

The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.

Application Proof of



高能环境

Beijing GeoEnviron Engineering & Technology, Inc.

北京高能時代環境技術股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Securities and Futures Commission (the “**Commission**”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with Beijing GeoEnviron Engineering & Technology, Inc. (北京高能時代環境技術股份有限公司) (the “**Company**”), its sole sponsor, overall coordinator, advisers or members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange’s website does not give rise to any obligation of the Company, its sole sponsor, overall coordinator, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, advisers or underwriters is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the publication of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

No offer or invitation will be made to the public in Hong Kong until after a prospectus of the Company has been registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on a prospectus of the Company registered with the Registrar of Companies in Hong Kong, copies of which will be made available to the public during the offer period.

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.



高能环境

Beijing GeoEnviron Engineering & Technology, Inc.

北京高能時代環境技術股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to the
the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED] and the [REDACTED])
[REDACTED] : HK\$[REDACTED] per H Share (payable in full
in Hong Kong dollars on application plus
brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%
and subject to refund and the Stock Exchange
trading fee of 0.00565%)
Nominal value : RMB1.00 per H Share
[REDACTED] : [REDACTED]

Sole Sponsor, [REDACTED]



建银国际
CCB International

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. A copy of this document, having attached thereto the documents specified in “Appendix VII – Documents Delivered to the Registrar of Companies and Available on Display – A. Documents Delivered to the Registrar of Companies”, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other documents referred to above.

The [REDACTED] is expected to be fixed by agreement between the [[REDACTED] (for itself and on behalf of the [REDACTED])] and our Company on the [REDACTED] or such later date as may be agreed by the [[REDACTED] (for itself and on behalf of the [REDACTED])] and our Company but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per H Share. Applicants for [REDACTED] are required to pay, on application, the [REDACTED] of HK\$[REDACTED] per H Share together with brokerage of 1%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] should be less than HK\$[REDACTED] per H Share. If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on or before [REDACTED], the [REDACTED] (including the [REDACTED]) will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range below as stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on the websites of our Company at www.bgechina.cn and the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, please refer to the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, in particular, the risk factors set out in “Risk Factors”. The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in “[REDACTED]” in this document. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The [REDACTED] are being offered and sold to non-U.S. persons outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this document to the public in relation to the [REDACTED].

This document is available at the websites of our Company at www.bgechina.cn and the Stock Exchange at www.hkexnews.hk. If you require a printed copy of this document, you may download and print from the website addresses above.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

This document is issued by our Company solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of marketing, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor, [REDACTED], any of their respective directors or any other person or party involved in the [REDACTED].

	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	15
Glossary of Technical Terms	25
Forward-looking Statements	29
Risk Factors	31
Waivers From Strict Compliance with the Listing Rules	54
Information about this Document and the [REDACTED]	60
Directors and Parties Involved in the [REDACTED]	63
Corporate Information	66
Industry Overview	68
Regulatory Overview	79
History, Development and Corporate Structure	93

CONTENTS

	<i>Page</i>
Business	105
Relationship with Our Single Largest Shareholder	171
Directors and Senior Management	175
Substantial Shareholders	191
Share Capital	192
Financial Information	195
Future Plans and [REDACTED]	232
[REDACTED]	234
Structure of the [REDACTED]	244
How to Apply for [REDACTED]	253
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited [REDACTED] Financial Information	II-1
Appendix III – Taxation and Foreign Exchange	III-1
Appendix IV – Summary of Principal Legal and Regulatory Provisions	IV-1
Appendix V – Summary of the Articles of Association of the Company	V-1
Appendix VI – Statutory and General Information	VI-1
Appendix VII – Documents Delivered to the Registrar of Companies and Available on Display	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As this is only a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in “Risk Factors.” You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this section are defined or explained in “Definitions” and “Glossary of Technical Terms” in this document.

OVERVIEW

We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios and broad service coverages. Our product portfolios include a wide range of metal products comprising base metals, precious metals and critical metals. In 2025, we recycled 14 types of metal elements and sold more than 15 types of products. According to Frost & Sullivan, in terms of revenue of 2024, we ranked third in the hazardous waste recycling market in China for each copper and platinum-group metals, with a market share of 9.2% and 6.7%, respectively. According to the same source, in terms of revenue in 2024, we ranked first in the hazardous waste recycling market in China for each bismuth and antimony, with a market share of 33.9% and 18.4%, respectively.

Our origins could be traced back to the Institute of High Energy Physics of the Chinese Academy of Sciences* (中科院高能物理研究所), making us one of the pioneers in China’s resources recycling and utilization sector with specialty in solid waste and hazardous waste pollution prevention technology research, commercialization of scientific achievements and provision of integrated solutions. Established in 1992, we have driven industrial transformation and upgraded through technological innovation leveraging over three decades of industry immersion. We have established a comprehensive business portfolio anchored in three core segments, namely resources recycling and utilization, environmental services projects operation and environmental engineering services.

Resources Recycling and Utilization segment focuses on metal resources recycling. This involves the extraction of valuable elemental resources from solid waste or hazardous waste through physical or chemical processes and processing them into marketable products to achieve resource circularity. Our key metal products include electrolytic copper, electrolytic lead, refined bismuth, antimony oxide, gold ingots, silver ingots, platinum-group metals and nickel-based products. Moreover, our resources recycling and utilization segment also involves non-metal resources recycling. Our non-metal products are primarily generated from recycling and utilization of plastic wastes and rubber tire wastes.

Environmental Services Projects Operation segment primarily includes operation of waste-to-energy incineration projects, where we utilize incineration methods to convert primarily household waste into thermal energy and furnace slag as the by-products. The generated thermal energy can be used for electricity and steam generation and the furnace slag can be further used as construction materials, thereby achieving resources recycling. Moreover, this segment also involves harmless treatment of solid waste and hazardous waste, which refers to the process of reducing the volume and toxicity of waste through incineration and landfilling, ultimately eliminating its pollution attributes. We operate our environmental services projects primarily under concession models, namely, build-operate-transfer (BOT) or transfer-operate-transfer (TOT).

Environmental Engineering Services segment involves us undertaking environmental engineering projects including landfill construction, soil and groundwater remediation, wastewater treatment, organic waste treatment and flue gas treatment. We provide efficient and sustainable solutions for environmental management and pollution control, facilitating environmental compliance and enhancing environmental quality, thereby contributing to a green and sustainable future.

