Ltd. 樂山沙灣海中環境工程有限責任公司 (i)	The PRC 26 October 2023	RMB600,000/ RMB5,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Wenshan Conch Environmental Protection Technology Development Co., Ltd. 文山海螺環保科技發展有限責任公司 (i)	The PRC 10 May 2023	RMB400,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place and date of incorporation / establishment	Issued and fully paid-up capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Wuhan Hanshi Environmental Protection Engineering Co., Ltd. 武漢漢氏環保工程有限公司 (i)	The PRC 21 August 2003	RMB50,000,000/ RMB50,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Changjiang Conch Environmental Renewable Resources Co., Ltd. 昌江海螺環保再生資源有限責任公司 (i)	The PRC 21 November 2023	RMB16,500,000/ RMB30,000,000	51%	–	51%	Industrial solid and hazardous waste treatment
Hainan Conch Environmental Protection Technology Co., Ltd. 海南海螺環保科技有限責任公司 (i)	The PRC 21 February 2023	RMB1,500,000/ RMB1,500,000	51%	–	51%	Industrial solid and hazardous waste treatment
Wuhu Conch Environmental Energy Co., Ltd. 蕪湖海螺環保能源有限責任公司 (i)	The PRC 16 May 2023	RMB5,000,000/ RMB5,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Chizhou Conch Environmental Energy Co., Ltd. 池州海螺環保能源有限責任公司 (i)	The PRC 11 September 2023	RMB15,000,000/ RMB15,000,000	67%	–	67%	Industrial solid and hazardous waste treatment
Harbin Haihuanengyuan Environmental Protection Technology Co., Ltd. 哈爾濱海環能遠環保科技有限責任公司 (i)	The PRC 16 May 2023	RMB1,000,000/ RMB5,000,000	100%	–	100%	Resource recycling service and technical consultation
Zhoushan Haizhong Environmental Protection Technology Co., Ltd. 確山海中環保科技有限責任公司 (i)	The PRC 22 May 2023	RMB100,000/ RMB30,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Taizhou Conch Environmental Protection Technology Co., Ltd. 台州海螺環保科技有限責任公司 (i)	The PRC 5 July 2024	RMB36,000,000/ RMB36,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Qingyuan Qingxin Conch Environmental Protection Technology Co., Ltd. 清遠市清新海螺環保科技發展有限責任公司 (i)	The PRC 27 December 2024	RMB300,000/ RMB3,000,000	100%	–	100%	Industrial solid and hazardous waste treatment
Shenzhen Conch Environmental Protection Co., Ltd. 深圳海螺環保有限責任公司 (i)	The PRC 23 January 2025	RMB5,000,000/ RMB15,000,000	55%	–	55%	Industrial solid and hazardous waste treatment
Fenyi Conch Environmental Protection Technology Co., Ltd. 分宜海螺環保科技有限責任公司 (i)	The PRC 25 August 2025	–/ RMB20,000,000	100%	–	100%	Industrial solid and hazardous waste treatment

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(Expressed in Renminbi Yuan unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

(i) The English translation of the companies' names is for reference only. The official names of the companies established in the PRC are in Chinese.

(ii) **Control over Conch CNBM HK**

Although the Group holds a 50% equity interest in Conch CNBM HK, the Group owns a casting vote on the relevant activities of Conch CNBM HK and has the power to appoint and remove the majority of the members of the board of directors by virtue of an agreement with China National Building Material Group Co., Ltd. ("CNBM"). The management of the Group considers that the Group holds the majority of substantive voting rights, so that the Group has sufficiently dominant voting power to direct the relevant activities of Conch CNBM HK and affect the variable returns from its involvement with the entity and therefore has control over Conch CNBM HK. As a result, Conch CNBM HK is accounted for as a subsidiary of the Company.

(iii) Except for Conch Environment Protection BVI, Western Environmental and Aqualink which are incorporated in the British Virgin Islands, Conch Venture International, Conch CNBM HK, Faithful Environmental and Able Bless which are incorporated in Hong Kong, the entities disclosed in the above table are incorporated as limited liability companies and operated in the PRC.

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14 INTERESTS IN ASSOCIATES

The following list contains associates of the Group, which are unlisted corporate entities, for which no quoted market price is available:

Name of associate	Form of business structure	Place of incorporation and operation	Registered capital/ authorised and paid-in capital	Proportion of ownership interest Group's effective interest		Principal activities
				As at 31 December		
				2025	2024	
Jiangsu Jiexia Environmental Protection Technology Co., Ltd. (Jiexia Environmental) (江蘇傑夏環保科技有限公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB80,000,000/ RMB80,000,000	35%	35%	Industrial solid and hazardous waste treatment
Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. (雲浮光嘉海中環保科技有限公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB60,000,000/ RMB60,000,000	40%	40%	Industrial solid and hazardous waste treatment
Chongqing Nantong Environmental Protection Technology Co., Ltd. (重慶南桐環保科技有限公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB30,000,000/ RMB30,000,000	35%	35%	Industrial solid and hazardous waste treatment
Nanchen Nuoke Haizhong Environmental Protection Technology Co., Ltd. (南城諾客海中環保科技有限責任公司) (i)(ii)	Incorporated as limited liability company	The PRC	RMB18,000,000/ RMB18,000,000	49%	49%	Industrial solid and hazardous waste treatment

(i) These PRC entities are limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(ii) The associates mentioned above are accounted for using the equity method in the consolidated financial statements and were not individually material.

The information of associates that are not individually material is as follows:

	2025 RMB'000	2024 RMB'000
Share of net assets	68,785	73,943
Provisions for impairment losses	(33,761)	–
	35,024	73,943
Amounts of the Group's share of associates		
Losses from continuing operations	(5,158)	(5,517)
Total comprehensive income	(5,158)	(5,517)
Dividend received	–	1,400

The Group carried out an impairment assessment for the investment in Jiexia Environmental as the carrying amount of the investments exceeded the recoverable amount of the investments held by the Group as at 31 December 2025. An impairment loss of RMB33,761,000 (2024: Nil) has been charged to the consolidated statement of profit or loss for the year as the recoverable amount was lower than its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2025 RMB'000	2024 RMB'000
Raw materials	15,649	13,232
Work in progress	3,420	23,600
Finished goods	1,626	1,693
	20,695	38,525

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories used	167,640	153,302

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	2025 RMB'000	2024 RMB'000
Trade receivables		
— Third parties	690,263	808,542
— Related parties (Note 30(c))	119,178	82,112
Bills receivable, carried at amortised cost	35,051	78,526
Bills receivable, carried at FVTOCI	19,421	6,337
Less: Loss allowance (Note 17(b))	(118,495)	(70,381)
Trade and bills receivables	745,418	905,136
Other receivables		
— Deposits	16,774	16,534
— VAT recoverable	35,397	41,860
— Others	28,623	12,847
— Less: Loss allowance (Note 17(b))	(1,410)	—
Prepayments	21,807	21,841
Current portion of trade and other receivables and other assets	846,609	998,218
Non-current portion of trade and other receivables and other assets (i)	179,616	293,991
Total current and non-current trade and other receivables and other assets	1,026,225	1,292,209

All of the current portion of trade and other receivables and other assets is expected to be recovered within one year.

