



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

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股票代號 : 03989



2026
INTERIM REPORT
中期報告

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Interim Condensed Consolidated Statement of Profit or Loss

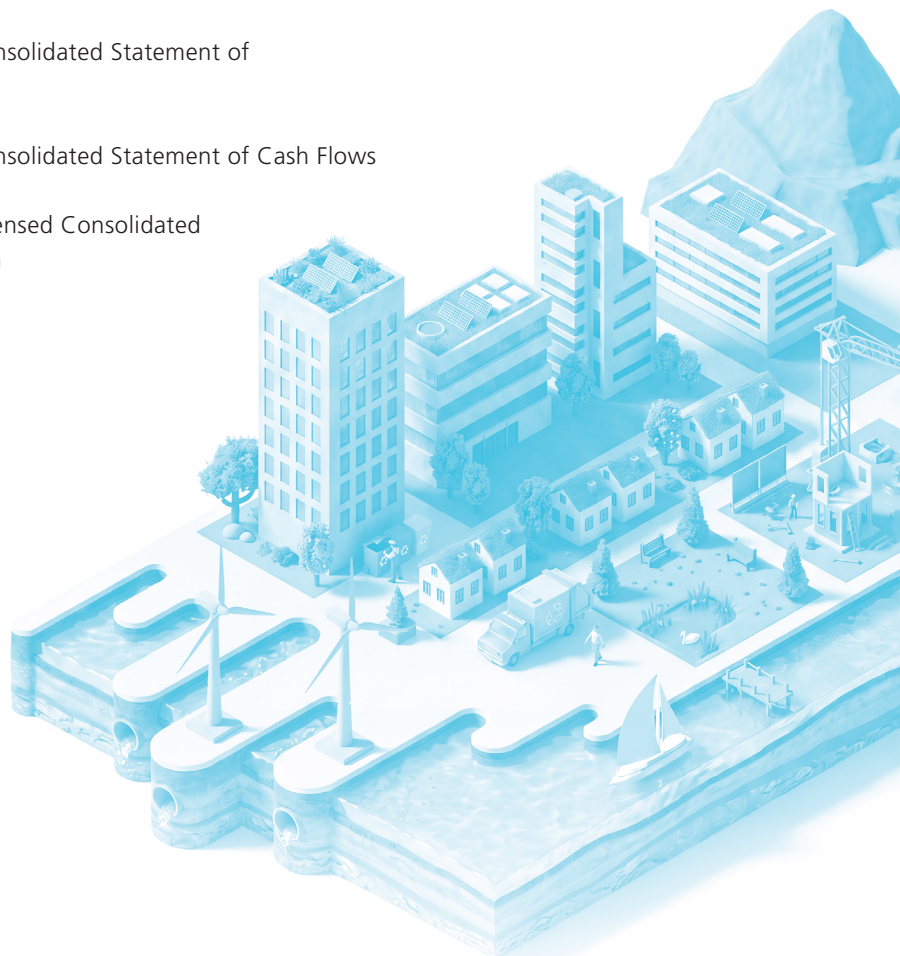
Interim Condensed Consolidated Statement of Comprehensive Income

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Notes to Interim Condensed Consolidated Financial Information





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qingsong (*Chairman*)
Mr. Guo Chaoyang (*General Manager*)
Ms. Yu Hong (*appointed on 30 July 2026*)

Non-executive Directors

Ms. Hao Chunmei (*resigned on 30 July 2026*)
Mr. Wei Xianda (*appointed on 30 July 2026*)

Independent Non-executive Directors

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

COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

JOINT COMPANY SECRETARY

Ms. Yu Hong
Ms. Lin Sio Ngo

AUTHORIZED REPRESENTATIVE

Mr. Li Qingsong
Ms. Lin Sio Ngo

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

6/F, Building 1, Xindadu Hotel
21 Chegongzhuang Street, Xicheng District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

HONG KONG LEGAL ADVISOR

Zhong Lun Law Firm LLP

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

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

Branch Registrar in Hong Kong

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

CORPORATE WEBSITE

www.cehl.com.hk

STOCK CODE

03989



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2026, the global economy continued to grow at a slow pace amid geopolitical conflicts, energy price fluctuations and trade uncertainties. The International Monetary Fund (IMF) projects a global economic growth rate of 3.0% for the year¹. The global demand for power consumption is expected to rise by 3.6%, and renewable energy power generation is expected to increase by more than 8%², surpassing coal-fired power generation for the first time. At present, energy security assurance and low-carbon transition are being advanced in tandem. On the one hand, this situation has enhanced the strategic value of waste incineration for power generation and energy recovery from organic waste. On the other hand, it has also intensified the competition in electricity prices, power offtake and environmental rights and interests driven by the expansion of green power. Meanwhile, the energy-saving and carbon-reduction business benefited from the rigid demand from enterprises for cost and emission reductions.

China's economy remained generally resilient, with its gross domestic product (GDP) reaching RMB69.57 trillion in the first half of the year, representing a year-on-year increase of 4.7%³. China's total electricity consumption increased by 5.3%⁴, providing demand support for the stable operation of waste incineration for power generation projects. However, in the first half of the year, fixed-asset investment fell by 5.7%⁵, with investment in the water conservancy, environmental protection and public facilities management sectors down by 6.5%. This reflects tighter local fiscal constraints and higher requirements for project returns. New projects in the urban-rural environmental sanitation and environmental protection infrastructure sectors are placing greater emphasis on asset-light operation, refined management and cash flow quality. Investment in real estate development fell by 18.0%⁶, suppressing demand for land readjustment and site restoration in the short term, while urban renewal and the revitalisation of inefficient industrial land continued to bring structural development opportunities. Catering revenue grew by 2.8%⁷, driving the expansion in the demand for classified disposal, resource utilisation and energy recovery of kitchen food waste.

¹ IMF, World Economic Outlook Update, July 2026

² International Energy Agency, Electricity Mid-Year Update 2026, July 2026

³ National Bureau of Statistics of China, National Economy Operated within an Appropriate Range with New Growth Drivers Developing Rapidly in the First Half Year (《上半年經濟運行在合理區間 新動能快速成長》), July 2026

⁴ National Energy Administration, China's Total Electricity Consumption Increased by 5.3% Year-on-Year from January to June 2026 (《2026年1-6月份全社會用電量同比增長5.3%》), July 2026

⁵ National Bureau of Statistics of China, Overview of Investment in Fixed Assets in China from January to June 2026 (《2026年1-6月份全國固定資產投資基本情況》), July 2026

⁶ National Bureau of Statistics of China, Overview of the Real Estate Market in China from January to June 2026 (《2026年1-6月份全國房地產市場基本情況》), July 2026

⁷ National Bureau of Statistics of China, Total Retail Sales of Consumer Goods Increased by 1.3% Year-on-Year in the First Half of 2026 (《2026年上半年社會消費品零售總額增長1.3%》), July 2026