SUMMARY

We continuously strengthen our competitive edge through technological innovation. We have cultivated long-term strategic partnerships with renowned domestic and international research institutes and environmental enterprises. Notably, we established a post doctoral research station in Zhongguancun Science Park Haidian Park. Several of our subsidiaries have been recognized as National Green Factories and National Specialized and Sophisticated ‘Little Giant’ Enterprises. As of December 31, 2025, our Company and our major subsidiaries held 493 patents and 37 software copyrights. See “History, Development and Corporate Structure – Our Major Subsidiaries” for details of our major subsidiaries. As of the same date, we have spearheaded or participated in the formulation of 103 international, national, industry, and group standards and technical specifications. Our commitment to excellence has garnered nearly 100 national and provincial-level honors, including the Second Prize of the State Scientific and Technological Progress Award and the Second Prize of the National Technological Invention Award.

In 2023, 2024 and 2025, our revenue reached RMB10,580.4 million, RMB14,499.5 million and RMB14,732.3 million, respectively. During the same years, our gross profit was RMB1,859.0 million, RMB1,989.8 million and RMB2,684.3 million, respectively, at gross profit margins of 17.6%, 13.7% and 18.2%, respectively.

OUR BUSINESS MODEL

We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios and broad service coverages. Centering on the circular economy, we established a comprehensive business portfolio anchored in three core segments: (i) resources recycling and utilization; (ii) environmental services projects operation; and (iii) environmental engineering services. The following table sets forth a breakdown for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Resources Recycling and Utilization						
Revenue from sales of products derived from recycling of metal resources	5,557,080	52.5	9,976,392	68.8	10,923,400	74.2
Revenue from sales of products derived from recycling of non-metal resources	911,283	8.6	1,160,501	8.0	975,727	6.6
Subtotal	6,468,363	61.1	11,136,893	76.8	11,899,127	80.8
Environmental Services Projects Operation						
Revenue from waste-to-energy incineration projects	1,077,358	10.2	1,153,409	8.0	1,181,651	8.0
Revenue from harmless treatment of solid waste and hazardous waste projects	412,151	3.9	377,504	2.6	392,028	2.7
Others ⁽¹⁾	138,075	1.3	198,471	1.3	147,219	1.0
Subtotal	1,627,584	15.4	1,729,384	11.9	1,720,898	11.7
Environmental Engineering Services	2,484,419	23.5	1,633,268	11.3	1,112,232	7.5
Total	10,580,366	100.0	14,499,545	100.0	14,732,257	100.0

Note:

- Mainly including three water treatment projects, as well as services provided by the Neijiang Project other than waste-to-energy incineration and organic waste treatment. See “Business – Our Business – Operation of Environmental Services Projects – Our Projects” for details.

SUMMARY

Resources Recycling and Utilization

The resources recycling and utilization segment is our core business and the foundation of resources recycling and circular economy strategy. This segment encompasses the recycling of metal and non-metal resources, with a primary focus on recycling of metal resources. Over the years, we have three independent and synergistically closed-loop full cycle operations focusing on recycling of industrial waste containing copper, lead and nickel. Our advanced capabilities enable us to produce a diverse range of metal products, through physical or chemical processes, such as smelting, extraction, electrolysis and purification to extract valuable metals.

Our metal resources recycling and utilization business generates revenue primarily from the sales of three categories of metal products:

- (i) base metals and their alloy, mainly including electrolytic copper, electrolytic lead, copper alloy, lead alloy and nickel-based products primarily comprising low-grade nickel matte and nickel sulfate.
- (ii) precious metals, mainly including gold ingots, silver ingots and gold and silver alloy as well as platinum-group metals comprising platinum, palladium, rhodium, iridium and ruthenium. According to Frost & Sullivan, we are among the few companies in the industry capable of recycling and selling key metals of platinum-group metals.
- (iii) critical metals, mainly including refined bismuth and antimony oxide.

Among our product portfolios, electrolytic copper, electrolytic lead, silver ingots, gold ingots, refined bismuth and platinum group metals are standard products and others are non-standard products. In addition to our metal products, we also recycled and sold non-metal products primarily generated from recycling and utilization of plastic wastes and rubber tire wastes during the Track Record Period.

The table below sets forth the revenues, sales volumes and average selling prices of the core products derived from recycling of metal resources for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
Standard Products			
Electrolytic copper			
Revenue (RMB'000)	2,034,040	3,666,356	2,228,628
Sales volume (tons)	34,790	53,683	30,571
Average selling price ⁽¹⁾ (RMB/ton)	58,466	68,296	72,900
Electrolytic lead			
Revenue (RMB'000)	385,653	379,262	294,650
Sales volume (tons)	28,996	26,690	19,808
Average selling price ⁽¹⁾ (RMB/ton)	13,300	14,210	14,875
Gold ingots			
Revenue (RMB'000)	565,713	1,189,935	1,593,909
Sales volume (gs)	1,218,020	2,158,940	1,985,598
Average selling price ⁽¹⁾ (RMB/g)	464	551	803
Silver ingots			
Revenue (RMB'000)	101,837	304,826	360,153
Sales volume (gs)	19,942,972	47,028,457	40,107,734
Average selling price ⁽¹⁾ (RMB/g)	5	6	9

SUMMARY

	For the year ended December 31,		
	2023	2024	2025
Refined bismuth			
Revenue (RMB'000)	188,543	303,335	319,118
Sales volume (tons)	3,978	4,791	3,290
Average selling price ⁽¹⁾ (RMB/ton)	47,396	63,314	96,996
Platinum-group metals⁽²⁾			
Revenue (RMB'000)	105,411	535,492	1,005,272
Sales volume (gs)	489,040	2,237,910	3,533,210
Average selling price (RMB/g)	216	239	285
Non-standard Products			
Copper alloy			
Revenue (RMB'000)	727,069	1,534,166	2,501,739
Sales volume (tons)	37,447	80,206	120,806
Average selling price ⁽¹⁾ (RMB/ton)	19,416	19,218	20,709
Gold and silver alloy			
Revenue (RMB'000)	476,429	1,453,068	1,119,123
Sales volume (gs)	52,621,668	75,396,593	48,550,000
Average selling price ⁽¹⁾ (RMB/g)	9	19	23
Low-grade nickel matte			
Revenue (RMB'000)	130,804	161,494	128,578
Sales volume (tons)	7,124	6,387	5,701
Average selling price ⁽¹⁾ (RMB/ton)	18,361	25,285	22,554
Nickel sulfate			
Revenue (RMB'000)	14,222	142,579	141,291
Sales volume (tons)	667	7,144	8,387
Average selling price ⁽¹⁾ (RMB/ton)	21,322	19,958	16,846
Antimony oxide			
Revenue (RMB'000)	33,512	67,802	89,689
Sales volume (tons)	758	855	839
Average selling price ⁽¹⁾ (RMB/ton)	44,211	79,301	106,900

Notes:

1. Average selling price is calculated as revenue for the year divided by sales volume for the same year.
2. Platinum-group metals include platinum, palladium, rhodium, iridium and ruthenium.