All of the amounts due from related parties are unsecured, non-interest bearing and repayable on demand.

- (i) Non-current portion of trade and other receivables and other assets mainly consists of non-current portion of VAT recoverable, which is expected to be deducted after one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

The Group discounted bank acceptance bills to certain banks in Chinese Mainland or endorsed them to the Group's suppliers and derecognised them ("derecognised notes"). As at 31 December 2025, bills discounted or endorsed but not yet due by the Group and derecognised were RMB70,726,000 (31 December 2024: RMB64,938,000). As at 31 December 2025, these undue notes receivable had maturities of less than one year.

According to the Bills Law of the PRC, if the accepting banks refused to make payment, the bearer of the bill may exercise the right of recourse against any one, several or all of the bill debtors, including the Group, without regard to the order of the debtors of the bill of exchange (the "continuous involvement"). The Group management considered that the risks and rewards of ownership of these undue bills had been substantially transferred, and therefore derecognised them and the settled accounts payable associated with them in full and recognised discount fees. The maximum exposures to loss and undiscounted cash flows from its continuous involvement and repurchases are equal to their carrying value. The Group management considered that the fair value of the continuous involvement is not material.

As at 31 December 2025, undue bank acceptance notes receivable of RMB21,602,000 (2024: RMB53,036,000) endorsed to its suppliers to settle the trade payables were not derecognised because management believed that the credit risks of ownership had not been substantially transferred. All these undue bank acceptance notes receivable were due within 1 year.

As at 31 December 2025, undue bank acceptance notes receivable of RMB500,000 (2024: RMB4,064,000) discounted to banks were not derecognised because management believed that the credit risks of ownership had not been substantially transferred. The short-term bank loan was recognised accordingly. All these undue bank acceptance notes receivable were due within 1 year.

Due to the requirement of cash management, the Group endorsed part of the bank acceptance notes receivable to the suppliers. The business model of bank acceptance notes management is for the purpose of collecting cash flows from contracts and sales. Therefore, as at 31 December 2025, the Group classified bank acceptance notes receivable of RMB19,421,000 (2024:RMB6,337,000) as bank acceptance notes receivable carried at fair value and the changes are included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables and other assets), based on the past-due ageing and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
Current	644,341	781,455
Less than 1 year	90,830	118,023
1 to 2 years	10,247	5,658
	745,418	905,136

Details of the Group's credit policy and credit risk arising from trade receivables and bills receivable are set out in note 27(a).

(b) Loss allowance for trade and other receivables and other assets

Movement in the loss allowance account in respect of trade and other receivables and other assets during the year is as follows:

	2025 RMB'000	2024 RMB'000
At the beginning of the year	70,381	50,751
Impairment losses recognised	49,524	19,630
At the end of the year	119,905	70,381

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2025	2024
	RMB'000	RMB'000
Cash at bank and on hand	577,214	471,528
Less: Restricted bank deposits (Note)	(55,426)	(125,906)
Bank deposits with original maturity over three months	(84,000)	–
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	437,788	345,622

Note: As at 31 December 2025, restricted bank deposits of RMB55,426,000 (2024: RMB125,906,000) mainly represent frozen funds, deposits for issuing bank acceptance bills payable and cash deposits held as collateral for outstanding letters of guarantee issued by financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of profit/loss before taxation to cash generated from operations:

	Note	2025 RMB'000	2024 RMB'000
Profit/(Loss) before taxation		(340,578)	10,027
Adjustments for:			
Depreciation of owned property, plant and equipment	5(c)	359,114	289,863
Depreciation of right-of-use assets	5(c)	10,810	10,943
Amortisation of intangible assets	5(c)	17,920	17,724
Loss allowance for trade and other receivables and other assets	5(c)	49,524	19,630
Net (gain)/loss on disposal of right-of-use assets and property, plant and equipment	4	(76)	323
Impairment loss on property, plant and equipment	5(c)	59,139	10,370
Impairment loss on interests in associates	5(c)	33,761	–
Finance costs	5(a)	107,598	117,259
Interest income	4	(3,631)	(5,690)
Unsecured MTNs issuance fee		–	547
Share of losses of associates		5,158	5,517
Operating profit before changes in working capital		298,739	476,513
(Increase)/decrease in inventories		17,830	(7,060)
(Increase)/decrease in restricted bank deposits		59,480	(85,931)
Decrease in trade and other receivables and other assets		123,724	78,215
Increase in trade and other payables		47,733	1,217
Increase in contract liabilities		3,806	3,204
Increase in deferred income		26,219	–
Cash generated from operations		577,531	466,158

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities:

	Unsecured MTNs*	Loans and borrowings*	Dividends payable	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 23)	(Note 18)	(Note 19)	(Note 22)	
At 1 January 2024	–	4,263,173	27,182	7,853	4,298,208
Changes from financing cash flows:					
New loans and borrowings	–	1,691,049	–	–	1,691,049
Repayment of loans and borrowings	–	(2,801,174)	–	–	(2,801,174)
Proceeds from bonds issuance	1,500,000	–	–	–	1,500,000
Payment of dividends payable to the then-shareholders of acquired subsidiaries	–	–	(700)	–	(700)
Capital element of lease rentals paid	–	–	–	(2,028)	(2,028)
Interest element of lease rentals paid	–	–	–	(454)	(454)
Interest paid	–	(139,521)	–	–	(139,521)
Total changes from financing cash flows	1,500,000	(1,249,646)	(700)	(2,482)	247,172
Other changes:					
Interest expenses (Note 5(a))	9,230	107,575	–	454	117,259
Capitalised borrowing costs (Note 5(a))	3,816	29,726	–	–	33,542
Profit distribution to non-controlling interests	–	–	4,737	–	4,737
Increase in lease liabilities due to new leases during the year	–	–	–	4,641	4,641
Total other changes	13,046	137,301	4,737	5,095	160,179