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the first half of 2026, the total transaction value in the environmental protection market reached RMB359.9 billion, representing a year-on-year decrease of 6%. The market featured overall pressure and structural divergence: transaction values in pollution remediation and industrial water treatment segments recorded growth despite the overall decline, those in the pipeline networks and water environment management segments remained largely stable, those in the sewage treatment segment saw a slight decline, and those in the water supply and urban-rural environmental sanitation segments recorded a decline. Market resources gradually concentrated in policy-supported areas, existing operational businesses and comprehensive services. In the waste incineration for power generation segment, the transaction value amounted to RMB5.5 billion, representing a year-on-year increase of 10%. However, its scale of new projects shrank, and the business gradually shifted from the traditional BOT model for new projects towards operation, technical renovation and EPCO, while also extending into cogeneration and sludge co-processing. In the urban-rural environmental sanitation segment, the contract value amounted to RMB62.8 billion, with projects with a term of less than three years accounting for 89%. The development of the holistic integrated and digital smart city steward model accelerated, with local state-owned enterprises and private enterprises dominating the current market. In the site restoration segment, the transaction value amounted to RMB55.9 billion, representing a year-on-year increase of 25%. High-standard farmland construction drove an increase in the land consolidation business, upgrading the industry from single construction to an integrated model of “investment, construction and operation”. In the energy-saving and carbon-reduction segment, industrial water treatment shifted from compliance-based discharge to refined operation, resource utilisation and the synergistic governance of pollution and carbon reduction. New market demands emerged from zero-carbon industrial parks, zero-carbon factories and the “construction + operation” model. In the organic waste treatment segment, the current industry development trend is mainly reflected in the co-processing of organic solid waste, such as sludge, by incineration projects, thereby promoting resource utilisation and integrated operation.

Capital Environment Holdings Limited (the “Company”), together with its subsidiaries (collectively, the “Group”), in accordance with the 15th Five-Year Strategic Plan and the breakdown and deployment of annual operational tasks, has focused on key indicators such as turnover, net profit attributable to shareholders of the parent company, return on equity, and accounts receivable balance. The Group has continued to consolidate the foundation of the waste incineration for power generation business, and actively expanded into business areas such as incineration derivative business, urban-rural environmental sanitation, site restoration, energy conservation, carbon peaking and carbon neutrality, and organic waste treatment. The Group has adhered to the coordinated advancement of operational breakthroughs and quality and efficiency improvement, and strengthened overall scheduling around key tasks including operational improvement, loss control, accounts receivable collection, price adjustment, cost and expense control, and exit from underperforming assets of existing projects. Meanwhile, it has continued to advance the project reserve for investment and mergers and acquisitions, market expansion of asset-light businesses, research on new businesses and the commercialisation of technologies, thereby enhancing its capability to cultivate business growth. Supported by technological innovation, technical renovation application, robust operation system and digital construction, the Group has strengthened full-cycle project management, engineering construction, procurement and supply, legal compliance, production safety and talent team building, and continuously improved systems, processes, authority and responsibilities and governance mechanisms. The Group has promoted the standardised operation of the Board and all its specialised committees, continuously delivered on information disclosure, ESG governance and sustainable development, coordinated business development, risk prevention and control, employee growth and stakeholder responsibilities, and drove the coordinated improvement of operational, management, technical and organisational capabilities, thereby further enhancing the Group’s capabilities in sound operation, risk resistance and sustained high-quality development.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the first half of 2026, the Group's total assets reached RMB21,445 million, representing an increase of 1.15% as compared to RMB21,200 million as at 31 December 2025; the turnover amounted to RMB1,859 million, representing a year-on-year decrease of 0.89%; profit for the period amounted to RMB224 million, representing a year-on-year increase of 13.98%; and net profit attributable to parent company amounted to RMB211 million, representing a year-on-year increase of 12.18%, of which waste-to-energy incineration, urban-rural environmental sanitation, and organic solid waste treatment contributed RMB1,584 million to the turnover, accounting for 85.21% of the total revenue for the six months ended 30 June 2026, further enhancing the Group's profitability.

The Group secured a total of 63 projects in the PRC, covering businesses such as waste-to-energy, waste landfill, organic waste treatment, cleaning, collection, transportation and management, hazardous waste treatment and biomass power generation. The total investment was approximately RMB19,713 million, of which RMB17,832 million had actually been invested. The facilities are designed with an aggregate annual waste treatment capacity of approximately 14.82 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units. During the reporting period, a total of 57 projects were in operation or in trial operation, including 27 waste-to-energy and biomass power generation projects, 2 waste landfill projects, 18 cleaning, collection and transportation and management projects, 1 dismantling project, 6 organic waste treatment projects, and 3 hazardous waste comprehensive treatment projects. The Group advanced the implementation of key businesses in an orderly manner according to its scientific operational plan. In the first half of 2026, the Group completed domestic waste disposal of 5,636,000 tonnes, providing a total of 1,482 million kWh of on-grid electricity.

EVIDENT EFFECT OF COMPREHENSIVELY IMPROVING QUALITY

The Group continued to advance quality improvement and efficiency enhancement of its existing projects, as well as key node management of engineering projects. In the first half of 2026, the volume of waste received increased significantly. The capacity utilisation rate of waste incineration projects continued to be maintained at a reasonably high level, further demonstrating economies of scale. In respect of energy conservation and consumption reduction, the Group continued to deepen its refined operational management. Through measures such as optimising combustion conditions, increasing the proportion of cogeneration and strengthening waste heat recovery and utilisation, the on-grid electricity generated per tonne of waste received remained stable as compared to the corresponding period of the previous year, while total electricity generated increased by 61.70 million kWh as compared to the corresponding period of the previous year. The gas production rate per tonne of waste received for anaerobic businesses increased by 9% year-on-year. Core energy efficiency indicators across all business lines continued to show a positive trend. The waste treatment service fee of the incineration project in Duchang was adjusted upwards by approximately 5 percentage points, and the slag sales prices of both the incineration projects in Suixian and Xihua recorded notable increases. The overall construction progress of the incineration phase II project in Ruijin and the incineration phase III project in Nanchang reached 90% and 85%, respectively, while the construction progress of the Xinye transfer station was ahead of schedule. In terms of procurement management, the amount of centralised procurement in the first half of the year was RMB58.74 million, achieving cost savings of over RMB10 million through centralised procurement. Thirty subsidiaries applied MRO procurement, with an aggregate procurement of approximately RMB5.15 million. The project management line completed the preliminary review of settlement for 15 tender sections, and provided professional support for key individual technical transformation matters of 6 projects.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FRUITFUL RESULTS IN INNOVATIVE INCREMENT