We strategically locate our production bases near main sites of metal and non-metal resources in China covering provinces and municipalities such as Jiangxi, Gansu, Hubei, Guangdong, Chongqing, Zhejiang and Anhui.

SUMMARY

Environmental Services Projects Operation

Our environmental services projects focus on waste-to-energy incineration. As of December 31, 2025, we operated 13 waste-to-energy plants across China with a total designed processing capacity of 11,800 tons per day, alongside one plant under construction in Hailar city. With advanced technologies, including AI-powered smart incineration systems, we are able to enhance combustion stability, increase efficiency and reduce emissions and consumables for our waste-to-energy incineration plants. As a testament to our operational efficiency, in 2024, all of our waste-to-energy incineration projects operated for more than 8,000 hours, and we were the only company in the waste-to-energy incineration market in China with such record in the same year, according to Frost & Sullivan. In addition to sales of electricity, our waste-to-energy projects also supply steam in response to the growing market demand for integrated energy services. We recover the thermal energy generated during the power generation process and utilize the same for supply of steam as our additional stream of income. In 2025, we generated over 1.52 billion kWh of green electricity and 594,457.3 tons of steam in China. Moreover, we also generate revenue from organic waste treatment and sludge treatment under our waste-to-energy incineration projects, achieving high utilization of our capacities. In 2023, 2024 and 2025, revenue generated from our waste-to-energy incineration projects accounted for 66.2%, 66.7% and 68.7% of total revenue from the operation of environmental services projects segment, respectively. In addition, we also generated revenue from harmless treatment of solid waste and hazardous waste projects as well as water treatment from the same segment.

Environmental Engineering Services

We provide comprehensive environmental engineering services, including, among other things, landfill construction, soil and groundwater remediation, wastewater treatment, organic waste treatment and flue gas treatment. These services offer efficient and sustainable solutions to our customers, ensuring improved regulatory compliance and environmental quality. In 2023, 2024 and 2025, revenue generated from our environmental engineering services accounted for 23.5%, 11.3% and 7.5% of our total revenue, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and continued growth:

- A leader in the solid waste and hazardous waste recycling industry in China;
- Vertically integrated operations along the industry value chain as well as strategic deployment of production bases strengthening our market position;
- Industry-leading technological breakthroughs underpinned by unwavering commitment to R&D investment;
- Enhanced operational efficiency and safety empowered by AI-enabled operations and digital transformation;
- Visionary leadership and a future-oriented talent structure; and
- Long-term commitment to ESG responsibilities and sustainable development.

SUMMARY

OUR STRATEGIES

We plan to further strengthen our leading position by implementing the following business strategies:

- Strengthen technological capabilities and further to enhance metal recovery rates and improve profitability of our recycled products;
- Enhance operational excellence through integrated, lean value-chain management; and
- Accelerate our global expansion focusing on markets with high-growth potentials.

RISK FACTORS

Our business and the [REDACTED] involved certain risks, which are set out in “Risk Factors” in this document. You should read that section in its entirety before you decide to invest in the [REDACTED]. Some of the major risks we face include: (i) our business is exposed to price fluctuations in raw materials; (ii) our business is exposed to price fluctuation in our products; (iii) we face intense competition in the solid waste and hazardous waste recycling market; (iv) our business operations and reputation are subject to risks relating to ESG; (v) our R&D efforts may not yield the benefits that we expect; (vi) we may be subject to liabilities and disruption in operations in connection with accidents that occur during the manufacturing process at production facilities; (vii) we may face risks associated with enhancing our manufacturing capabilities, including production difficulties and fluctuations in utilization rates, any of which may materially and adversely affect our business, financial condition and results of operations.

CUSTOMERS AND SUPPLIERS

Our Customers

During the Track Record Period, our customers primarily included companies engaging in non-ferrous metal smelting and advanced processing and sales of metal products as well as government agencies and state-owned electricity companies. Revenue from our five largest customers in each year during the Track Record Period accounted for approximately 33.8%, 30.8% and 26.1%, respectively, of our total revenue for the respective year. Revenue from our largest customer in each year during the Track Record Period accounted for approximately 9.8%, 11.8% and 6.9% of our total revenue for the respective year. See “Business – Customers” in this document.

Our Suppliers

During the Track Record Period, our suppliers primarily consisted of (i) companies in the metal production and smelting, electroplating, electronics and chemical industries; and (ii) independent contractors, equipment vendors and service firms specializing in environmental testing, repair and maintenance. Purchases from our five largest suppliers in each year during the Track Record Period accounted for approximately 18.0%, 16.2% and 22.4% of our total purchases for the respective year. Purchases from our largest supplier in each year during the Track Record Period accounted for approximately 7.2%, 5.0% and 7.2% of our total purchases for the respective year. See “Business – Supply Chain Management ” in this document.

SUMMARY

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

In the metal resources recycling industry, we compete with a number of large-scale and well-established domestic participants in the metal resources recycling market in China. The metal resources recycling market in China increased at a CAGR of 7.2% from 2020 to 2024, primarily due to the implementation of national strategies for green development and strategic resource security. In the future, the landscape will be shaped by innovation-led high-quality development as well as supply-demand integration. The metal resource recycling market in China is expected to reach RMB2,653.9 billion in 2029, representing a CAGR of 10.6% from 2025 to 2029. According to Frost & Sullivan, the key barriers to enter into the metal resources recycling industry include licensing and regulatory, technical, capital, and supply chain obstacles. We ranked first among companies in the hazardous waste recycling market in China in the recycling of bismuth and antimony resources in terms of revenue in 2024. We ranked third among companies in the hazardous waste recycling market in China in the recycling of copper and platinum-group metals resources in terms of revenue in 2024. In the environmental services operation industry, according to Frost & Sullivan, the waste-to-energy incineration in China has seen dramatic growth, supported by policy imperatives to market size of eliminate urban waste landfills and build foundational disposal capacity. We are well positioned in the waste-to-energy environmental services market through our stable operational capabilities, proven project operation experience and technology-driven efficiency improvements. See “Business – Competition” in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary of consolidated financial information during the Track Record Period. We have derived this summary from our audited financial information set forth in the Accountants’ Report set out in Appendix I to this document. The summary financial data set forth below should be read together with our consolidated financial statements and the related notes, as well as “Financial Information” in this document. Our financial statements were prepared in accordance with IFRS.

