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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

The board of directors (the “Board”) of Capital Environment Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2025 together with the comparative figures for the year ended 31 December 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	4		
– from contracts with customers		3,188,555	3,147,996
– effective interest income on concession financial assets		515,600	518,595
		3,704,155	3,666,591
Cost of sales		(2,347,450)	(2,357,495)
Gross profit		1,356,705	1,309,096
Other income and gains	4	79,587	106,295
Selling expenses		(13,728)	(14,452)
Administrative expenses		(353,137)	(393,378)
Other expenses		(73,945)	(96,023)
Impairment losses on financial and contract assets, net		(228,974)	(152,458)
Finance costs	6	(393,695)	(425,156)
Share of profits of associates		4,679	4,861

		2025	2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT BEFORE TAX	5	377,492	338,785
Income tax expense	7	<u>(88,847)</u>	<u>(68,215)</u>
PROFIT FOR THE YEAR		<u>288,645</u>	<u>270,570</u>
Attributable to:			
Owners of the parent		274,503	234,123
Non-controlling interests		<u>14,142</u>	<u>36,447</u>
		<u>288,645</u>	<u>270,570</u>
EARNINGS PER SHARE ATTRIBUTABLE			
TO ORDINARY EQUITY HOLDERS			
OF THE PARENT			
Basic	9	<u>RMB1.92 cents</u>	<u>RMB1.64 cents</u>
Diluted	9	<u>RMB1.92 cents</u>	<u>RMB1.64 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		439,330	482,482
Right-of-use assets		103,052	61,873
Goodwill		6,055	6,055
Other intangible assets	<i>10</i>	4,584,597	4,744,501
Investments in associates		54,147	56,686
Deferred tax assets		66,201	65,185
Concession financial assets	<i>11</i>	7,575,083	7,685,079
Contract assets	<i>12</i>	292,480	376,999
Prepayments, other receivables and other assets		165,725	184,522
Pledged deposits		6,917	5,746
Total non-current assets		13,293,587	13,669,128
CURRENT ASSETS			
Inventories		119,963	89,743
Concession financial assets	<i>11</i>	1,823,488	1,665,781
Contract assets	<i>12</i>	1,478,855	1,204,044
Trade receivables	<i>13</i>	2,975,541	2,580,311
Prepayments, other receivables and other assets		1,015,352	975,034
Pledged deposits		5,021	37,198
Cash and cash equivalents		488,131	659,298
Total current assets		7,906,351	7,211,409
CURRENT LIABILITIES			
Trade payables	<i>14</i>	1,438,946	1,603,234
Other payables and accruals		224,730	203,687
Contract liabilities		59,599	53,984
Deferred income		19,901	17,601
Interest-bearing bank and other borrowings	<i>15</i>	982,195	3,040,100
Lease liabilities		10,843	–
Amounts due to related parties		27,678	268,000
Current tax liabilities		69,421	60,404
Total current liabilities		2,833,313	5,247,010
NET CURRENT ASSETS		5,073,038	1,964,399
TOTAL ASSETS LESS CURRENT LIABILITIES		18,366,625	15,633,527

		2025	2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES			
Deferred income		378,362	333,344
Interest-bearing bank and other borrowings	<i>15</i>	7,978,934	7,607,111
Deferred tax liabilities		711,820	701,602
Corporate bonds	<i>16</i>	1,937,027	–
Other payables and accruals		3,334	–
Amounts due to related parties		40,000	–
Lease liabilities		33,396	–
		<hr/>	<hr/>
Total non-current liabilities		11,082,873	8,642,057
		<hr/>	<hr/>
Net assets		7,283,752	6,991,470
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		1,275,167	1,275,167
Reserves		5,666,911	5,386,304
		<hr/>	<hr/>
		6,942,078	6,661,471
Non-controlling interests		341,674	329,999
		<hr/>	<hr/>
Total equity		7,283,752	6,991,470
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2025

1. CORPORATE AND GROUP INFORMATION

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

- (a) Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendment did not have any material impact on the amounts recognised in prior and current periods.

- (b) Amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 — Disclosures about Uncertainties in the Financial Statements. On 13 February 2026, the HKICPA issued Disclosures about Uncertainties in the Financial Statements, which amended the illustrative examples accompanying multiple HKFRS Accounting Standards (HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37) to demonstrate how entities can apply the relevant requirements when reporting the effects of uncertainties in their financial statements. These illustrative examples form part of the accompanying materials to the Standards and do not carry a mandatory effective date. The Group has considered these illustrative examples in preparing its consolidated financial statements, and no additional disclosures or changes in presentation were considered necessary.