The Group continued to promote technological innovation, expansion of derivative businesses and cultivation of new businesses. In the first half of the year, a total of 18 new scientific research projects were initiated, including 1 project under the “Open Competition Mechanism”, 8 projects of other types and 9 technical transformation and micro-innovation projects. The Group coordinated the application for 4 invention patents and obtained authorisation for 6 invention patents. The project of “In-situ Aerobic Stabilisation Restoration Technology and Application for MSW Landfills (生活垃圾填埋場原位好氧穩定化修復技術及應用)” independently developed by Beijing Capital Environment Technology Co., Ltd. (北京首創環境科技有限公司), a subsidiary of the Group, was selected for inclusion in the Catalogue of Practical Technologies and Typical Projects for Ecological and Environmental Protection (生態環境保護實用技術和典型工程名錄), and was awarded the Third Prize of the Huaxia Construction Science and Technology Award. In terms of business increments, the incineration derivative business secured new contracts worth over RMB350 million, and the derivative environmental sanitation segment secured new contracts with annualised contract value of RMB44.95 million. The environmental sanitation platform entered into 6 service contracts, with annualised service fees of RMB159 million and a total contract value of RMB380 million. The site restoration business tracked 10 area-wide projects, and framework agreements have been signed for the relevant projects. The acquisition of minority shareholders’ equity interests in the incineration project in Lushan was completed. The Group actively engaged with the demands of industrial parks and heat-using enterprises and, through optimising pipeline network layouts and enhancing the stability of steam supply, effectively expanded customer coverage and service radius.

SIGNIFICANT ACHIEVEMENTS IN SYSTEMATIC UPGRADE

The Group continued to advance the development of its operational and management systems, governance mechanisms and professional capabilities. In the waste incineration segment, the three systems of standardised equipment maintenance, closed-loop defect rectification and standardised routine work have been fully implemented, forming a complete closed-loop management process covering daily inspections, fault identification, repair and handling, and effectiveness evaluation. The systematic and standardised operational management framework has become increasingly mature. Two incineration subsidiaries of the Group located in Huizhou and Duyun, respectively, have established benchmarks for high-standard on-site equipment maintenance, with notable improvements in core indicators such as equipment availability and timely defect rectification. These benchmark projects serve as models for the entire business segment, helping to foster a positive management culture characterised by benchmarking, learning from best practices, and striving for excellence. In the environmental sanitation business segment, the Group completed the revision of five categories of core operational systems, including those for operations and inspections, to address shortcomings. The Group launched three pilot projects, namely small-scale mechanised sweeping in Guangchang, township transfer stations, and a solution for unmanned environmental sanitation vehicles in Ma’anshan. The Group also established a digitalised asset management ledger for operating equipment, thereby strengthening its operational foundation through the parallel implementation of standardisation, lean management and intelligent transformation. In terms of talent development, the Group organised the fourth “Eagle’s Nest” Shift Supervisor Training Camp, with courses comprehensively covering core business areas including operations management, equipment maintenance and production safety. In addition, 11 professional training sessions were organised, with a cumulative duration of over 120 hours, and persistent efforts were made to optimise the performance accountability system, adjust personnel allocation and develop professional teams.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

A SOUND PRODUCTION SAFETY SYSTEM

The Group continued to improve three major systems of production safety accountability, hierarchical risk management and control, and the detection and rectification of potential hazards. Production safety target responsibility agreements were signed at each level to ensure full coverage of responsibilities across all employees and projects. Focusing on key areas such as engineering construction, road traffic, confined spaces and work at height, the Group dynamically updated its risk logic and control lists, formulated targeted control measures combining technical and personnel safeguards, and promoted the deep integration of risk management into the entire production and operation process. The Group designated a “Work Safety Month”, organised skills competitions for multiple teams and selected the best performers to advance to higher-level finals. Meanwhile, the Group conducted practical drills focusing on flood control, fire and explosion prevention and hazardous chemical storage, among other topics, effectively enhancing frontline emergency response capabilities. In terms of traffic safety management, the Group institutionalised the mechanism of safety warnings at weekly meetings, regularly conducted traffic violation inspections and enforcement, as well as education and training on specific topics, and strengthened behavioural management of frontline operating personnel. These efforts reinforced all employees’ awareness of work safety and risk prevention and control capabilities, and delivered tangible results that support the Group in fulfilling its social responsibility as an environmental enterprise.

DIVERSIFIED FINANCING METHODS

The Group continued to optimise its financing structure, maintained a balanced mix of long-, medium- and short-term debts, and expanded its diversified financing channels. Meanwhile, the Group intensified its efforts to reduce the interest rates on its outstanding debts through its sound cooperation with financial institutions, thereby effectively lowering its financing costs and improving capital efficiency, further solidifying the financial foundation for the Company’s steady development and creating greater value for shareholders. In the first half of 2026, the Group had outstanding banking credit facilities of RMB12,061 million in total, of which RMB1,470 million was available to the headquarters and RMB10,591 million to the project companies, providing robust financial support for the Group’s sustainable business development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

The Group has completed the publication of its 2025 Sustainability Report, which strictly follows the framework of the disclosure guidelines of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to present its performance, strategies and achievements in environmental protection, social responsibility and corporate governance, and reflect relevant practices in reducing carbon emissions, improving resource utilisation efficiency, safeguarding employees’ rights and interests, and strengthening compliance governance. The Group’s relevant case studies were recognised as Exemplary ESG cases among Beijing Municipal SOEs. In terms of operational management, the Group continued to advance civilised production, maintenance and repair improvements, inventory standardisation, and environmental technology upgrades at its incineration projects, and implemented technological practices including the optimisation of operating parameter, in-furnace desulphurisation, low-temperature selective catalytic reduction (SCR), fly ash reduction and zero discharge of treated wastewater. The treated wastewater zero-discharge retrofit project at the Nanchang incineration plant is currently underway. During the reporting period, the Group did not incur any administrative penalties due to non-compliance with emission standards.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS OUTLOOK

In the second half of 2026, the Group will continue to prioritise key tasks such as expanding new businesses, enhancing quality and efficiency, pursuing innovative development, and improving management. Firstly, the Group will intensify its efforts to expand its market presence and cultivate new businesses, focusing on identifying M&A opportunities in relation to high-quality waste incineration for power generation projects while advancing the implementation of standard upgrades and expansions for existing waste incineration projects. The Group will further expand its incineration derivative business, urban-rural environmental sanitation services, site restoration business, and energy conservation, carbon peaking and carbon neutrality business, accelerate construction progress of existing projects and facilitate the commercialisation of new projects. Secondly, the Group will further concentrate its efforts to tackle operational difficulties and enhance quality and efficiency by advancing the completion of key tasks, loss management, accounts receivable collection, project price adjustments, debt relief fund application, and underperforming assets disposal for 16 enterprises, so as to strengthen cash flow and cost management. Thirdly, the Group will facilitate the key milestones management, settlement and final accounting, technological upgrades and R&D, excellence in operation, standardised warehouses construction and digital systems development for the projects, thereby refining its production and operation, safety and environmental protection practices, and full-lifecycle project management. Fourthly, the Group will continuously optimise its systems, processes, accountability framework, compliance governance and talent development mechanisms, promote the implementation of initiatives related to the 15th Five-Year Strategic Plan, and drive the Group to achieve higher-quality development.

