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CAPITAL ENVIRONMENT HOLDINGS LIMITED

首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

INSIDE INFORMATION CHANGE IN ACCOUNTING ESTIMATES

This announcement is made by the board of directors (the “**Board**”) of Capital Environment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CHANGE IN ACCOUNTING ESTIMATES

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

Reasons for the Change in Accounting Estimates

To more accurately and objectively reflect the credit risk, financial position and operating results of the same customer, and to narrow the gap between the expected credit loss estimates and actual experience, a 100% loss rate is applied to trade receivables except those due from the Ministry of Finance of the PRC if the ageing is more than five years, based on the Company's actual settlement records.

Accordingly, the Board has approved the Change in Accounting Estimates. In accordance with the Listing Rules and the provisions of the articles of association of the Company, the Change in Accounting Estimates is not required to be submitted to the general meeting of the Company for consideration and approval.

ESTIMATED IMPACT OF THE CHANGE IN ACCOUNTING ESTIMATES

The Change in Accounting Estimates is accounted for prospectively, and has no effect on all the Group's historical revenue and cash flows, nor on the Group's financial position and operating results in prior years. According to the preliminary calculation by the Company based on the currently available information, this change will result in a decrease of approximately RMB391 million in impairment losses on trade receivables for the year ended 31 December 2025, an increase of approximately RMB293 million in profit after tax, and an increase of approximately RMB293 million in both total assets and net assets.

Since the audited financial statements for the year ended 31 December 2025 are yet to be finalised, the details will be disclosed in the annual results announcement for the year ended 31 December 2025 which is expected to be published on or around 18 March 2026. The Company's auditor, BDO Limited, will audit the consolidated financial statements of the Company for 2025 which include such Change in Accounting Estimates when it performs financial statement audit for 2025.

OPINION OF THE AUDIT COMMITTEE

The audit committee of the Company is of the view that (i) the Change in Accounting Estimates are made taking into account of the reasons set out above and will facilitate the formulation of the Group's business strategy for better comparison of its financial performance; (ii) it is in compliance with relevant HKFRSs; and (iii) it will not prejudice the interests of the Company and its shareholders as a whole. The procedures for considering and applying the Change in Accounting Estimates are in compliance with the provisions of the articles of association of the Company. As such, the audit committee of the Company has agreed to the Change in Accounting Estimates.

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

By order of the Board of
Capital Environment Holdings Limited
Li Qingsong
Chairman

Hong Kong, 12 March 2026

As of the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Qingsong and Mr. Guo Chaoyang; one non-executive Director, namely Ms. Hao Chunmei; and four independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Dr. Chan Yee Wah, Eva and Dr. Cao Fuguo.