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Unsecured MTNs*	Loans and borrowings*	Dividends payable	Lease liabilities	Total
	RMB'000 (Note 23)	RMB'000 (Note 18)	RMB'000 (Note 19)	RMB'000 (Note 22)	RMB'000
At 31 December 2024 and 1 January 2025	1,513,046	3,150,828	31,219	10,466	4,705,559
Changes from financing cash flows:					
New loans and borrowings	–	464,222	–	–	464,222
Repayment of loans and borrowings	–	(1,492,681)	–	–	(1,492,681)
Proceeds from bonds issuance	1,000,000	–	–	–	1,000,000
Payment of dividends payable to non-controlling interests	–	–	(15,218)	–	(15,218)
Capital element of lease rentals paid	–	–	–	(4,311)	(4,311)
Interest element of lease rentals paid	–	–	–	(606)	(606)
Interest paid	(31,950)	(75,857)	–	–	(107,807)
Total changes from financing cash flows	968,050	(1,104,316)	(15,218)	(4,917)	(156,401)
Other changes:					
Interest expenses (Note 5(a))	36,337	70,655	–	606	107,598
Capitalised borrowing costs (Note 5(a))	8,047	4,109	–	–	12,156
Profit distribution to non-controlling interests	–	–	11,243	–	11,243
Increase in lease liabilities due to new leases during the year	–	–	–	6,933	6,933
Total other changes	44,384	74,764	11,243	7,539	137,930
At 31 December 2025	2,525,480	2,121,276	27,244	13,088	4,687,088

NOTES TO THE FINANCIAL STATEMENTS

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17 CASH AND CASH EQUIVALENTS *(Continued)*

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statement for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	5,788	3,462
Within financing cash flows	4,917	2,482
	10,705	5,944

These amounts relate to the following:

	2025 RMB'000	2024 RMB'000
Lease rentals paid	10,705	5,944

18 LOANS AND BORROWINGS

	2025 RMB'000	2024 RMB'000
Current	713,946	867,687
Non-current	1,407,330	2,280,178
Total	2,121,276	3,147,865

NOTES TO THE FINANCIAL STATEMENTS

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18 LOANS AND BORROWINGS *(Continued)*

(a) As at 31 December 2025, the bank loans and other interest-bearing borrowings were repayable as follows:

	2025 RMB'000	2024 RMB'000
Within one year	713,946	867,687
After one year but within two years	981,785	882,455
After two years but within five years	382,229	1,264,658
After five years	43,316	133,065
Total	2,121,276	3,147,865

(b) As at 31 December 2025, the bank loans and other interest-bearing borrowings were secured as follows:

	2025 RMB'000	2024 RMB'000
Bank loans		
— Secured	165,635	187,683
— Unsecured	1,950,641	2,934,148
— Bills discounted	500	4,064
Other interest-bearing borrowings		
— Guaranteed	4,500	21,970
Total	2,121,276	3,147,865

As at 31 December 2025, the bank loans of the Group amounting to RMB73,349,000 (2024: RMB77,280,000) were secured by machinery and equipment of Luoyang Haizhong Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

As at 31 December 2025, the bank loans of the Group amounting to RMB74,677,000 (2024: RMB47,550,000) were secured by plant and buildings and land use rights of Ninghai Xinyuantai Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

As at 31 December 2025, the bank loans of the Group amounting to RMB17,609,000 were secured by machinery and equipment of Ninghai Xinyuantai Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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18 LOANS AND BORROWINGS *(Continued)*

(b) As at 31 December 2025, the bank loans and other interest-bearing borrowings were secured as follows: *(Continued)*

As at 31 December 2025, the bank loans of the Group amounting to Nil (2024: RMB62,853,000) were secured by plant and building of Zhongxian Conch Environmental Protection Technology Co., Ltd., a subsidiary of the Group.

As at 31 December 2025, other interest-bearing borrowings of the Group amounting to RMB4,500,000 (2024: RMB21,970,000) were guaranteed by an independent third party.

19 TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables		
— Third parties	320,898	271,506
— Related parties (Note 30(c))	55,936	66,253
Bills payable	65,127	93,744
Trade and bills payables	441,961	431,503
Other payables and accruals		
— Construction and equipment payables	371,336	434,863
— Deposits	36,461	33,132
— Other taxes and surcharges payables	9,591	10,339
— Accrued payroll and other benefits	101,624	107,924
— Accrued expenses	81,652	65,023
— Unsecured MTNs Due within One Year	25,480	13,046
— Others	35,739	29,660
	1,103,844	1,125,490
Dividends payable	27,244	31,219
Amounts due to related parties (Note 30(c))		
— Construction and equipment payables	203,841	224,777
— Others	3,088	1,274
Trade and other payables	1,338,017	1,382,760

NOTES TO THE FINANCIAL STATEMENTS

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19 TRADE AND OTHER PAYABLES *(Continued)*

An ageing analysis of trade and bills payables of the Group is as follows:

	2025	2024
	RMB'000	RMB'000
Within 1 year	441,961	431,503

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) **Income tax payables in the consolidated statement of financial position represent:**

	2025	2024
	RMB'000	RMB'000
Balance at the beginning of the year	3,128	5,658
Provision for current income tax for the year (Note 6(a))	22,444	29,545
Payments during the year	(24,634)	(32,075)
Balance at the end of the year	938	3,128

NOTES TO THE FINANCIAL STATEMENTS

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20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Right-of-use assets RMB'000	Tax Losses RMB'000	Lease liabilities RMB'000	Unrealised profit upon elimination RMB'000	Loss allowance for trade receivables RMB'000	Fair value adjustment in relation to business combination RMB'000	Deferred income RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
Deferred tax assets/ (liabilities) arising from:									
At 1 January 2024	(1,196)	-	1,178	3,479	7,512	(33,228)	-	(4,966)	(27,221)
(Debited)/Credited to profit or loss	(332)	-	392	1,733	3,045	4,346	-	4,966	14,150
At 31 December 2024 and 1 January 2025	(1,528)	-	1,570	5,212	10,557	(28,882)	-	-	(13,071)
(Debited)/Credited to profit or loss	(483)	3,634	374	(3,032)	7,217	3,841	4,820	-	16,371
At 31 December 2025	(2,011)	3,634	1,944	2,180	17,774	(25,041)	4,820	-	3,300

(ii) Reconciliation to the consolidated statement of financial position:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	30,352	17,339
Net deferred tax liabilities recognised in the consolidated statement of financial position	(27,052)	(30,410)
	3,300	(13,071)

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20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(t), the Group has not recognised deferred tax assets in respect of tax losses of RMB92,157,000 (2024: RMB48,319,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire within five years under current tax legislation.