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue

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

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

Disaggregated revenue information:

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

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

(ii) Performance obligations

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

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

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

Other income and gains

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

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

5. PROFIT BEFORE TAX

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

		2025	2024
	<i>Notes</i>	RMB'000	RMB'000
Cost of services rendered for service concession arrangements		1,743,677	1,622,565
Cost of other services provided		570,622	662,731
Cost of inventories sold		33,151	72,199
Depreciation*			
– Property, plant and equipment		56,341	57,941
– Right-of-use assets		11,603	12,616
Amortisation of other intangible assets*	<i>10</i>	215,199	193,991
Research and development costs		50,285	53,218
Lease payments not included in the measurement of lease liabilities*		5,525	5,872
Auditor's remuneration			
– Audit services		3,270	3,897
– Non-audit services		1,030	1,579
Employee benefit expense (excluding directors' emoluments)			
– Wages and salaries		147,560	149,454
– Pension scheme contributions^		48,941	49,921
Foreign exchange differences, net		1,137	793
Impairment of financial and contract assets, net:			
– Impairment of trade receivables	<i>13</i>	65,581	85,901
– Impairment of financial assets included in prepayments, other receivables and other assets		(4,381)	1,135
– Impairment of concession financial assets		66,674	25,092
– Impairment of contract assets		101,100	40,330
Impairment of property, plant and equipment#		–	33,520
Impairment of other intangible assets#	<i>10</i>	63,203	54,000
Loss on disposal of items of property, plant and equipment		–	288

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

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

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

6. FINANCE COSTS

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Interest on bank and other borrowings		394,386	427,985
Interest on corporate bonds	16	2,027	–
Interest on lease liabilities		1,312	979
		<hr/>	<hr/>
Total interest		397,725	428,964
Less: Interest capitalised		4,341	5,052
		<hr/>	<hr/>
Subtotal		393,384	423,912
		<hr/>	<hr/>
Others		311	1,244
		<hr/>	<hr/>
Total		393,695	425,156
		<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX

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

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

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

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

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

8. DIVIDENDS

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

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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2024: 14,294,733,167) outstanding during the year.

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

The calculation of basic earnings per share is based on:

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

10. OTHER INTANGIBLE ASSETS

	Service concession arrangements <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2025			
Cost at 1 January 2025, net of accumulated amortisation and impairment	4,742,311	2,190	4,744,501
Additions	118,137	361	118,498
Amortisation provided during the year	(214,507)	(692)	(215,199)
Impairment during the year	(63,203)	–	(63,203)
At 31 December 2025	<u>4,582,738</u>	<u>1,859</u>	<u>4,584,597</u>
At 31 December 2025			
Cost	6,090,780	6,342	6,097,122
Accumulated amortisation and impairment	(1,508,042)	(4,483)	(1,512,525)
Net carrying amount	<u>4,582,738</u>	<u>1,859</u>	<u>4,584,597</u>

	Service concession arrangements <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation and impairment	4,800,376	3,018	4,803,394
Additions	189,083	15	189,098
Amortisation provided during the year	(193,148)	(843)	(193,991)
Impairment during the year	(54,000)	–	(54,000)
At 31 December 2024	<u>4,742,311</u>	<u>2,190</u>	<u>4,744,501</u>
At 31 December 2024			
Cost	5,972,643	5,981	5,978,624
Accumulated amortisation and impairment	(1,230,332)	(3,791)	(1,234,123)
Net carrying amount	<u>4,742,311</u>	<u>2,190</u>	<u>4,744,501</u>

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

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements are collectively disclosed in note 11.

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

Impairment testing of intangible assets in relation to service concession arrangements

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

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

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

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

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

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

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

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

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

11. CONCESSION FINANCIAL ASSETS

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

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At beginning of year	137,376	112,284
Impairment losses, net (note 5)	<u>66,674</u>	<u>25,092</u>
At end of year	<u>204,050</u>	<u>137,376</u>

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

The effective interest rates used in service concession arrangements ranged from 3.56% to 6.5% for both the year ended 31 December 2025 and the year ended 31 December 2024.