FINANCIAL REVIEW

Financial Performance

For the period under review, the Group's revenue generated from its waste treatment and waste-to-energy business was approximately RMB1,859,171,000, representing a decrease of approximately 0.89% as compared to approximately RMB1,875,929,000 for the corresponding period in 2025. The decrease was mainly due to the decline in revenue from site restoration business.

For the period under review, the Group's gross profit margin was approximately 39.62%, representing an increase from approximately 37.64% for the corresponding period in 2025. This was primarily due to cost reduction and efficiency enhancement measures implemented by the Group. The Group's selling and administrative expenses slightly increased by approximately 3.76% to approximately RMB187,449,000 compared to the corresponding period in 2025. The Group's impairment losses on financial and contract assets, net for the current period increased by approximately 17.82% to RMB130,391,000 compared to the corresponding period in 2025. The increase was primarily due to the continuous growth in the gross amount of trade receivables and changes of their aging.

For the period under review, net profit attributable to owners of the Company was approximately RMB211,109,000, representing an increase of approximately 12.18% as compared to approximately RMB188,182,000 for the corresponding period in 2025. The increase was mainly attributable to the improvement of operational efficiency and reduction in finance costs.

Financial Position

As at 30 June 2026, the Group had total assets of approximately RMB21,444,763,000 and net assets attributable to owners of the Company were approximately RMB7,153,335,000.

The gearing ratio (calculated as total liabilities divided by total assets) was 65.02%, representing a decrease of 0.62 percentage point as compared to 65.64% as at 31 December 2025. The current ratio (calculated as current assets divided by current liabilities) was approximately 2.71, representing a decrease from approximately 2.79 as at 31 December 2025, mainly attributable to the increase of bank borrowings which were due within one year.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Resources

The Group finances its operations primarily with internally generated cash flows, debt financing and bank loan facilities. As at 30 June 2026, the Group's cash and bank balances and pledged bank deposits amounted to approximately RMB437,090,000, representing a decrease of approximately RMB62,979,000 as compared to approximately RMB500,069,000 as at 31 December 2025. The decrease was mainly due to the payment of interest and net cash outflow for investment in long-term assets. Currently, most of the Group's cash is denominated in RMB, HK\$ and US\$.

Borrowings

As at 30 June 2026, the Group had outstanding borrowings of approximately RMB9,013,632,000, representing an increase of approximately RMB52,503,000 as compared to approximately RMB8,961,129,000 as at 31 December 2025. The borrowings comprised secured loans of approximately RMB6,582,950,000 and unsecured loans of approximately RMB2,430,682,000. The borrowings are denominated in US\$ and RMB. Approximately 24.96% and 75.04% of the borrowings bear interest at fixed rate and variable rate, respectively.

As at 30 June 2026, the Group's undrawn borrowing facilities amounted to approximately RMB1,754,335,000.

Finance costs decreased by 12.22% from RMB196,734,000 for the corresponding period in 2025 to approximately RMB172,687,000. The decrease was mainly due to the Group's continuous efforts in refinancing with low-interest loans.

Foreign Exchange Exposure

The majority of the Group's sales, purchases and operating expenses were denominated in RMB, while some of the Group's borrowings or expenses were still denominated in US\$ and HK\$. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in prompt and appropriate hedging activities when needed.

Pledge of Assets

As at 30 June 2026, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements and RMB33,949,000 of leasehold land.

As at 30 June 2026, bank deposits of RMB1,110,000 were pledged due to certain litigation cases and RMB15,661,000 were mainly pledged to secure service concession arrangements as required by the local governments. In addition, the Group also had restricted bank balance of RMB16,255,000 for payment of engineering expenditures and payroll disbursement.

Capital Commitment Arrangements

As at 30 June 2026, the Group had capital commitments of approximately RMB52,430,000 in respect of construction works under service concession arrangements, which were contracted but not provided for in the unaudited consolidated financial statements.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Guarantees

As at 30 June 2026, the Group provided performance guarantees of approximately RMB61,270,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC. As at 30 June 2026, the Group had no material contingent liabilities.

Financial Management and Treasury Policy

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

Employee Information

As at 30 June 2026, the Group had a total of approximately 3,251 employees, with a male to female ratio of 3.28:1, mainly based in the PRC. Total staff costs amounted to RMB260 million, which included basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund, the portion of social insurance and housing provident fund contributions that the employer is obligated to pay, or regular contributions to the Mandatory Provident Fund Schemes on behalf of employees. The Group regularly reviews its remuneration policy, which is linked to the performance of individual employees and based on the salary trends prevailing in the aforesaid region. In addition, the Group continues to provide trainings (including professional skills training, production safety training, etc.) and development plans.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)) during the six months ended 30 June 2026. As at 30 June 2026, there were no treasury shares held by the Company.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

CHANGES IN ACCOUNTING ESTIMATES

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 June 2026, there were no significant investments held by the Group.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this interim report, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2026.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR PURCHASE OF CAPITAL ASSETS

Save as disclosed in this interim report, the Group had no future plan for material investments or purchase of capital assets during the six months ended 30 June 2026.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there were no material events which would have an impact on the Company since 30 June 2026 and up to the date of this interim report.



DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 30 June 2026, according to the information available to the Company and to the best knowledge of the Directors, none of the Directors, chief executives of the Company or their associates had interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2026, according to the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register maintained by the Company pursuant to Section 336 of Part XV of the SFO:

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

Notes:

- "L" means holding a long position in shares. Approximate percentage of shareholding is calculated based on the total number of issued shares of the Company of 14,294,733,167 shares as at 30 June 2026.
- Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Eco-Environment Protection Group Co., Ltd., which was controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Eco-Environment Protection Group Co., Ltd. were deemed to be interested in the shares held by Beijing Capital (Hong Kong) Limited by virtue of the SFO.
- BCG Chinastar International Investment Limited was a wholly-owned subsidiary of Beijing Capital Group Co., Ltd.. Therefore, Beijing Capital Group Co., Ltd. was deemed to be interested in the shares held by BCG Chinastar International Investment Limited by virtue of the SFO.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

Save as the aforesaid, the Company and the Directors were not aware of any person (other than Directors or chief executives of the Company) or corporations who had any interests or short positions in the shares or underlying shares of the Company as at 30 June 2026 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has no share option schemes currently in force.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board of the Company believes that high standards of corporate governance are essential to the success of the Company and the Company is committed to maintaining a high level of corporate governance standards and practices. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the basis of the Company's corporate governance practices for the six months ended 30 June 2026. The Company has complied with all the applicable code provisions set out in the CG Code for the six months ended 30 June 2026.