(d) Deferred tax liabilities not recognised:

The Group has not recognised deferred tax liabilities as at 31 December 2025 in respect of undistributed earnings of RMB1,881,591,000 (2024: RMB2,252,832,000) of PRC subsidiaries because the Group has no plans to distribute these earnings outside the PRC in the foreseeable future.

21 CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Receipts in advance from customers for: Provision of treatment solutions for industrial solid and hazardous waste	20,631	16,825

Movements in contract liabilities

	2025 RMB'000	2024 RMB'000
Balance at 1 January	16,825	13,621
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(16,825)	(13,621)
Increase in contract liabilities as a result of receiving forward sales deposits during the year in respect of waste treatment solution contract as at the year end	20,631	16,825
Balance at 31 December	20,631	16,825

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The contract liabilities are expected to be recognised as revenue within one year.

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(Expressed in Renminbi Yuan unless otherwise indicated)

22 LEASE LIABILITIES

At 31 December 2025, the lease liabilities were payable:

	2025	2024
	RMB'000	RMB'000
Within 1 year	1,519	1,537
After 1 year but within 2 years	855	947
After 2 years but within 5 years	2,176	2,344
After 5 years	8,538	5,638
Balance at the end of the year	13,088	10,466

23 UNSECURED MEDIUM-TERM NOTES (“MTNs”)

	2025	2024
	RMB'000	RMB'000
Unsecured MTNs	2,525,480	1,513,046
Less: Unsecured MTNs Due within One Year	25,480	13,046
	2,500,000	1,500,000

Anhui Conch Environment Group Co., Ltd. (“Conch Environment Group”), a subsidiary of the Company, has successfully issued Unsecured MTN in the aggregate amount of not more than RMB3.0 billion (the “Medium-term Notes”) with a validity period of two years from 25 July 2024, the completion of registration date. On 7 August 2024, the first batch of RMB1.5 billion of the Medium-term Notes has been issued. On 23 April 2025, the second batch of RMB1.0 billion of the Medium-term Notes has been issued.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

24 DEFERRED INCOME

	2025 RMB'000
At 1 January	–
Government grants received (note)	27,678
Recognised in the consolidated statement of profit or loss	(1,459)
At 31 December	26,219

Note: Deferred income mainly represents the government grants received from relevant PRC authorities for property, plant and equipment improvement. The grants are recognised in the consolidated statement of profit or loss over the estimated useful lives of the respective assets. There are no unfulfilled conditions and contingencies relating to the grants.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2024	14,837	1,184,167	29,567	(47,323)	1,181,248
Loss and total comprehensive income for the year	–	–	–	51,472	51,472
Dividends approved in respect of the previous years	–	(51,332)	–	–	(51,332)
Balance at 31 December 2024 and 1 January 2025	14,837	1,132,835	29,567	4,149	1,181,388
Loss and total comprehensive income for the year	–	–	–	5,530	5,530
Balance at 31 December 2025	14,837	1,132,835	29,567	9,679	1,186,918

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year (2024: HKD3 cents per share)	–	51,332

No final dividends were proposed during the year of 2025 (2024: HKD54,803,000, equivalent to approximately RMB51,332,000).

No final dividends were proposed after the end of the reporting period (2024: Nil).

(c) Share capital

The Company was incorporated on 2 March 2020 in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the Company's authorised share capital was HKD\$150,000,000, divided into 15,000,000,000 ordinary shares ("Shares") with a per value of HKD\$0.01 each.

On 16 March 2022, the Board of China Conch Venture Holdings Limited ("Conch Venture", the ultimate parent company of the Company before the Company completed its spin-off from Conch Venture on 30 March 2022) declared a distribution of an aggregate of 1,826,765,059 Shares to the qualifying Conch Venture shareholders, representing all the issued Shares of the Company, at the capitalisation of HKD\$18,267,651 (equivalent to approximately RMB14,837,000) from the share premium account of the Company. There were no movements during 16 March 2022 to 31 December 2025.

The share capital in the consolidated statement of financial position as at 31 December 2025 represented the issued share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium and distributability of reserves

Under the Companies Act of the Cayman Islands, the share premium account of the Company may be applied for the payment of distributions or dividends to shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

On 26 August 2021, 27 August 2021, 30 August 2021 and 13 September 2021, the Company allotted and issued one share, one share, two shares and one share, respectively, to Conch Venture at the issue price of HKD0.01 per share to settle the balance of amounts due to related parties amounting to RMB1,199,004,000 in total. The differences between the amounts due to related parties and share capital issued has been recorded in share premium.

(ii) Capital reserve

Capital reserve arises from:

- Deemed distributions to the controlling shareholder upon reorganization during the year ended 31 December 2020.
- Acquisition of non-controlling interests in Yulin Conch Environmental Protection Technology Co., Ltd. and Dazhou Environmental during the year ended 31 December 2022.
- Deemed contribution from the ultimate parent company representing the liabilities waived by the ultimate parent company during the year ended 31 December 2021.

(iii) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meetings.

For the entities concerned, PRC statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 50% of the entity's registered capital.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iv) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of debt to asset ratio. The Group defines debt to asset ratio as total liabilities divided by total assets.

The Group's strategy was to maintain the debt to asset ratio at a reasonable level. The Group's debt to asset ratios at 31 December 2025 and 2024 were as follows:

	2025	2024
	RMB'000	RMB'000
Total liabilities	6,053,982	6,091,454
Total assets	9,363,985	9,750,378
Debt to asset ratio	64.65%	62.47%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

26 DISPOSAL OF SUBSIDIARIES

During the year of 2025, the Group disposed Zhejiang Haiyu Nengyuan Environmental Protection Technology Co., Ltd., Changshan Haiyu Nengyuan Environmental Protection Technology Co., Ltd., and Xiangtan Haihuan Nengyuan Environmental Protection Technology Co., Ltd. to a third party. The aggregate impact of these disposals on the financial statements is set out below:

	2025 RMB'000
Net assets disposed of:	
Property, plant and equipment	11,703
Cash and bank balances	14,014
Trade and other receivables and other assets	8,706
Trade and other payables	(23,687)
Non-controlling interests	(4,057)
Subtotal	6,679
Total consideration	6,679
Satisfied by:	
Cash	6,679