SUMMARY

Summary of Consolidated Statements of Results of Operation

	For the Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	10,580,366	14,499,545	14,732,257
Cost of sales	<u>(8,721,412)</u>	<u>(12,509,746)</u>	<u>(12,047,999)</u>
Gross profit	1,858,954	1,989,799	2,684,258
General and administrative expenses	(572,058)	(580,871)	(620,655)
Selling and marketing expenses	(143,587)	(97,683)	(106,424)
Research and development expenses	(324,018)	(509,082)	(458,549)
Net impairment losses on financial assets	(69,700)	(74,881)	(40,611)
Other income	133,011	162,264	131,175
Other gains/(losses), net	<u>45,422</u>	<u>138,387</u>	<u>(204)</u>
Operating profit	<u>928,024</u>	<u>1,027,933</u>	<u>1,588,990</u>
Finance income	1,546	2,493	3,146
Finance costs	<u>(447,580)</u>	<u>(463,121)</u>	<u>(465,089)</u>
Finance costs, net	<u>(446,034)</u>	<u>(460,628)</u>	<u>(461,943)</u>
Share of profit or loss of investments accounted for using the equity method	<u>77,651</u>	<u>41,249</u>	<u>(6,536)</u>
Profit before income tax	559,641	608,554	1,120,511
Income tax expenses	<u>(51,477)</u>	<u>(65,336)</u>	<u>(80,879)</u>
Profit for the year	<u><u>508,164</u></u>	<u><u>543,218</u></u>	<u><u>1,039,632</u></u>

SUMMARY

Revenue

During the Track Record Period, we generated a majority of the revenue from sales of products derived from recycling of metal resources. In addition, we also generated revenue from (i) environmental services projects operation, which primarily includes electricity and steam sales and waste treatment services from our waste-to-energy incineration projects; and (ii) environmental engineering services. In 2023, 2024 and 2025, our revenue amounted to RMB10,580.4 million, RMB14,499.5 million and RMB14,732.3 million, respectively.

Cost of Sales

Our cost of sales primarily consist of materials, fuel and power costs, employee compensation expenses, civil engineering and subcontracting costs, depreciation and amortization, equipment and installation costs, equipment usage fees and manufacturing overheads. In 2023, 2024 and 2025, our cost of sales was RMB8,721.4 million, RMB12,509.7 million and RMB12,048.0 million, respectively.

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit margin represents gross profit divided by revenue. In 2023, 2024 and 2025, our gross profit was RMB1,859.0 million, RMB1,989.8 million and RMB2,684.3 million. During the same years, our gross profit margin was 17.6%, 13.7% and 18.2%, respectively.

The table below sets forth the breakdown of our gross profit and gross profit margin by business segments for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Resources Recycling and Utilization	480,250	7.4	945,778	8.5	1,704,251	14.3
Environmental Services Projects Operation	745,004	45.8	833,486	48.2	782,299	45.5
Environmental Engineering Services	<u>633,700</u>	25.5	<u>210,535</u>	12.9	<u>197,708</u>	17.8
Total	<u>1,858,954</u>	17.6	<u>1,989,799</u>	13.7	<u>2,684,258</u>	18.2

Profit for the Year

Our profit for the year amounted to RMB508.2 million, RMB543.2 million, and RMB1,039.6 million, respectively, at a net profit margin of 4.8%, 3.7% and 7.1% in 2023, 2024 and 2025, respectively.

SUMMARY

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total non-current assets	13,573,497	13,169,794	12,418,962
Total current assets	13,109,411	14,097,979	14,539,518
Total current liabilities	11,166,592	11,324,130	10,827,758
Total non-current liabilities	5,392,127	6,047,665	5,457,106
Net current asset	1,942,819	2,773,849	3,711,760
Net assets	10,124,189	9,895,978	10,673,616

Our net current assets increased by 42.8% from RMB1,942.8 million as of December 31, 2023 to RMB2,773.8 million as of December 31, 2024, primarily due to the increase in inventories, prepayments and other receivables, trade and notes receivables, cash and cash equivalent, which were attributable to our business growth, as well as decrease in trade and notes payables, accruals and other payables as a result of settling the relevant liabilities, and was partially offset by the decrease in derivative financial instruments and the increase in borrowings and current income tax liabilities.

Our net current assets increased by 33.8% from RMB2,773.8 million as of December 31, 2024 to RMB3,711.8 million as of December 31, 2025, primarily due to the increases in inventories and trade and notes receivables attributable to our business growth, as well as the decreases in trade and notes payables and borrowings, and was partially offset by the decreases in contract assets and other financial assets at fair value through profit or loss and the increase in accruals and other payables.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	<u>(1,001,481)</u>	<u>689,181</u>	<u>1,164,371</u>
Net cash (used in)/ generated from investing activities	<u>(1,174,029)</u>	<u>(437,652)</u>	<u>210,792</u>
Net cash generated from/(used in) financing activities	<u>2,267,371</u>	<u>(110,626)</u>	<u>(1,259,471)</u>
Net increase in cash and cash equivalents	<u>91,861</u>	<u>140,903</u>	<u>115,692</u>
Cash and cash equivalents at beginning of the year	<u>1,201,762</u>	<u>1,293,451</u>	<u>1,430,529</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(172)</u>	<u>(3,825)</u>	<u>(480)</u>
Cash and cash equivalents at the end of the year	<u>1,293,451</u>	<u>1,430,529</u>	<u>1,545,741</u>

Key Financial Ratios

The following table set forth our key financial ratios as of the date or for the years indicated:

	As of/for the year ended December 31,		
	2023	2024	2025
Return on equity ⁽¹⁾	5.4%	5.3%	8.7%
Return on assets ⁽²⁾	1.9%	1.8%	3.1%
Gearing ratio ⁽³⁾	118.2%	132.5%	116.3%
Gross profit margin ⁽⁴⁾	17.6%	13.7%	18.2%
Net profit margin ⁽⁵⁾	4.8%	3.7%	7.1%

Notes:

- (1) Return on equity is calculated based on the profit for the year attributable to owners of our Company divided by equity attributable to owners of our Company at of the relevant year end and multiplied by 100%.
- (2) Return on assets is calculated based on the profit for the year attributable to owners of our Company divided by total assets as of the relevant year end and multiplied by 100%.
- (3) Gearing ratio is calculated based on total indebtedness (including borrowings and lease liabilities) divided by total equity and multiplied by 100%.
- (4) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.
- (5) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

SUMMARY

[REDACTED] STATISTICS⁽¹⁾

**Based on an
[REDACTED] of
HK\$[REDACTED] per
H Share**

Market capitalization of our H Shares after completion of the [REDACTED] ⁽²⁾	HK\$[REDACTED] million
Market capitalization of our Shares after completion of the [REDACTED] ⁽³⁾	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted net tangible assets per Share ⁽⁴⁾	HK\$[REDACTED]

Notes:

- (1) All statistics in this table are presented based on the assumption that the [REDACTED] is not exercised.
- (2) The calculation of market capitalization of our H Shares is based on the assumption that [REDACTED] H Shares will be in issue immediately upon completion of the [REDACTED].
- (3) The total market capitalization of the Company is calculated based on (i) 1,523,234,457 A Shares in issue as of the Latest Practicable Date at the average closing price of the A Shares of the Company for the five trading days immediately preceding the Latest Practicable Date at RMB14.71 (or approximately HK\$16.73) per Share, and (ii) the expected market capitalization of our H Shares at [REDACTED] (assuming the [REDACTED] is not exercised).
- (4) The unaudited [REDACTED] adjusted consolidated net tangible asset of our Group attributable to owners of our Company per H Share is calculated after the adjustments referred to in “Appendix II – Unaudited [REDACTED] Financial Information” to this document and on the basis that [REDACTED] H Shares were in issue assuming that the [REDACTED] had been completed on December 31, 2025 and without taking into account of any H Shares which may be allotted and issued upon the exercise of the [REDACTED].

OUR SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, Mr. Li held approximately 16.33% of the issued share capital of our Company and was our single largest Shareholder. Mr. Li confirmed that as of the Latest Practicable Date, he did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Li will hold approximately [REDACTED]% of the enlarged issued share capital of our Company and will remain as our single largest Shareholder. Accordingly, our Company will not have any controlling shareholder immediately after [REDACTED]. For further details about our single largest Shareholder, see “Relationship with our Single Largest Shareholder” in this document.

DIVIDEND

Pursuant to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 – 上市公司現金分紅(2025年修訂)》) and Articles of Association, within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average net profits realized in the latest three years. The specific dividend pay-out ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting.

SUMMARY

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders’ meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders’ interests and any other conditions that our Board may deem relevant.

During the Track Record Period, we declared and paid dividends of RMB76.3 million, RMB656.4 million and RMB106.6 million in 2023, 2024 and 2025, respectively. See “Financial Information – Dividend and Dividend Policy.”

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including cash and cash equivalents, available banking facilities, cash flows from operating activities and estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] commission and other fees incurred in connection with the [REDACTED]. Assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], [REDACTED] are estimated to be approximately RMB[REDACTED] million (HK\$[REDACTED] million), comprising: (i) [REDACTED] fees of RMB[REDACTED] million (HK\$[REDACTED] million); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] million (HK\$[REDACTED] million), which are further categorized into: (a) fees and expenses of legal advisers and accountants of RMB[REDACTED] million (HK\$[REDACTED] million); and (b) other fees and expenses of RMB[REDACTED] million (HK\$[REDACTED] million), approximately RMB[REDACTED] million (HK\$[REDACTED] million) of which had been or is expected to be recognized in our consolidated statements of profit or loss, and approximately RMB[REDACTED] million (HK\$[REDACTED] million) of which is expected to be deducted from equity upon the completion of the [REDACTED]. The [REDACTED] are expected to represent approximately [REDACTED]% of the [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] and that the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million after deducting the [REDACTED] fees and expenses payable by us in the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share. We intend to use the [REDACTED] from the [REDACTED] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, in the next three years, will be used to strengthen our competitiveness in the resources recycling and utilization segment.
- approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, in the next three years, will be used for our upstream integration strategy by establishing a new business segment in developing and supplying mineral resources such as gold and copper.

SUMMARY

- approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, in the next three years, will be used for our future waste-to-energy incineration projects overseas. Such overseas deployment will primarily be based in Southeast Asia in order to leverage potential high growth in the local markets;
- the remaining approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, will be used to provide funding for our working capital and general corporate purposes.

See “Future Plans and Use of [REDACTED]” in this document.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Save for the warning letters issued by the Beijing Regulatory Bureau of the CSRC (中國證券監督管理委員會北京監管局) and the Shanghai Stock Exchange to our Company, Mr. Li (our executive Director and chairman of the Board), Mr. Ling Jinming (our executive Director) and Ms. Wu Xiujiao (the then financial officer of our Company) in May 2025, our Directors confirmed that as of the Latest Practicable Date, we had no instance of non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our listing on the Shanghai Stock Exchange and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Based on the filings on the website of the Shanghai Stock Exchange and the information available in the public domain, our PRC Legal Advisor is of the view that the above confirmation of our Directors with regard to our compliance record is accurate and reasonable. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor’s view above, nothing has come to the Sole Sponsor’s attention that would cause them to cast reasonable doubt on our Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange in any material respect. See “History – Our Listing on the Shanghai Stock Exchange” in this document for further details of the warning letters.

Our Company is seeking a [REDACTED] of the H Shares on the Stock Exchange in order to utilize the overseas financing platform to enhance our competitive strengths and our brand image internationally, advance our international strategies and further expand our capital structure and gain direct access to the international capital markets for financing to support our operations and business expansion. See “Future Plans and Use of [REDACTED]” in this document for further details.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period up to the Latest Practicable Date, our business continued to grow. In January 2026, we won a tender of a food waste treatment project in Jinzhou city, Liaoning province with a contract price of RMB71.5 million for construction of the project. Subject to the execution of the formal agreement, we expect this project to have a positive impact on our future operating results.

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operation since December 31, 2025, which is the end date of the year reported in the Accountants’ Report set out in Appendix I to this document, and there is no event since December 31, 2025, which would materially affect the information in the Accountants’ Report set out in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this document.