DIRECTORS' MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company. The Company has conducted a specific enquiry of all Directors, and all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 June 2026.

CHANGES IN INFORMATION OF DIRECTORS

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

Name of Director	Particulars of the Changes
Ms. Hao Chunmei	Resigned as a non-executive Director of the Company on 30 July 2026.
Ms. Yu Hong	Appointed as an executive Director of the Company on 30 July 2026.
Mr. Wei Xianda	Appointed as a non-executive Director of the Company on 30 July 2026.
Dr. Chan Yee Wah	Appointed as an independent non-executive director, the chairlady of the audit committee and a member of the nomination committee of Ever Sunshine Services Group Limited (stock code: 1995) on 23 June 2026.



DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely, Dr. Chan Yee Wah, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen. Dr. Chan Yee Wah serves as the chairlady of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices adopted by the Group during the six months ended 30 June 2026 and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results and interim report for the six months ended 30 June 2026 with the management. The Audit Committee is of the opinion that the unaudited interim results of the Group for the six months ended 30 June 2026 are in compliance with the relevant accounting standards, laws and regulations.

In addition, the Group’s external auditors (the “Auditors”) performed an independent review of the interim financial information for the six months ended 30 June 2026 in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Auditors based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



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Independent review report

To the Board of Directors of Capital Environment Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 16 to 38 which comprises the condensed consolidated statement of financial position of Capital Environment Holdings Limited and its subsidiaries (collectively referred to as the "Group") as at 30 June 2026 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information, including material accounting policy information (the "interim condensed consolidated financial information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

IP Ka Ming

Practising Certificate No. P08322

Hong Kong
21 August 2026

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2026

	Notes	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
REVENUE	5		
– from contracts with customers		1,602,020	1,616,554
– effective interest income on concession financial assets		257,151	259,375
		1,859,171	1,875,929
Cost of sales		(1,122,619)	(1,169,922)
Gross profit		736,552	706,007
Other income and gains	5	49,585	47,094
Selling expenses		(7,653)	(7,776)
Administrative expenses		(179,796)	(172,874)
Other expenses		(2,546)	(4,385)
Impairment losses on financial and contract assets, net		(130,391)	(110,673)
Finance costs	7	(172,687)	(196,734)
Share of losses of associates		(352)	(3,403)
PROFIT BEFORE TAX	6	292,712	257,256
Income tax expense	8	(69,081)	(61,049)
PROFIT FOR THE PERIOD		223,631	196,207
Attributable to:			
Owners of the parent		211,109	188,182
Non-controlling interests		12,522	8,025
		223,631	196,207
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the period		RMB1.48 cents	RMB1.32 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
PROFIT FOR THE PERIOD	223,631	196,207
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	—	461
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	—	461
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	—	461
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	223,631	196,668
Attributable to:		
Owners of the parent	211,109	188,417
Non-controlling interests	12,522	8,251
	223,631	196,668

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2026

	Notes	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	11	426,412	439,330
Right-of-use assets		96,603	103,052
Goodwill		6,055	6,055
Other intangible assets	12	4,516,822	4,584,597
Investments in associates		53,795	54,147
Deferred tax assets		81,923	66,201
Concession financial assets	13	7,405,178	7,575,083
Contract assets	14	431,179	292,480
Prepayments, other receivables and other assets	15	167,154	165,725
Pledged deposits		6,333	6,917
Total non-current assets		13,191,454	13,293,587
CURRENT ASSETS			
Inventories		103,394	119,963
Concession financial assets	13	1,853,092	1,823,488
Contract assets	14	1,576,233	1,478,855
Trade receivables	16	3,300,764	2,975,541
Prepayments, other receivables and other assets	15	989,069	1,015,352
Pledged deposits		26,693	5,021
Cash and cash equivalents		404,064	488,131
Total current assets		8,253,309	7,906,351
CURRENT LIABILITIES			
Trade payables	17	1,341,892	1,438,946
Other payables and accruals		259,954	224,730
Contract liabilities		69,532	59,599
Deferred income		17,579	19,901
Interest-bearing bank and other borrowings	18	1,254,091	982,195
Lease liabilities		11,007	10,843
Amounts due to related parties		28,664	27,678
Current tax payable		63,959	69,421
Total current liabilities		3,046,678	2,833,313
NET CURRENT ASSETS		5,206,631	5,073,038
TOTAL ASSETS LESS CURRENT LIABILITIES		18,398,085	18,366,625

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2026

	Notes	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
NON-CURRENT LIABILITIES			
Deferred income		368,595	378,362
Interest-bearing bank and other borrowings	18	7,759,541	7,978,934
Deferred tax liabilities		744,161	711,820
Corporate bonds	19	1,967,861	1,937,027
Other payables and accruals		1,667	3,334
Amounts due to a related party		20,000	40,000
Lease liabilities		33,953	33,396
Total non-current liabilities		10,895,778	11,082,873
Net assets		7,502,307	7,283,752
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	20	1,275,167	1,275,167
Reserves		5,878,168	5,666,911
		7,153,335	6,942,078
Non-controlling interests		348,972	341,674
Total equity		7,502,307	7,283,752

Li Qingsong
Director

Guo Chaoyang
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 20)	Share premium* RMB'000	Capital reserve* RMB'000	Capital redemption reserve* RMB'000	Merger reserve* RMB'000	Other reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2026 (audited)	1,275,167	462,602	5,879	1,488,583	(481,084)	28,038	(16,233)	(268,192)	4,447,318	6,942,078	341,674	7,283,752
Profit for the period	-	-	-	-	-	-	-	-	211,109	211,109	12,522	223,631
Total comprehensive income for the period	-	-	-	-	-	-	-	-	211,109	211,109	12,522	223,631
Acquisition of non-controlling interests	-	-	148	-	-	-	-	-	-	148	(1,457)	(1,309)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	3,090	3,090
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,857)	(6,857)
Provision for safety production expenditures	-	-	-	-	-	6,111	-	-	(6,111)	-	-	-
At 30 June 2026 (unaudited)	1,275,167	462,602	6,027	1,488,583	(481,084)	34,149	(16,233)	(268,192)	4,652,316	7,153,335	348,972	7,502,307

* These reserve accounts comprise the consolidated reserves of RMB5,878,168,000 (31 December 2025: RMB5,666,911,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2026