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2025 RMB'000
Cash consideration	6,679
Cash and bank balances disposed of	(14,014)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(7,335)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's bank deposits are held with banks located in the Chinese Mainland and Hong Kong which management believes are of high credit quality. Accordingly, the Group's credit risk is primarily attributable to trade and other receivables and other assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2025, 0.5% (2024: 0.2%) of the total trade and other receivables and other assets were due from the Group's largest customer and 6.2% (2024: 6%) of the total trade and other receivables and other assets were due from the Group's five largest customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and their current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Trade receivables from customers with known financial difficulties or significant doubt on collection are individually assessed for ECLs, and the remaining trade receivables are assessed collectively using provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Except for the financial guarantees given by the Group as set out in note 29, the Group does not provide any other guarantees that would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 29.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivable:

	As at 31 December 2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.95%	595,519	(5,650)
Less than 1 year past due	14.05%	105,680	(14,850)
1 to 2 years past due	71.32%	35,726	(25,479)
Over 2 years	100.00%	19,684	(19,684)
Individual assessment	100.00%	52,832	(52,832)
		809,441	(118,495)
	As at 31 December 2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.53%	700,296	(3,703)
Less than 1 year past due	10.81%	132,320	(14,298)
1 to 2 years past due	79.00%	26,947	(21,289)
Over 2 years	100.00%	12,550	(12,550)
Individual assessment	100.00%	18,541	(18,541)
		890,654	(70,381)

Expected loss rates are based on the historical loss rates calculated using the migration model, with adjustments made for forward-looking factors on this basis.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2025					
	Contractual undiscounted cash outflow					Carrying amount RMB'000
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	
Loans and borrowings	759,519	1,008,910	392,002	45,784	2,206,215	2,121,276
Unsecured MTNs	49,950	49,950	2,581,900	–	2,681,800	2,525,480
Trade and other payables	1,338,017	–	–	–	1,338,017	1,338,017
Lease liabilities	2,034	1,305	3,338	11,700	18,377	13,088
	2,149,520	1,060,165	2,977,240	57,484	6,244,409	5,997,861

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	As at 31 December 2024					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000	Total RMB'000	
Loans and borrowings	950,692	959,288	1,323,974	203,949	3,437,903	3,147,865
Unsecured MTNs	33,708	33,708	1,582,538	–	1,649,954	1,500,000
Trade and other payables	1,382,760	–	–	–	1,382,760	1,382,760
Lease liabilities	1,613	1,017	2,545	6,890	12,065	10,466
	2,368,773	994,013	2,909,057	210,839	6,482,682	6,041,091

(c) Interest rate risk

(i) Interest rate profile

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group's interest rate profile as monitored by management is set out below.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile *(Continued)*

The Group's cash at bank, loans to related parties and interest-bearing borrowings, and their interest rates as at 31 December 2025 and 2024 are set out as follows:

	2025		2024	
	Interest rate %	RMB'000	Interest rate %	RMB'000
Fixed rate:				
Cash at bank and on hand	0.30–1.00	112,600	–	–
Bank deposits with original maturity over three months	0.85–1.40	84,000	–	–
Restricted bank deposits	0.95	1,096	–	–
Loans and borrowings	2.35–2.98	(489,819)	–	–
Unsecured MTNs	1.80/2.13	(2,500,000)	2.13	(1,500,000)
		(2,792,123)		(1,500,000)
Variable rate:				
Cash at bank and on hand	0.05–0.55	325,188	0.10	384,944
Restricted bank deposits	0.05–1.45	54,330	0.10	89,102
Loans and borrowings	2.24–3.30	(1,631,457)	2.31–4.65	(3,142,129)
		(1,251,939)		(2,668,083)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2025, the Group does not hold fixed-rate financial instruments measured at fair value. The risk of market interest rate fluctuations faced by the Group is primarily associated with its floating-rate financial instruments.

At 31 December 2025, for the floating-rate non-derivative financial instruments that expose to cash flow interest rate risk held by the group at the end of the reporting period. It is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax (2024: decreased/increased the Group's loss after tax) and retained profits by approximately RMB2,429,000 (2024: RMB5,590,000).

(d) Currency risk

The functional currency of the Group's subsidiaries in Chinese Mainland is RMB. Almost all the Group's operating activities are carried out in Chinese Mainland with most of the transactions denominated in RMB. The Group considers the risk of movements in exchange rates to be insignificant.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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(Expressed in Renminbi Yuan unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy (Continued)

As at 31 December 2025, the carrying amount of financial assets and liabilities measured at fair value was RMB19,421,000 (31 December 2024: RMB6,337,000).

	Fair value at 31 December 2025 RMB'000	Fair value measurements as at 31 December 2025 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets				
— Bills receivable, carried at FVTOCI	19,421	–	19,421	–

	Fair value at 31 December 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets				
— Bills receivable, carried at FVTOCI	6,337	–	6,337	–

Recurring fair value measurement

Financial assets				
— Bills receivable, carried at FVTOCI	6,337	–	6,337	–

During the years ended 31 December 2025 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward exchange contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

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27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(ii) Fair values of financial assets and liabilities carried at other than fair value

All other financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 31 December 2025 and 2024.

28 CAPITAL COMMITMENTS

At 31 December 2025, the Group had capital commitments not provided for in the consolidated financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for	65,727	77,832
Authorised but not contracted for	212,067	325,836
	277,794	403,668

29 CONTINGENT LIABILITIES

At 31 December 2025, the Company provided guarantees for the bank loans of its subsidiaries, with a guarantee amount of RMB340,290,000 (2024: RMB1,195,964,000). The directors of the Company consider that the Company will not have significant risks due to such guarantees.

NOTES TO THE FINANCIAL STATEMENTS

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30 MATERIAL RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered as related party transactions.

Name of party (i)	Relationship
China Conch Venture Holdings Limited ("Conch Venture") 中國海螺創業控股有限公司	Major shareholder of Conch Holdings
Yanshan Conch Venture Environment Engineering Co., Ltd. 硯山海創環境工程有限責任公司	Subsidiary of Conch Venture
Yiyang Conch Venture Environment Energy Co., Ltd. 弋陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Sishui Conch Venture Environment Engineering Co., Ltd. 泗水海螺創業環境工程有限責任公司	Subsidiary of Conch Venture
Shanggao Conch Venture Environmental Protection Technology Co., Ltd. 上高海創環保科技有限公司	Subsidiary of Conch Venture
XianYang Conch Venture Environment Energy Co., Ltd. 咸陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Tongchuan Conch Venture Environment Energy Co., Ltd. 銅川海創環境能源有限責任公司	Subsidiary of Conch Venture
Fusui Conch Venture Environment Engineering Co., Ltd. 扶綏海創環境工程有限責任公司	Subsidiary of Conch Venture
Zongyang Conch Venture Environmental Protection Technology Co., Ltd. 縱陽海創環保科技有限責任公司	Subsidiary of Conch Venture
Dexing Haichuang Environmental Protection Technology Co., Ltd. 德興海創環保科技有限責任公司	Subsidiary of Conch Venture