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

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

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

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

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

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

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at	Balance as at
						31 December 2025	31 December 2024
						<i>RMB'000</i>	<i>RMB'000</i>
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌省市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	387,390	461,822
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining approval for commercial operation	1,500 tonnes	368,326	376,886
Xiangxi Autonomous Prefecture Capital Environmental Co., Ltd. (湘西自治州首創環保有限公司)	Jishou Solid Waste Incineration Power Generation Plant (吉首市生活垃圾焚燒發電處理項目)	Jishou, Xiangxi	Hunan Jishou Public Utilities Administration (吉首市公用事業管理局)	October 2019 to October 2049 (30 years)	1,000 tonnes	371,460	372,723
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	Qianjiang Solid Waste Incineration Power Generation Project (潛江市生活垃圾焚燒發電項目)	Qianjiang, Hubei	Qianjiang City Administration (潛江市城市管理行政執法局)	April 2016 to April 2046	600 tonnes	319,059	326,204
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	317,936	300,698

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at	Balance as at
						31 December 2025	31 December 2024
						<i>RMB'000</i>	<i>RMB'000</i>
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	Qixian Solid Waste Incineration Power Generation Plant (杞縣生活垃圾焚燒發電項目)	Qixian, Kaifeng	Qixian Urban Management Bureau (杞縣城管局)	28 years after obtaining approval for commercial operation	600 tonnes	295,848	301,824
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining approval for commercial operation	600 tonnes	282,402	314,183
Duchang Capital Environmental Energy Co., Ltd. (都昌縣首創環保能源有限公司)	Duchang Solid Waste Incineration Power Generation Project (都昌縣生活垃圾焚燒發電項目)	Duchang, Jiangxi	Duchang People's Government (都昌縣人民政府)	26 years after obtaining approval for commercial operation	800 tonnes	274,591	279,535
Others*						3,943,676	3,710,133
						9,398,571	9,350,860

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

12. CONTRACT ASSETS

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

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

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

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

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

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

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

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

13. TRADE RECEIVABLES

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	3,216,643	2,756,189
Impairment	(241,102)	(175,878)
	<u>2,975,541</u>	<u>2,580,311</u>
Net carrying amount	<u><u>2,975,541</u></u>	<u><u>2,580,311</u></u>
Analysed into:		
Current assets	2,975,541	2,580,311
Non-current assets	—	—
	<u>2,975,541</u>	<u>2,580,311</u>

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

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

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

14. TRADE PAYABLES

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

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

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

Notes:

- (a) Bank loans of RMB275,911,000 as at 31 December 2025 (31 December 2024: RMB303,451,000) were guaranteed by the corporate guarantee of the Group.
- (b) Bank loans of RMB1,907,330,000 as at 31 December 2025 (31 December 2024: RMB1,191,466,000) were secured by certain service concession arrangements of the Group.
- (c) Bank loans of RMB4,340,733,000 as at 31 December 2025 (31 December 2024: RMB4,694,717,000) were guaranteed by the corporate guarantee of the Group, and were secured by certain service concession arrangements of the Group.
- (d) A bank loan of RMB58,346,000 as at 31 December 2025 (31 December 2024: RMB83,346,000) was guaranteed by the corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司, the non-controlling shareholder of Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司)).

- (e) Bank loans of RMB88,341,000 as at 31 December 2025 (31 December 2024: RMB113,581,000) were guaranteed by the corporate guarantee of the Group, and were secured by the leasehold land with a carrying amount of RMB34,348,000 (31 December 2024: RMB35,145,000).
- (f) Other loan of RMB84,903,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 31 December 2025 (31 December 2024: RMB103,168,000) was guaranteed by the corporate guarantee of the Group, and was secured by the service concession arrangement in Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司).
- (g) Other loan of RMB1,164,896,000 from Beijing Capital Eco-Environment Protection Group Co., Ltd. (“Capital Eco Group”), an intermediate holding company of the Company, an intermediate holding company of the Company) as at 31 December 2025 (2024: RMB3,470,000,000) was unsecured.

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

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

As at 31 December 2025, the Group had bank loans of RMB195,850,000 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 financial statements were authorised for issue.

16. CORPORATE BONDS

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

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

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

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

17. EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events that require adjustments to or disclosures in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2026, the global macroeconomy is expected to show resilience amidst multiple divergences. The International Monetary Fund (IMF) predicts an estimated global economic growth rate of 3.3% for the year¹. Surging investment in technology fields such as artificial intelligence (AI) is expected to result in a rise in energy consumption by digital infrastructure, thereby stimulating demand for stable green electricity, creating long-term market potential for the waste-to-energy incineration business. The emergence of global supply chain risks is expected to enhance the strategic value of resource recycling, further underscoring the importance of the site restoration business. Prices for energy commodities are expected to fall by about 7% in 2026², contributing to cost control in urban-rural environmental sanitation, organic waste treatment and other businesses.