	Attributable to owners of the Company											
	Issued capital	Share premium	Capital reserve	Capital redemption reserve	Merger reserve	Other reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 20)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025 (audited)	1,275,167	462,602	4,702	1,488,583	(481,084)	20,377	(16,233)	(273,119)	4,180,476	6,661,471	329,999	6,991,470
Profit for the period	-	-	-	-	-	-	-	-	188,182	188,182	8,025	196,207
Other comprehensive income for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	235	-	235	226	461
Total comprehensive income for the period	-	-	-	-	-	-	-	235	188,182	188,417	8,251	196,668
Acquisition of non-controlling interests	-	785	-	-	-	-	-	-	-	785	(2,985)	(2,200)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	8,214	8,214
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,086)	(6,086)
Provision for safety production expenditures	-	-	-	-	-	6,200	-	-	(6,200)	-	-	-
At 30 June 2025 (unaudited)	1,275,167	463,387	4,702	1,488,583	(481,084)	26,577	(16,233)	(272,884)	4,362,458	6,850,673	337,393	7,188,066

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Notes	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		292,712	257,256
Adjustments for:			
Depreciation and amortisation	6	139,358	138,201
Gains on disposal of items of property, plant and equipment and intangible assets	6	(486)	–
Impairment of financial and contract assets	6	130,391	110,673
Impairment loss recognised on property, plant and equipment	6	198	–
Share of losses of associates		352	3,403
Interest income		(258,867)	(266,826)
Finance costs		172,687	196,734
		476,345	439,441
Decrease/(increase) in inventories		16,569	(6,232)
Decrease in concession financial assets and relevant contract assets in relation to service concession arrangements		287,457	341,922
Increase in other contract assets		(99,206)	(163,469)
Increase in trade receivables		(449,481)	(392,144)
Decrease in prepayments, other receivables and other assets		26,520	51,795
Decrease in trade payables		(97,054)	(107,537)
Increase in other payables and accruals		38,526	35,532
Decrease in deferred income		(12,089)	(4,931)
Increase in contract liabilities		9,933	1,804
Cash generated from operations		197,520	196,181
Income tax paid		(57,925)	(26,210)
Net cash flows generated from operating activities		139,595	169,971

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2026

	Notes	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(13,658)	(6,863)
Additions of other intangible assets in relation to service concession arrangements and relevant contract assets		(67,746)	(173,100)
Additions to other intangible assets		(278)	(24)
Proceeds from disposal of items of property, plant and equipment and intangible assets		855	–
Advances made to an associate		(5,130)	–
Interest received		1,072	4,757
Placement of pledged deposits		(28,001)	(15,337)
Release of pledged deposits		6,913	5,432
Net cash used in investing activities		(105,973)	(185,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(119,802)	(122,364)
New bank and other borrowings		445,869	235,221
New loan from an intermediate holding company of the Company		224,700	30,000
Repayment of bank and other borrowings		(637,775)	(329,891)
Repayment of loans from non-controlling interests of subsidiaries		(175)	(1,157)
Corporate bonds issuance expenses		(21,667)	–
Dividend paid to non-controlling interests of subsidiaries		(9,526)	(6,086)
Acquisition of non-controlling interests of subsidiaries		(1,309)	(2,200)
Capital contribution from non-controlling interests of subsidiaries		3,090	8,214
Net cash used in financing activities		(116,595)	(188,263)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		488,131	659,298
Effect of foreign exchange rate changes on cash and cash equivalents, net		(1,094)	461
CASH AND CASH EQUIVALENTS AT END OF PERIOD		404,064	456,332
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		437,090	509,181
Pledged deposits		(33,026)	(52,849)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		404,064	456,332



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2026

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company and its subsidiaries (collectively referred to as the “Group”) is waste treatment and waste-to-energy business.

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2026 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2025.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of the following amendments to HKFRS Accounting Standards for the first time for the current period’s financial information:

Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i>
Annual Improvements to HKFRS Accounting Standards– Volume 11	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7</i>

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 9 and HKFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*, clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments have had no material impact on the interim condensed consolidated financial information.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Amendments to HKFRS 9 and HKFRS 7, *Contracts Referencing Nature-dependent Electricity*, clarify and expand the application of the 'own-use' exemption for contracts referencing nature-dependent electricity (such as power purchase agreements for renewable sources like wind or solar, where electricity volume varies due to uncontrollable natural factors), permit hedge accounting for such contracts by allowing designation of a variable nominal volume of forecast electricity transactions aligned with the expected delivery from the generation facility as the hedged item, and introduce additional disclosure requirements under HKFRS 7 to help users understand the nature, extent, and financial effects of these contracts on the entity's financial performance, position, and cash flows. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the date of initial application, without requiring restatement of prior periods and without the use of hindsight; prospective application applies to hedging relationships designated on or after initial application. The amendments have had no material impact on the interim condensed consolidated financial information.

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

- For HKFRS 7, the amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. The amendments have had no material impact on the interim condensed consolidated financial information.
- For HKFRS 9, the amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. The amendments have had no material impact on the interim condensed consolidated financial information.
- For HKFRS 10, the amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. The amendments have had no material impact on the interim condensed consolidated financial information.
- For HKAS 7, the amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". The amendments have had no material impact on the interim condensed consolidated financial information.

4 OPERATING SEGMENT INFORMATION

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

5. REVENUE, OTHER INCOME AND GAINS

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

Revenue

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Revenue from contracts with customers	1,602,020	1,616,554
Effective interest income on concession financial assets	257,151	259,375
Total	1,859,171	1,875,929

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Types of goods or services		
Construction service		
– under service concession arrangements	148,410	81,017
– not under service concession arrangements	10,622	140,056
Waste treatment services	521,241	518,579
Sales of recyclable materials	50,938	38,858
Sales of electricity	570,443	559,070
Environmental hygiene services	140,900	125,479
Others	159,466	153,495
Total	1,602,020	1,616,554
Timing of revenue recognition		
Transferred at a point in time	78,818	38,858
Transferred over time	1,523,202	1,577,696
Total	1,602,020	1,616,554

Other income and gains

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Bank interest income	440	4,757
Other interest income	1,276	2,694
Government grants	44,422	32,705
Others	3,447	6,938
Total	49,585	47,094

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Cost of services rendered for service concession arrangements	860,288	760,018
Cost of other services provided	237,586	394,168
Cost of inventories sold	24,745	15,736
Depreciation		
– Property, plant and equipment	24,513	28,581
– Right-of-use assets	6,449	6,215
Amortisation of other intangible assets	108,396	103,405
	139,358	138,201
Research and development costs	18,116	15,561
Lease payments not included in the measurement of lease liabilities	2,368	4,076
Auditor's remuneration	1,030	1,030
Employee benefit expense (excluding directors' remuneration):		
– Wages and salaries	91,500	90,228
– Pension scheme contributions	31,980	23,337
	123,480	113,565
Foreign exchange differences, net	(1,649)	(483)
Impairment of financial and contract assets, net:		
– Impairment of trade receivables	124,259	80,346
– Impairment/(reversal) of financial assets included in prepayments, other receivables and other assets	4,214	(3,745)
– Impairment of concession financial assets and contract assets	1,918	34,072
	130,391	110,673
Impairment of property, plant and equipment (note)	198	–
Gains on disposal of items of property, plant and equipment and intangible assets	(486)	–

Note: these items are included in other expenses.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

7. FINANCE COSTS

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Interest on bank and other borrowings	143,068	198,537
Interest on corporate bonds	30,834	–
Interest on lease liabilities	721	418
Total interest	174,623	198,955
Less: Interest capitalised	1,966	2,239
Subtotal	172,657	196,716
Others	30	18
Total	172,687	196,734

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2025: 16.5%) on the estimated assemble profits arising in Hong Kong during the period.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Thirty-three (six months ended 30 June 2025: Thirty-three) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Two (six months ended 30 June 2025: three) were exempted from PRC income taxes, whereas another twenty (six months ended 30 June 2025: twenty-two) were entitled to a preferential tax of 12.5%, and another eleven (six months ended 30 June 2025: eight) were entitled to other different preferential tax rates, respectively, for the reporting period.