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(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Anhui Conch Kawasaki Engineering Co., Ltd. 安徽海螺川崎工程有限公司	Subsidiary of Conch Venture
Shanghai Conch Kawasaki Engineering Co., Ltd. 上海海螺川崎節能環保工程有限公司	Subsidiary of Conch Venture
Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd. 安徽海螺川崎節能設備製造有限公司	Subsidiary of Conch Venture
Anhui Conch Venture Recycling Technology Co., Ltd. 安徽海創循環科技有限公司	Subsidiary of Conch Venture
Bozhou Conch Venture New Energy-saving Building Material Co., Ltd. 亳州海創新型節能建築材料有限責任公司	Subsidiary of Conch Venture
Jiangxi Jingsheng Environmental Protection Co., Ltd. 江西景聖環保有限公司	Subsidiary of Conch Venture
Hunan Huiming Environmental Protection Technology Co., Ltd. 湖南惠明環保科技有限公司	Subsidiary of Conch Venture
Guiyang Conch Venture Environmental Energy Co., Ltd. 貴陽海創環境能源有限責任公司	Subsidiary of Conch Venture
Xichou Conch Venture Energy technology Co., Ltd. 西疇海創新能源科技有限責任公司	Subsidiary of Conch Venture
Binzhou Conch Venture Environmental Protection Energy Co., Ltd. 彬州海創環保能源有限責任公司	Subsidiary of Conch Venture
Yangxian Conch Venture Environmental Protection Technology Co., Ltd. 洋縣海創環保科技有限責任公司	Subsidiary of Conch Venture

NOTES TO THE FINANCIAL STATEMENTS

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30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Pingliang Conch Venture Energy Technology Co., Ltd. 平涼海創能源科技有限責任公司	Subsidiary of Conch Venture
Kunming Conch Venture Environment Engineering Co., Ltd. 昆明海創環境工程有限責任公司	Subsidiary of Conch Venture
Anhui Conch Cement Co., Ltd. ("Conch Cement") 安徽海螺水泥股份有限公司	The ultimate parent company
Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司	Subsidiary of Conch Cement
Anhui Digang Conch Cement Co., Ltd. ("Digang Conch") 安徽荻港海螺水泥股份有限公司	Subsidiary of Conch Cement
Anhui Zongyang Conch Cement Co., Ltd. ("Zongyang Conch") 安徽縱陽海螺水泥股份有限公司	Subsidiary of Conch Cement
Anhui Chizhou Conch Cement Co., Ltd. ("Chizhou Conch") 安徽池州海螺水泥股份有限公司	Subsidiary of Conch Cement
Anhui Jinggong Testing and Inspection Center Co., Ltd. 安徽精公檢測檢驗中心有限公司	Subsidiary of Conch Cement
Hainan Changjiang Conch Cement Co., Ltd. 海南昌江海螺水泥有限公司	Subsidiary of Conch Cement
Xiangshan Conch Cement Co., Ltd. 象山海螺水泥有限責任公司	Subsidiary of Conch Cement
Conch Material Trading Co., Ltd. 安徽海螺物資貿易有限責任公司	Subsidiary of Conch Cement

NOTES TO THE FINANCIAL STATEMENTS

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30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Anhui Zhizhi Engineering Technology Co., Ltd. 安徽智質工程技術有限公司	Subsidiary of Conch Cement
Anhui Wuhu Conch Construction and Installation Engineering Co., Ltd. 安徽蕪湖海螺建築安裝工程有限責任公司	Subsidiary of Conch Cement
Shimen Conch Cement Co., Ltd. 石門海螺水泥有限責任公司	Subsidiary of Conch Cement
Fusui Xinning Conch Cement Co., Ltd. 扶綏新寧海螺水泥有限責任公司	Subsidiary of Conch Cement
Bazhong Conch Cement Co., Ltd. 巴中海螺水泥有限責任公司	Subsidiary of Conch Cement
Tongling Conch Environmental Technology Co., Ltd. 銅陵海螺環境科技有限公司	Subsidiary of Conch Cement
Anhui Xuancheng Conch Cement Co., Ltd. 安徽宣城海螺水泥有限公司	Subsidiary of Conch Cement
Nanchang Conch Cement Co., Ltd. 南昌海螺水泥有限責任公司	Subsidiary of Conch Cement
Ganzhou Conch Cement Co., Ltd. 贛州海螺水泥有限責任公司	Subsidiary of Conch Cement
Jinxian Conch Cement Co., Ltd. 進賢海螺水泥有限責任公司	Subsidiary of Conch Cement
Longnan Conch Cement Co., Ltd. 龍南海螺水泥有限責任公司	Subsidiary of Conch Cement
Fenyi Conch Construction Materials Co., Ltd. 分宜海螺建築材料有限責任公司	Subsidiary of Conch Cement
Jiangxi Yiyang Conch New Construction Material Co., Ltd. 江西弋陽海螺新型建材有限責任公司	Subsidiary of Conch Cement

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Xingye Kuiyang Conch Cement Co., Ltd. 興業葵陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Beiliu Conch Cement Co., Ltd. 北流海螺水泥有限責任公司	Subsidiary of Conch Cement
Liangping Conch Cement Co., Ltd. 梁平海螺水泥有限責任公司	Subsidiary of Conch Cement
Pingliang Conch Cement Co., Ltd. 平涼海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxia Conch Cement Co., Ltd. 臨夏海螺水泥有限責任公司	Subsidiary of Conch Cement
Fenxi Conch Cement Co., Ltd. ("Fenxi Conch") 分宜海螺水泥有限責任公司	Subsidiary of Conch Cement
Anhui Conch IT Engineering Co., Ltd. ("Conch IT Engineering") 安徽海螺信息技術工程有限責任公司	Subsidiary of Conch Cement
Jiangxi Lushan Conch Cement Co., Ltd. ("Lushan Conch") 江西廬山海螺水泥有限公司	Subsidiary of Conch Cement
Zhongguo Cement Co., Ltd. ("Zhongguo Plant") 中國水泥廠有限公司	Subsidiary of Conch Cement
Wuhu Conch Cement Co., Ltd. ("Wuhu Conch") 蕪湖海螺水泥有限公司	Subsidiary of Conch Cement
Hunan Conch Cement Co., Ltd. ("Hunan Conch") 湖南海螺水泥有限公司	Subsidiary of Conch Cement
Prosperity Conch Cement Co., Ltd. ("Prosperity Conch") 英德海螺水泥有限責任公司	Subsidiary of Conch Cement
Linxiang Conch Cement Co., Ltd. ("Linxiang Conch") 臨湘海螺水泥有限責任公司	Subsidiary of Conch Cement