“2016 Share Incentive Plan”	the restricted share incentive plan adopted by our Company on March 31, 2016
“2018 Share Option Plan”	the share option plan adopted by our Company on August 27, 2018
“2020 Share Incentive Plan”	the restricted share incentive plan adopted by our Company on October 20, 2020
“2023 Share Incentive and Share Option Plan”	the restricted share incentive and share option plan adopted by our Company on August 31, 2023
“A Shares”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
“Accountants’ Report”	the report from the Reporting Accountants for the three financial years ended December 31, 2023, 2024 and 2025, the text of which is set out in Appendix I to this document
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC” or “Accounting and Financial Reporting Council”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in “Appendix V – Summary of the Articles of Association” to this document
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CAGR”	compound annual growth rate
“[REDACTED]”	the [REDACTED] participating in the [REDACTED] and has the meaning ascribed thereto under the Listing Rules
“[REDACTED]”	[REDACTED]

DEFINITIONS

“China”, “Chinese Mainland” or “PRC”	the People’s Republic of China and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong SAR, Macau SAR and Taiwan
“Chongqing Yaohui”	Chongqing Yaohui Environmental Protection Co., Ltd.* (重慶耀輝環保有限公司), a limited liability company established under the laws of the PRC on April 26, 2018, being one of our subsidiaries
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, or “our Company”	Beijing GeoEnviron Engineering & Technology, Inc. (北京高能時代環境技術股份有限公司), a joint stock company established in the PRC with limited liability on August 28, 1992, and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603588)
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	the PRC enterprise income tax
“EIT Law”	Enterprise Income Tax Law of the PRC
“EIT Ltd.”	EIT Environmental Development Group Co., Ltd.* (玉禾田環境發展集團股份有限公司), a joint stock company established in the PRC with limited liability on April 13, 2010, and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300815)
“Extreme Conditions”	extreme conditions as announced by the Government of Hong Kong
“[REDACTED]”	[REDACTED]

DEFINITIONS

“Frost & Sullivan” or “F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent professional market research and consulting company, which is an Independent Third Party
“[REDACTED]”	[REDACTED]
“GeoEnviron (HK)”	Geo Environ (HK) Investment Limited (高能環境(香港)投資有限公司), a company incorporated under the laws of Hong Kong with limited liability on March 17, 2015, being one of our major subsidiaries
“GeoEnviron Pengfu”	Hubei GeoEnviron Pengfu Technology Co., Ltd.* (湖北高能鵬富環保科技有限公司), a limited liability company established under the laws of the PRC on April 9, 2012, being one of our major subsidiaries
“GeoEnviron Zhongse”	Gansu GeoEnviron Zhongse Technology Co., Ltd.* (甘肅高能中色環保科技有限公司), a limited liability company established under the laws of the PRC on October 24, 2006, being one of our major subsidiaries
“[REDACTED]”	[REDACTED]
“Group”, “our Group”, “we”, or “us”	our Company and our subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guilin Medical Waste Project”	the medical waste treatment project located in Guilin city, Guangxi Zhuang autonomous region
“Hangzhou Gaoneng”	Hangzhou Gaoneng Times New Material Technology Co., Ltd.* (杭州高能時代新材料科技有限公司), a limited liability company established under the laws of the PRC on July 28, 2017, being one of our subsidiaries
“Hetian Project”	the waste-to-energy incineration project located in Hetian city, Xinjiang Uygur autonomous region
“Hezhou Project”	the waste-to-energy incineration project located in Hezhou city, Guangxi Zhuang autonomous region
“H Share(s)”	overseas listed foreign share(s) in our ordinary share capital, with nominal value of RMB1.00 each in the share capital of our Company, which are to be [REDACTED] for and [REDACTED] in HK dollars and for which an application has been made for [REDACTED] and permission to [REDACTED] on the Stock Exchange

DEFINITIONS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Hong Kong”, “Hong Kong SAR” or “HKSAR”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]

DEFINITIONS

“[REDACTED]”	[REDACTED]
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Jiangxi Xinke”	Jiangxi Xinke Environmental Protection High-tech Co., Ltd.* (江西鑫科環保高新技術有限公司), a limited liability company established under the laws of the PRC on June 13, 2016, being one of our major subsidiaries
“Jinchang GeoEnviron”	Jinchang GeoEnviron Technology Co., Ltd.* (金昌高能環境技術有限公司), a limited liability company established under the laws of the PRC on December 8, 2020, being one of our major subsidiaries
“Jingmen Project”	the waste-to-energy incineration project located in Jingmen city, Hubei province

DEFINITIONS

“Jingyuan GeoEnviron”	Jingyuan GeoEnviron New Material Technology Co., Ltd.* (靖遠高能環境新材料技術有限公司), a limited liability company established under the laws of the PRC on January 12, 2005, being one of our major subsidiaries
“Latest Practicable Date”	March 22, 2026, being the latest practicable date for ascertaining certain information in this document before its publication
“Leshan Hazardous Waste Project”	the hazardous waste treatment project located in Leshan city, Sichuan province
“[REDACTED]”	[REDACTED]
“Listing Committee”	the Listing Committee of the Stock Exchange
“[REDACTED]”	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Liulitun Project”	the landfill risk prevention and control project located in Liulitun, Beijing
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Li”	Mr. Li Weiguo (李衛國), chairman of the Board, our executive Director and our single largest Shareholder
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Neijiang GeoEnviron”	Neijiang GeoEnviron Technology Co., Ltd.* (內江高能環境技術有限公司), a limited liability company established under the laws of the PRC on February 2, 2019, being one of our major subsidiaries
“Neijiang Project”	the integrated solid waste treatment project located in Neijiang city, Sichuan province
“Ningbo Hazardous Waste Project”	the hazardous waste treatment project located in Ningbo city, Zhejiang province

DEFINITIONS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Oriental Yuhong”	Beijing Oriental Yuhong Waterproof Technology Co., Ltd.* (北京東方雨虹防水技術股份有限公司), a joint stock company established in the PRC with limited liability on March 30, 1998 and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002271), in which Mr. Li held approximately 20.2% equity interest as at the Latest Practicable Date
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Pearl River Delta Region”	the economic zone in Guangdong province comprising Guangzhou, Shenzhen, Zhuhai, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing of the PRC
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Legal Advisor”	Zhong Lun Law Firm, our legal advisor as to PRC laws
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Puyang Project”	the waste-to-energy incineration project located in Puyang city, Henan province