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

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

¹ IMF, January 2026 World Economic Outlook Update

² IMF, January 2026 World Economic Outlook Update

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

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

Since entering the field of solid waste treatment in 2011, Capital Environment Holdings Limited (the “Company”), together with its subsidiaries (collectively, the “Group”), has closely followed the development guidance of national policies to actively seize policy benefits and market opportunities, and implemented the strategic planning of Beijing Capital Eco-Environment Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司) (“Capital Eco Group”), a substantial shareholder of the Company. Adhering to the operating philosophy of “vigorously promoting market expansion, continuously strengthening business operations, and solidly advancing management enhancement”, and guided by the business strategy of “tackling difficulties, improving quality and driving growth” and the management strategy of “innovation, efficiency enhancement and capability upgrading”, the Group anchored itself to the overall goal of “one increase, two controls and three improvements”, continuously made in-depth adjustments to its business structure to enhance profitability. The Group focused on its core environmental protection business, continuously consolidated the core position of its waste-to-energy incineration business, and actively promoted the development of asset-light businesses such as urban-rural environmental sanitation, site restoration, and energy conservation, peak carbon and carbon neutrality.

All business segments together achieved a vertical synergy with waste incineration as the core, and a horizontal synergy among various types of waste, forming a comprehensive structure for solid waste treatment business. The Group created a diversified value-driven model of “investment + operation + service” to develop both asset-light and asset-heavy operations, supporting Capital Eco Group to improve a systematic treatment ecosystem across “water, solid waste, air and energy” sectors.

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

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

REMARKABLE ACHIEVEMENTS IN EFFECTIVELY TACKLING DIFFICULTIES

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

EVIDENT EFFECT OF COMPREHENSIVELY IMPROVING QUALITY

The Group effectively strengthened the management and control over its key projects, achieving remarkable results in full lifecycle management. 2 projects were completed, 3 projects were settled, and 3 projects underwent final accounting. The Group actively facilitated the issuance of approval for commercial operation for the Pu’er and Nanle incineration projects, and successfully completed the price adjustment for the Ningbo Kitchen Waste Treatment Project, laying a solid foundation for performance growth. In terms of project construction, 4 out of 5 planned projects were completed as scheduled. The land allocation procedures for the Xinye transfer station are currently being advanced. Through the implementation of a series of measures, the Group effectively enhanced the production efficiency of its incineration projects. The on-grid electricity per tonne of waste grew from 297 kWh/tonne in 2024 to 310 kWh/tonne (adjusted for steam supply), and overall capacity utilisation rate rose to 86%. Multiple projects increased waste treatment volumes through optimised operations and management, advancing the goal of complete waste collection coverage. In addition, the Group further optimised its cost control via strategies such as centralised procurement and loan refinancing. Total savings achieved through centralised and integrated procurement amounted to RMB35.49 million. 2 centralised procurements were completed in collaboration with Beijing China Sciences Runyu Environmental Technology Co., Ltd., 2 new categories of spare parts were added to centralised procurement, and an MRO platform was piloted. Indicators such as diesel consumption per unit in the incineration business declined, with unit

costs for key factors across various business segments remaining below target levels, while administrative expenses were standardised. At the same time, 178 technological transformation projects are progressing in an orderly manner, with 134 completed, including 6 quality and efficiency improvement projects. All 6 technology-oriented technological transformation projects under the Open Competition Mechanism have been concluded, achieving positive results in areas such as desulfurisation system optimisation. The implementation of three major water treatment protocols was promoted, clarifying “five key approaches” for standardised equipment management, and driven the transformation of operation and maintenance management towards execution-driven models.