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Quanjiao Conch Cement Co., Ltd. ("Quanjiao Conch") 全椒海螺水泥有限責任公司	Subsidiary of Conch Cement
Guangyuan Conch Cement Co., Ltd. ("Guangyuan Conch") 廣元海螺水泥有限責任公司	Subsidiary of Conch Cement
Chongqing Conch Cement Co., Ltd. ("Chongqing Conch") 重慶海螺水泥有限責任公司	Subsidiary of Conch Cement
Jiangxi Ganjiang Conch Cement Co., Ltd. ("Ganjiang Conch") 江西贛江海螺水泥有限責任公司	Subsidiary of Conch Cement
Dazhou Conch Cement Co., Ltd. ("Dazhou Conch") 達州海螺水泥有限責任公司	Subsidiary of Conch Cement
Liquan Conch Conch Cement Co., Ltd. ("Liquan Conch") 禮泉海螺水泥有限責任公司	Subsidiary of Conch Cement
Qianyang Conch Cement Co., Ltd. ("Qianyang Conch") 千陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Yangchun Conch Cement Co., Ltd. ("Yangchun Conch") 陽春海螺水泥有限責任公司	Subsidiary of Conch Cement
Jining Conch Cement Co., Ltd. ("Jining Conch") 濟寧海螺水泥有限責任公司	Subsidiary of Conch Cement
Qiyang Conch Cement Co., Ltd. ("Qiyang Conch") 祁陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Hunan Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 湖南益陽海螺水泥有限責任公司	Subsidiary of Conch Cement

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Suzhou Conch Cement Co., Ltd. ("Suzhou Conch") 宿州海螺水泥有限責任公司	Subsidiary of Conch Cement
Guangyuan Conch Plastic Packaging Co., Ltd. ("Guangyuan Plastic") 廣元海螺塑膠包裝有限責任公司	Subsidiary of Conch Cement
Guiyang Conch Cement Co., Ltd. ("Guiyang Conch") 貴陽海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Guiding Conch Cement Co., Ltd. ("Guiding Conch") 貴定海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Zunyi Conch Cement Co., Ltd. ("Zunyi Conch") 遵義海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Longan Conch Cement Co., Ltd. ("Longan Conch") 隆安海螺水泥有限責任公司	Subsidiary of Conch Cement
Qianxian Conch Cement Co., Ltd. ("Qianxian Conch") 乾縣海螺水泥有限責任公司	Subsidiary of Conch Cement
Refractory Material Co., Ltd. 安徽海螺暹羅耐火材料有限公司	Subsidiary of Conch Cement
Tongren Conch Cement Co., Ltd. ("Tongren Conch") 銅仁海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Wenshan Conch Cement Co., Ltd. ("Wenshan Conch") 文山海螺水泥有限責任公司	Subsidiary of Conch Cement
Baoji Conch Plastic Packaging Co., Ltd. ("Baoji Plastic") 寶雞海螺塑膠包裝有限責任公司	Subsidiary of Conch Cement
Chaohu Conch Cement Co., Ltd. ("Chaohu Conch") 巢湖海螺水泥有限責任公司	Subsidiary of Conch Cement

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Fenghuang Construction Co., Ltd. 陝西銅川鳳凰建材有限公司	Subsidiary of Conch Cement
Chongqing Trading Co., Ltd. 重慶海螺物資貿易有限責任公司	Subsidiary of Conch Cement
Yiyang Conch Cement Co., Ltd. ("Yiyang Conch") 弋陽海螺水泥有限責任公司	Subsidiary of Conch Cement
Wuhu Conch Plastic Products Co., Ltd. ("Wuhu Plastic") 蕪湖海螺塑膠製品有限公司	Subsidiary of Conch Cement
Anhui Ningchang Plastic Packaging Co., Ltd. ("Ningchang Plastic") 安徽寧昌塑膠包裝有限公司	Subsidiary of Conch Cement
Jiangxi Haizhong Trading Co., Ltd. ("Jiangxi Haizhong") 江西海中貿易有限責任公司	Subsidiary of Conch Cement
Guangdong Qingxin Cement Co., Ltd. 廣東清新水泥有限公司	Subsidiary of Conch Cement
Ninghai Qiangjiao Conch Cement Co., Ltd. 寧海強蛟海螺水泥有限公司	Subsidiary of Conch Cement
Jiande Conch Cement Co., Ltd. 建德海螺水泥有限責任公司	Subsidiary of Conch Cement
Xing'an Conch Cement Co., Ltd. 興安海螺水泥有限責任公司	Subsidiary of Conch Cement
Shanghai Conch Logistic Co., Ltd. 上海海螺物流有限公司	Subsidiary of Conch Cement
Anhui Tongling Conch Cement Co., Ltd. ("Tongling Conch") 安徽銅陵海螺水泥有限公司	Subsidiary of Conch Cement

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Anhui Huaining Conch Cement Co., Ltd. ("Huaining Conch") 安徽懷寧海螺水泥有限公司	Subsidiary of Conch Cement
Shuicheng Conch Panjiang Cement Co., Ltd. ("Shuicheng Conch") 水城海螺盤江水泥有限責任公司	Subsidiary of Conch Cement
Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd. ("CKEM") 安徽海螺川崎裝備製造有限公司	Joint venture of Conch Cement
Huaibei Xiangshan Cement Company Limited ("Xiangshan Cement") 淮北相山水泥有限責任公司及其附屬公司	Joint venture of Conch Cement
Anhui Conch Holdings Co., Ltd. ("Conch Holdings") 安徽海螺集團有限責任公司	Parent of Conch Cement
Wuhu Conch International Hotel Co., Ltd. 蕪湖海螺國際大酒店有限公司	Subsidiary of Conch Holdings
Yingde Conch International Hotel Co., Ltd. 英德海螺國際大酒店有限公司	Subsidiary of Conch Holdings
Anhui Conch Biomass Energy Technology Co., Ltd. 安徽海螺生物質能科技有限公司	Subsidiary of Conch Holdings
Wuhu Conch Property Service Co., Ltd. 蕪湖海螺物業服務有限責任公司	Subsidiary of Conch Holdings
Anhui Antailixin Engineering Management Co., Ltd. 安徽安天利信工程管理股份有限公司	Subsidiary of Conch Holdings
Anhui Conch Building Materials Design and Research Institute Co., Ltd. ("Conch Design Institute") 安徽海螺建材設計研究院有限責任公司	Subsidiary of Conch Holdings