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Charge for the period		
– Hong Kong	–	2,753
– Chinese Mainland	52,462	44,772
Deferred	16,619	13,524
Total	69,081	61,049

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (six months ended 30 June 2025: 14,294,733,167) in issue during the period.

The Group had no dilutive potential ordinary shares in issue during the six months ended 30 June 2026 and 2025.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>211,109</u>	<u>188,182</u>
	Number of shares	
	2026	2025
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>14,294,733,167</u>	<u>14,294,733,167</u>

10. DIVIDENDS

No dividend was proposed by the Company for the six months ended 30 June 2026 and 2025.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2026, the Group acquired assets with a cost of RMB12,130,000 (six months ended 30 June 2025: RMB6,863,000).

Assets with a net book value of RMB337,000 were disposed of by the Group during the six months ended 30 June 2026 (six months ended 30 June 2025: nil), resulting in a net gain on disposal of RMB6,000 (six months ended 30 June 2025: nil).

The impairment of RMB198,000 (six months ended 30 June 2025: Not applicable) during the six months ended 30 June 2026 was in relation to the shutdown of Anhui Capital Environmental Technology Co., Ltd. (安徽首創環境科技有限公司, "Anhui Capital"), which was engaged in dismantling.

12. OTHER INTANGIBLE ASSETS

For the six months ended 30 June 2026, the addition of RMB40,374,000 (six months ended 30 June 2025: RMB147,208,000) in other intangible assets arising from service concession arrangements is mainly due to the completion of the construction of build-operate-transfer ("BOT") projects.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

13. CONCESSION FINANCIAL ASSETS

	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
Concession financial assets	9,462,177	9,602,621
Impairment	(203,907)	(204,050)
	9,258,270	9,398,571
Analysed for reporting purposes as:		
Current assets	1,853,092	1,823,488
Non-current assets	7,405,178	7,575,083
Total	9,258,270	9,398,571

The Group provides construction and operation services to certain government authorities in the PRC ("Grantor") under the service concession arrangements, the consideration received or receivable by the Group is recognised in accordance with HKFRS 15. The consideration may be rights to a financial asset, or an intangible asset. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor for the construction services; the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group recognises an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. Sometimes, the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, the Group accounts separately for each component of the consideration. Both types of consideration are classified as a contract asset during the construction period in accordance with HKFRS 15.

The effective interest rates used in service concession arrangements ranged from 3.56% to 6.50%.

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

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 30 June 2026, the probability of default applied ranging from 0.10% to 1.88% (31 December 2025: 0.10% to 1.88%) and the loss given default was estimated to be 45% or 75% (31 December 2025: 45% or 75%), which led to an impairment of RMB143,000 reversed during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

14. CONTRACT ASSETS

	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
Contract assets arising from:		
Construction services	1,113,511	1,004,558
Electricity generation	999,002	913,817
Impairment	(105,101)	(147,040)
	2,007,412	1,771,335
Analysed into:		
Current assets	1,576,233	1,478,855
Non-current assets	431,179	292,480
	2,007,412	1,771,335

The Group entered into service concession arrangements in respect of the waste management and waste-to-energy business in the PRC. According to HKFRS 15, the receivables in relation to the construction services should be accounted for as contract assets.

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

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

As at 30 June 2026, the probability of default applied ranging from 0.10% to 1.88% (31 December 2025: 0.10% to 1.88%) and the estimated loss given default of 45% (31 December 2025: 45%) were applied to determine the impairment of contract assets in relation to concession financial assets arising from construction services. An impairment of RMB234,000 was recognised during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
Advances to suppliers		59,263	60,798
Value-added tax receivables		383,151	425,210
Interest receivable		5,000	5,000
Tender deposits		235,417	255,883
Disposal receivables	(a)	188,217	188,217
Amounts due from an associate	(b)	74,808	68,957
Others		210,367	177,012
Total		1,156,223	1,181,077
Analysed into:			
Current assets		989,069	1,015,352
Non-current assets		167,154	165,725
Total		1,156,223	1,181,077

Notes:

(a) The amounts were in relation to the termination of three service concession arrangements, resulting in receivables due from Beijing Yanqing District Urban and Rural Environmental Management Center (北京市延慶區環境衛生服務中心), Huludao municipal government (葫蘆島市政府) and Weng'an county government (魏安縣政府) amounting to RMB81,204,000, RMB75,502,000 and RMB31,511,000, respectively.

(b) The amount mainly represents a loan with a term of one year and interest-bearing at a rate of 4.55% per annum.

16. TRADE RECEIVABLES

	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
Trade receivables	3,666,392	3,216,643
Impairment	(365,628)	(241,102)
Net carrying amount	3,300,764	2,975,541

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

16. TRADE RECEIVABLES *(Continued)*

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

	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
0 to 90 days	622,672	606,868
91 to 180 days	427,330	243,472
181 to 365 days	554,894	766,012
1 to 2 years	630,488	878,386
2 to 3 years	675,798	324,989
Over 3 years	389,582	155,814
Total	3,300,764	2,975,541

17. TRADE PAYABLES

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

	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
0 to 90 days	625,756	453,676
91 to 180 days	119,761	116,578
181 to 365 days	291,236	645,105
1 to 2 years	208,359	148,920
2 to 3 years	28,516	33,703
Over 3 years	68,264	40,964
Total	1,341,892	1,438,946

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
Secured bank and other borrowings	6,582,950	6,755,564
Unsecured bank and other borrowings	2,430,682	2,205,565
Total	9,013,632	8,961,129
Carrying amount repayable:		
Within one year	1,254,091	982,195
More than one year, but not exceeding two years	682,418	671,698
More than two years, but not exceeding five years	3,812,530	3,819,772
Beyond five years	3,264,593	3,487,464
Total	9,013,632	8,961,129
Less: amounts due within one year disclosed as current liabilities	1,254,091	982,195
Non-current liabilities	7,759,541	7,978,934

Notes:

- Bank loans of RMB268,609,000 as at 30 June 2026 (31 December 2025: RMB275,911,000) were guaranteed by the corporate guarantee of the Group.
- Bank loans of RMB1,945,507,000 as at 30 June 2026 (31 December 2025: RMB1,907,330,000) were secured by certain service concession arrangements of the Group.
- Bank loans of RMB4,171,833,000 as at 30 June 2026 (31 December 2025: RMB4,340,733,000) were guaranteed by the corporate guarantee of the Group, and were secured by certain service concession arrangements of the Group.
- A bank loan of RMB45,846,000 as at 30 June 2026 (31 December 2025: RMB58,346,000) was guaranteed by the corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司), the non-controlling shareholder of Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司).
- Bank loans of RMB75,721,000 as at 30 June 2026 (31 December 2025: RMB88,341,000) were guaranteed by the corporate guarantee of the Group, and were secured by the leasehold land with a carrying amount of RMB33,949,000 (31 December 2025: RMB34,348,000).
- Other loan of RMB75,434,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 30 June 2026 (31 December 2025: RMB84,903,000) was guaranteed by the corporate guarantee of the Group, and was secured by the service concession arrangement of Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司).
- Other loan of RMB1,160,085,000 from Beijing Capital Eco-Environmental Protection Group Co., Ltd. ("Capital Eco Group"), an intermediate holding company of the Company as at 30 June 2026 (31 December 2025: RMB1,164,896,000) was unsecured.

As at 30 June 2026, the Group had bank loans of RMB187,250,000 for which certain loan agreement terms were met to permit the lenders to demand accelerated repayment. The terms of these bank loans have not been renegotiated up to the date of approval of these financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

19. CORPORATE BONDS

The Group's corporate bonds were issued in December 2025 and will be redeemed at par value in December 2028. The movements of corporate bonds during the period are as follows:

	30 June 2026 RMB'000
Liabilities as at 31 December 2025	1,937,027
Interest during the period	30,834
Liabilities as at 30 June 2026	1,967,861

Capital Eco Group provided guarantee services for the Group's corporate bonds of RMB2,000,000,000 based on the rate of 1% per annum. The guarantee fee payable to Capital Eco Group as at 30 June 2026 was RMB40,000,000.

20. ISSUED CAPITAL

Shares

	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
Issued and fully paid:		
14,294,733,167 ordinary shares of HK\$0.1 each	1,275,167	1,275,167

21. GUARANTEES

The Group also provided performance guarantees with a total amount of RMB61,270,000 (31 December 2025: RMB49,604,000) to the grantors in connection with the construction and operation services provided according to the service concession arrangements.

22. COMMITMENTS

The Group had contracted construction work for construction obligations under service concession arrangements amounting to RMB52,430,000 as at 30 June 2026 (31 December 2025: RMB90,569,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

23. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in elsewhere to the financial statements, the Group had the following transactions with related parties during the six months ended 30 June 2026:

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

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

(i) Material transactions and balances with related parties within Beijing Capital Group:

Name of the related parties	Nature of the transactions	For the six months ended 30 June	
		2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Capital Eco Group	Interest expenses ⁽¹⁾	25,453	77,440
Yanjin Shouchuang Water Service Co., Ltd.	Procurement of water resources ⁽²⁾	2,380	1,439
Beijing Beijie Energy Design and Research Institute Co., Ltd.	Sales of green electricity certificates ⁽³⁾	2,106	–
Sichuan Bluestone Construction Co., Ltd.	Rendering of construction service ⁽⁴⁾	1,210	1,925

(1) The interest expenses were related to the loan with the principal of RMB1,135,700,000 from Capital Eco Group, which bears interest at 4.38% per annum. Interest payables due to Capital Eco Group as at 30 June 2026 were RMB24,385,000 (31 December 2025: RMB3,896,000).

(2) The Group purchased water from Yanjin Shouchuang Water Service Co., Ltd., a fellow subsidiary of the Company. The trade payables were RMB894,000 (31 December 2025: RMB307,000) as at 30 June 2026.

(3) The Group sold green electricity certificates to Beijing Beijie Energy Design and Research Institute Co., Ltd. Trade receivables were nil (31 December 2025: nil) as at 30 June 2026.

(4) The construction service was related to an environmental remediation project subcontracted to the Group. Amounts due from Sichuan Bluestone Construction Co., Ltd., a fellow subsidiary of the Company, were RMB35,840,000 (31 December 2025: RMB35,836,000).

These transactions were conducted in accordance with the terms mutually agreed with the relevant parties. Interest expenses were charged based on normal terms and agreed through negotiations between the parties. The services/ purchases were made according to the prices and conditions mutually agreed by both parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

23. RELATED PARTY TRANSACTIONS *(Continued)*

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

(ii) **Material transactions and balances with other government-related entities:**

The Group recognised revenue from the construction services and operation services of RMB148,410,000 (six months ended 30 June 2025: RMB81,107,000) and RMB1,101,406,000 (six months ended 30 June 2025: RMB1,106,485,000), respectively, under service concession arrangements with the local governments in the PRC.

As at 30 June 2026, concession financial assets and relevant contract assets of RMB9,616,415,000 (31 December 2025: RMB9,645,389,000) were due from the local governments in the PRC in relation to the construction services.

RMB406,605,000 (31 December 2025: RMB386,974,000) of trade receivables and RMB448,267,000 (31 December 2025: RMB404,772,000) of contract assets were due from the Ministry of Finance of the PRC, in relation to government dismantling tariffs and electricity generation.

RMB2,625,081,000 (31 December 2025: RMB2,486,573,000) of trade receivables and RMB464,168,000 (31 December 2025: RMB385,896,000) of contract assets were due from local governments in the PRC, in relation to the waste management service and electricity generation.

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

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

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

	For the six months ended 30 June	
	2026 RMB'000 Unaudited	2025 RMB'000 Unaudited
Short-term benefits	2,620	2,124
Post-employment benefits	172	135
Total	2,792	2,259

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2026

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited	30 June 2026 RMB'000 Unaudited	31 December 2025 RMB'000 Audited
Financial liabilities				
Interest-bearing bank and other borrowings	9,013,632	8,961,129	9,017,228	9,030,814
Corporate bonds	1,967,861	1,937,027	2,009,180	1,937,027
	10,981,493	10,898,156	11,026,408	10,967,841

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

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

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of the corporate bonds are determined by reference to the latest quoted market prices at the end of each reporting date, and are classified as Level 2 in the fair value hierarchy, as the bonds are traded on the Shanghai Stock Exchange. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings and corporate bonds as at 30 June 2026 were assessed to be insignificant.

Assets measured at fair value:

No asset was measured at fair value as at 30 June 2026 (31 December 2025: Nil).

Liabilities measured at fair value:

No liability was measured at fair value as at 30 June 2026 (31 December 2025: Nil).

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 21 August 2026.



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