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Reporting Accountants”	Confucius International CPA Limited
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	A Share(s) and H Share(s) in the capital of our Company with a par value of RMB1.00 each
“Shareholder(s)”	holder(s) of our Share(s)
“Sihong Project”	the waste-to-energy incineration project located in Suqian city, Jiangsu province
“[REDACTED]”	[REDACTED]
“Sole Sponsor”	CCB International Capital Limited
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Tengzhou Hazardous Waste Project”	the hazardous waste treatment project located in Tengzhou city, Shandong province
“Tianjin GeoEnviron”	Tianjin GeoEnviron Water Treatment Technology Co., Ltd.* (天津高能時代水處理科技有限公司), a limited liability company established under the laws of the PRC on August 29, 2019, being one of our subsidiaries
“Tianjin Project”	the waste-to-energy incineration project located in Tianjin municipality
“Tibet Yuneng”	Tibet Yuneng Environmental Technology Co., Ltd.* (西藏蘊能環境技術有限公司), a limited liability company established under the laws of the PRC on November 16, 2016, being one of our major subsidiaries
“Track Record Period”	the period comprising the three financial years ended December 31, 2023, 2024 and 2025
“U.S. dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“United States” or the “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“VAT”	value-added tax
“Vortexinfo Technology”	Suzhou Vortexinfo Technology Co., Ltd.* (蘇州市伏泰信息科技股份有限公司), a joint stock company established in the PRC with limited liability on December 26, 2007, in which our Company held approximately 5.27% equity interest as at the Latest Practicable Date
“Xinyi Project”	the waste-to-energy incineration project located in Xinyi city, Jiangsu province
“Yangtze River Delta Region”	the economic zone in the PRC comprising Shanghai, Anhui province, Jiangsu province and Zhejiang province
“Yining Project”	the waste-to-energy incineration project located in Yining city, Xinjiang Uygur autonomous region

DEFINITIONS

“Yueyang Project”	the waste-to-energy incineration project located in Yueyang city, Hunan province
“Yulin Project”	the solid waste landfill project located in Yulin city, Shanxi province
“Zhejiang Jiatianhe”	Zhejiang Jiatianhe Environmental Technology Co., Ltd.* (浙江嘉天禾環保科技有限公司), a limited liability company established under the laws of the PRC on January 29, 2016, being one of our subsidiaries
“Zhongxin Hongwei”	Anhui Zhongxin Hongwei Technology Co., Ltd.* (安徽中鑫宏偉科技有限公司), a limited liability company established under the laws of the PRC on May 27, 2020, being one of our subsidiaries
“Zhuhai Xinhong”	Zhuhai Xinhong Environmental Protection Development Co., Ltd.* (珠海市新虹環保開發有限公司), a limited liability company established under the laws of the PRC on July 11, 2002, being one of our subsidiaries
“%”	per cent

Unless otherwise specified or the context otherwise requires:

1. statements contained in this document assume no exercise of the [REDACTED];
2. all times refer to Hong Kong time;
3. references to years, months and days in this document are to calendar years, calendar months and calendar days, respectively; and
4. all data in this document is as of the date of this document.

In this document, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

In this document, “” denotes translation of certain natural persons, legal persons, enterprises, governmental authorities, institutions, entities, organizations, departments, facilities, laws and regulations into Chinese or English (as the case maybe), etc., or another language included in this document for identification purposes only. In the event of any inconsistency, the Chinese names or the names in their original languages prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

“Antimony”	a silvery-white metalloid element used in flame retardants, batteries, and alloys
“Antimony oxide”	antimony trioxide, an inorganic oxide of antimony; in the context of this document and our business, it primarily refers to antimony trioxide products recovered and processed from antimony-bearing materials
“Base metals”	commonly used metals with broad applications and relatively high levels of consumption across the economy, mainly including iron, manganese, copper, aluminum, lead, zinc, tin, nickel and antimony. In the context of our business, base metals mainly comprise copper, lead, antimony and nickel
“Blister copper”	an intermediate copper product with a blistery surface, produced by smelting copper concentrate, typically containing 96% to 99% copper
“BOT”	build-operate-transfer
“Centrifugal extraction”	a separation technique that uses centrifugal force to rapidly mix and separate immiscible liquids, commonly employed in solvent extraction processes in hydrometallurgy
“Copper matte”	an intermediate sulfide product formed during smelting of copper concentrate, primarily composed of a eutectic formed by cuprous sulfide and ferrous sulfide
“Critical metals”	metals that are essential to strategic emerging industries, which include bismuth and antimony in the context of our business
“Crude lead”	an impure lead intermediate product generated from the initial smelting of lead-bearing materials, requiring further refining to remove impurities
“Dual Carbon”	China’s national strategic goals of achieving peak carbon dioxide emissions before 2030 and carbon neutrality before 2060
“Electrolytic Copper”	a high-purity copper product, typically with a purity of 99.99% or above, produced through electrolytic refining
“Electrolytic lead”	high-purity lead, typically with a purity of 99.9% or above, produced through an electrolytic refining process
“Flue gas”	exhaust gas from combustion processes
“Flue gas purification”	removing pollutants from exhaust gases before release
“Fly ash”	fine particulate matter of ash that is carried up and out by the flue gases during the combustion of solid fuels

GLOSSARY OF TECHNICAL TERMS

“Furnace”	a type of industrial thermal equipment that heats metallic raw materials at high temperatures to drive a series of physical and chemical reactions, thereby enriching the desired metals
“g”	gram
“Hazardous waste”	the solid wastes that are listed in the National Hazardous Waste Catalogue or identified as having hazardous characteristics in accordance with the national hazardous waste identification standards and methods
“Hydrometallurgical refining”	a process of extracting and purifying metals from ores, concentrates, or secondary materials using aqueous chemical solutions, as opposed to pyrometallurgical methods
“Incineration”	burning waste at high temperatures to reduce volume and generate energy
“iridium”	a very dense, corrosion-resistant platinum group metal used in high-performance alloys, spark plugs, and electrochemical applications
“ISO”	International Organization for Standardization
“ISO 14001”	the Environmental Management System published by the ISO
“ISO 45001”	the Occupational Health And Safety Management System published by the ISO
“ISO 9001”	the International Quality Management System published by the ISO
“ISO 50001”	the Energy Management System published by the ISO
“kg”	kilogram
“Kilowatt-hour (kWh)”	is a unit of electricity consumption, where 1 kWh equals one unit of electricity
“Leachate”	contaminated liquid that drains from waste, which is a part of sewage
“Leachate treatment”	processing contaminated liquid from waste to make it safe for discharge or reuse
“Load rate”	the ratio of actual waste treated to the facility’s design capacity
“Low-grade nickel matte”	an intermediate nickel-copper-iron sulfide product with a relatively lower nickel content, produced during the smelting of nickel sulfide ores or concentrates
“m ² ” or “sq.m.”	square meter