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd. ("Conch New Materials") 海螺(安徽)節能環保新材料股份有限公司	Subsidiary of Conch Holdings
Anhui Conch Material Technology Co., Ltd. ("Conch Material Technology") 安徽海螺材料科技股份有限公司	Subsidiary of Conch Holdings
Tongling Conch New Material Technology Co., Ltd. 銅陵海螺新材料科技有限公司	Subsidiary of Conch Material Technology
Guigang Conch TCC New Material Technology Co., Ltd. 貴港海螺台泥新材料科技有限公司	Subsidiary of Conch Material Technology
Xianyang Conch New Material Technology Co., Ltd. 咸陽海螺新材料科技有限公司	Subsidiary of Conch Material Technology
Wuhu Conch Extrusion Equipment Cos., Ltd. 蕪湖海螺擠出裝備有限公司	Subsidiary of Conch New Materials
Wuhu Conch Ecological Home Technology Co., Ltd. 蕪湖海螺生態家居科技有限公司	Subsidiary of Conch New Materials
Yingde Conch Profiles Co., Ltd. 英德海螺型材有限責任公司	Subsidiary of Conch New Materials
Baoji Conch Profiles Co., Ltd. 寶雞海螺型材有限責任公司	Subsidiary of Conch New Materials
Henan Conch Songji New Materials Co., Ltd. 河南海螺嵩基新材料有限公司	Subsidiary of Conch New Materials
Anhui Conch Resource Comprehensive Utilization Technology Co., Ltd. 安徽海螺資源綜合利用科技有限公司	Subsidiary of Conch New Materials
Guangxi Conch Environment Technology Co., Ltd. 廣西海螺環境科技有限公司	Subsidiary of Conch New Materials

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Name of party (i)	Relationship
Chengdu Conch Profile Co., Ltd. 成都海螺型材有限責任公司	Subsidiary of Conch New Materials
Shandong Conch Profile Co., Ltd. 山東海螺型材有限責任公司	Subsidiary of Conch New Materials

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 7 is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	1,832	2,385
Post-employment benefits	82	81
	1,914	2,466

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the year are as follows:

	2025 RMB'000	2024 RMB'000
Goods sold to:		
Conch Cement and its subsidiaries	100,458	49,473

	2025 RMB'000	2024 RMB'000
Services rendered to:		
Conch Venture and its subsidiaries	11,714	25,217
Conch Holdings and its subsidiaries	41	40
Conch New Materials and its subsidiaries	3,698	289
CKEM	22	70
Conch Cement and its subsidiaries	24,920	12,111
Conch Material Technology and its subsidiaries	18	–
	40,413	37,727

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Significant related party transactions *(Continued)*

	2025 RMB'000	2024 RMB'000
Purchases of goods and equipment from:		
Conch Venture and its subsidiaries	12,373	12,878
Conch Holdings and its subsidiaries	9,663	142
Conch New Materials and its subsidiaries	452	329
Conch Cement and its subsidiaries	8,781	12,808
A joint venture of Conch Cement	3	–
CKEM	258	–
	31,530	26,157
Services received from:		
Conch Venture and its subsidiaries	3,100	12,798
Conch Design Institute	1,584	3,417
Conch IT Engineering	–	3,315
Conch Holdings and its subsidiaries	585	1,284
A joint venture of Conch Cement	2,298	25
Conch Cement and its subsidiaries	83,369	58,372
Conch New Materials and its subsidiaries	51	–
	90,987	79,211

The prices of the above-mentioned related party transactions were determined through mutual negotiation based on market prices or cost-plus prices.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

Balances with related parties at the end of each reporting period are as follows:

	2025 RMB'000	2024 RMB'000
Trade receivables:		
Conch Venture and its subsidiaries	61,753	59,830
Conch Holdings and its subsidiaries	164	1,449
Conch Cement and its subsidiaries	56,960	20,833
Conch New Materials and its subsidiaries	300	–
Conch Material Technology and its subsidiaries	1	–
	119,178	82,112
Other receivables (non-trade):		
Conch Cement and its subsidiaries	386	–
A joint venture of Conch Cement	100	–
Conch Holdings and its subsidiaries	25	–
	511	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties *(Continued)*

	2025 RMB'000	2024 RMB'000
Trade payables:		
Conch Cement and its subsidiaries	52,496	62,425
A joint venture of Conch Cement	2,862	3,828
Conch Holdings and its subsidiaries	397	–
Conch Design Institute	105	–
Conch New Materials and its subsidiaries	71	–
Conch Material Technology and its subsidiaries	5	–
	55,936	66,253
Other payables (non-trade):		
Conch Venture and its subsidiaries	199,410	221,088
Conch Cement and its subsidiaries	3,942	277
Conch IT Engineering	–	3,402
Conch Design Institute	489	828
Conch Holdings and its subsidiaries	3,088	272
Conch New Materials and its subsidiaries	–	184
	206,929	226,051
Dividends payable to the then-shareholder of an acquired subsidiary:		
Conch Venture and its subsidiaries	27,182	27,182

All amounts due from/to related parties are unsecured, non-interest-bearing, and repayable on demand.

(d) Loan guarantees provided to other related parties

At 31 December 2025, the Group has issued guarantees for banking facilities of its associate, Yunfu Guangjia Haizhong Environmental Protection Technology Co., Ltd. amounting to RMB24,000,000 (2024: RMB24,000,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of Conch Cement, Conch Holdings, Conch New Materials, CKEM, Conch IT Engineering and Conch Design Institute above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Report of the Directors.

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
Non-current assets			
Investment in a subsidiary		671,464	671,464
Trade and other receivables and other assets		514,549	508,811
		1,186,013	1,180,275
Current assets			
Cash and cash equivalents		905	1,113
		905	1,113
Current liabilities		–	–
Net current assets		905	1,113
Total assets less current liabilities		1,186,918	1,181,388
Capital and reserves	25(a)		
Share capital		14,837	14,837
Reserves		1,172,081	1,166,551
Total equity		1,186,918	1,181,388

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

32 SUBSEQUENT EVENTS

The Group have no significant subsequent events needed to be disclosed in the consolidated financial statements.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures — Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 and its amendments, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Available for adoption

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025 *(Continued)*

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 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 IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considers that the new and amended standards are unlikely to have a significant impact on the Group's results of operations and financial position.