FRUITFUL RESULTS IN INNOVATIVE INCREMENT

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

SIGNIFICANT ACHIEVEMENTS IN SYSTEMATIC UPGRADE

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

COMPREHENSIVE SAFETY SYSTEM

The Group focused on the development of its safety management system, systematically strengthening its defence against safety risks through a closed-loop management model integrating mechanism establishment, investigation and rectification, as well as training and education. A safety objective responsibility letter system was implemented, with detailed job-specific accountabilities to consolidate primary safety responsibilities. A total of 22 safety management regulations were newly formulated or revised, and a core system list was issued, accompanied by risk control manuals and operating procedures. Throughout the year, 76 safety inspections and special investigations were conducted, leading to the precise identification and rectification of 1,381 hazards, with key controls implemented for high-risk

operations such as confined spaces. Safety performance was integrated into the key performance indicator (KPI) assessment system, forming a long-term accountability mechanism. During the year, remarkable achievements were made in traffic safety management. By organising 45 themed meetings, investigating and handling 40 violations, and releasing over 70 safety awareness videos, awareness of traffic regulations was continuously reinforced among all employees. Concurrently, the emergency management system was enhanced, with the annual emergency drill successfully completed. 3 professional safety skills training sessions were conducted to systematically enhance employees' safety operation capabilities.

DIVERSIFIED FINANCING METHODS

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

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

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

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

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

Employees

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

Customers

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

Suppliers

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

BUSINESS OUTLOOK FOR 2026

2026 marks the inaugural year of the 15th Five-Year Plan and a critical turning point for the Group to cross the development inflection point and achieve breakthroughs. The Group must heighten its risk awareness, adhere to bottom-line thinking, and spare no effort in advancing business development with the attitude that “not a moment can be wasted, not a step can be paused”, ensuring a strong start for the 15th Five-Year Plan. In terms of market expansion, the Group will focus on its core waste incineration business, intensify investment and mergers and acquisitions efforts, and deeply explore value in core segments such as the incineration derivative business, urban-rural environmental sanitation services, and site restoration business to achieve simultaneous growth in business scale and operational effectiveness. In terms of operational efficiency, the Group will prioritise the promotion of refined management in project operations, optimise cash flow control and safety management systems through initiatives such as revenue enhancement, expenditure reduction, cost cutting, and efficiency improvement, and consolidate the foundation for sustainable business development. In terms of management innovation, by anchoring core

business processes, the Group will continue to optimise systems and procedures, strengthen management fundamentals, and enhance its risk resilience and stable operational capabilities. In terms of strategic planning, the Group will formulate a 15th Five-Year development plan, focusing on quality improvement and efficiency enhancement on the business front, while deepening innovation empowerment on the management front. Guided by the principle of “pursuing excellence”, the Group will plan from a high starting point, collaborate effectively, and implement all tasks to drive the Group towards high-quality development.

FINANCIAL REVIEW

Financial Performance

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

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

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

Financial Position

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

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

Financial Resources

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

Details of the maturity profile of interest-bearing bank and other borrowings as at 31 December 2025 are set out in note 15 to the financial statements.

Borrowings

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

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

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

Foreign Exchange Exposure

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

Pledge of Assets

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

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

Capital Commitment Arrangements

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

Guarantees

As at 31 December 2025, the Group provided performance guarantees of approximately RMB49,604,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC.

Financial management and treasury policy

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

Employee Information

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

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

CHANGES IN ACCOUNTING ESTIMATES

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

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

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDENDS

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

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

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The 2026 annual general meeting of the Company (the “2026 AGM”) will be held on Thursday, 25 June 2026. To determine the eligibility of the Shareholders to attend 2026 AGM, the Company’s register of members will be closed from Monday, 22 June 2026 to Thursday, 25 June 2026 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at 2026 AGM, all transfers of shares of the Company, duly accompanied by the completed transfer forms and all relevant share certificates, must be lodged with the Company’s share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 18 June 2026. The shareholders whose names appear on the register of members of the Company on Thursday, 25 June 2026, the record date of 2026 AGM, will be entitled to attend and vote at 2026 AGM.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintaining a high level of corporate governance standards and practices. The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) as the basis of the Company’s corporate governance practices. The Company has complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2025.

DIRECTORS’ MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed 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. After a specific enquiry conducted by the Company, all directors of the Company confirmed that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2025.

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and practices adopted by the Group during the year ended 31 December 2025, the Change in Accounting Estimates approved by the Board on 12 March 2026, and has also discussed auditing, internal controls and financial reporting matters including the review of the audited annual results for the year ended 31 December 2025 with the management. The Audit Committee is of the opinion that the audited annual results of the Group for the year ended 31 December 2025 are in compliance with the relevant accounting standards, laws and regulations.

SCOPE OF WORK OF BDO Limited ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary results announcement have been agreed by the Company's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Company (www.cehl.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2025 will be dispatched to the shareholders of the Company (if requested) and published on the aforesaid websites in due course.

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

Hong Kong, 18 March 2026

As at 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 and Dr. Cao Fuguo.