GLOSSARY OF TECHNICAL TERMS

“m ³ ”	cubic meter
“National Green Factories”	manufacturing plants officially recognized and certified by Chinese authorities for achieving excellence in resource conservation, environmental friendliness, and low-carbon operations throughout their lifecycle
“Nickel sulfate”	a key inorganic compound (NiSO ₄) primarily used as an essential raw material in the production of precursors for lithium-ion battery cathodes
“Non-ferrous metal”	a collective term referring to all metals other than ferrous metals (mainly including iron, chromium, manganese and their alloys)
“Oxygen-enriched side-blowing furnace”	a smelting furnace where oxygen-enriched air is injected through tuyeres on the side wall, enhancing reaction intensity and thermal efficiency for processing non-ferrous metal concentrates or secondary materials
“Palladium”	a precious silvery-white platinum group metal widely used in catalytic converters, electronics, jewelry, and hydrogen purification
“Platinum”	a dense and malleable platinum group metal highly valued for its catalytic properties, used in automotive catalysts, jewelry, and industrial applications
“Platinum-group metals”	a family of precious metals which, in the context of our business, comprise platinum, palladium, rhodium, ruthenium and iridium
“Precious metals”	a category of rare, naturally occurring metallic elements with high economic value, which include gold, silver, and platinum-group metals in the context of our business
“Pyrometallurgical enrichment”	a process that uses high-temperature operations (e.g., smelting, converting) to concentrate valuable metals from complex raw materials into intermediate products like mattes or crude metals
“Refined bismuth”	high-purity bismuth metal obtained through refining processes, meeting specified commercial or industrial grade standards
“Rhodium”	a rare, highly reflective and corrosion-resistant platinum group metal, primarily used in catalytic converters and as an alloying agent
“Ruthenium”	a hard, brittle platinum group metal used in electronics, as a catalyst, and in alloys to enhance hardness and corrosion resistance
“SHFE”	the Shanghai Futures Exchange
“Slag”	in the context of our business, refers to the solid residues discharged from the bottom of incinerators after municipal household waste is subjected to high-temperature incineration

GLOSSARY OF TECHNICAL TERMS

“Sludge treatment”	processing semi-solid waste from sewage for safe disposal or reuse
“Smelting”	the process of extracting metallic elements from ores through methods such as roasting, smelting, electrolysis and the use of chemical reagents, with the objective of recovering metals from ores and reducing impurities or adjusting the composition of metals to produce metals meeting the required specifications
“SMM”	the Shanghai Metals Market
“SNCR”	selective non-catalytic reduction i.e., a method to reduce nitrogen oxides in flue gas using urea or ammonia
“Steam turbine generator”	a device that converts steam energy into electricity
“TOT”	transfer-operate-transfer
“Waste heat boiler”	a boiler that uses heat from flue gas to generate steam
“Zero-Waste City”	an urban development model promoted in China aimed at minimizing solid waste generation, maximizing resources recycling, and ensuring safe disposal of residuals throughout the city

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “objective,” “target,” “schedule,” “predict,” “aim,” “intend”, “consider,” “would,” “continue” and “outlook”) are not historical facts, but are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this document), uncertainties and other factors some of which are beyond our control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- general political, market and economic conditions, including those related to the PRC;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- our planned projects and goals;
- our ability to control or reduce costs;
- our ability to control our risks;
- our ability to maintain good relationships with business partners;
- our business prospects and expansion plans;
- our ability to successfully implement our business plans and strategies;
- our financial condition and performance, debt levels and capital needs;
- our dividend policy;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- the actions and developments of our competitors;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this document.

FORWARD-LOOKING STATEMENTS

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all the information in this document and, in particular, the risks and uncertainties described below before making an investment in our H Shares. The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our H Shares could decline and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is exposed to price fluctuations in raw materials.

Raw materials have a great impact on our cost of sales. In each year during the Track Record Period, we incurred RMB5,888.5 million, RMB9,882.9 million and RMB9,827.0 million for the cost of material, fuel and power cost, which represented 67.5%, 79.0% and 81.5% of the total cost of sales in the same year, respectively. The prices of raw materials are subject to many factors, including development of the global economy and policies of exporting countries, the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters and other factors which are beyond our control. We primarily take reference to prices on the SMM or the SHFE over an agreed period as the metal pricing benchmark, applying negotiated discount rates when pricing our products and sourcing raw materials, but the discount rates may differ. The differences in discount rates reflect variations in metal content, and are influenced by changing supply and demand dynamics, which are beyond our control. We cannot assure you that we can secure adequate supplies of raw materials at commercially reasonable prices to meet our production requirements, taking reference to the costs of the raw materials and manufacturing costs. If we are unable to adopt effective measures to mitigate fluctuations in raw material prices, our financial performance may be adversely affected. In particular, if raw material prices increase more rapidly than the selling prices of our products and/or we may not be able to source a sufficient supply of raw material at an acceptable level of quality or cost, our financial performance and operating results would be adversely affected.

Our business is exposed to price fluctuation in our products.

In each year during the Track Record Period, we generated revenue in the amount of RMB5,557.1 million, RMB9,976.4 million and RMB10,923.4 million from the production and sales of metal products and their alloys, representing 52.5%, 68.8% and 74.2% of our total revenue for the same years, respectively. Our product portfolios primarily involve electrolytic copper, gold ingots, silver ingots, gold and silver alloy, electrolytic lead, refined bismuth, antimony oxide platinum group metals and nickel-based products. See “Business – Our Business – Resources Recycling and Utilization.” However, there are certain inherent risks associated with the sales of metal products. For example, the prices of metals such as copper, gold, silver, platinum, nickel and other metals are subject to significant volatility driven by factors including changes in global supply and demand, geopolitical instability, and economic conditions. This price volatility could result in fluctuations in our revenues and profit margins for sales of metal products, and we may incur losses if we fail to effectively hedge against price changes or if market prices decline unexpectedly. To a lesser extent and where appropriate, we also engage in speculative trading activities in metals, which exposes us to a number of risks brought by the price fluctuations of metals. Moreover, sales of metal products are subject to regulatory requirements, as changes in environmental laws, export/import restrictions, and compliance requirements may increase operational costs or disrupt trade flows. If we fail to address those inherent risks associated with sale of metal products, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

We face intense competition in the solid waste and hazardous waste recycling market

While there are certain entry barriers for the solid waste and hazardous waste recycling market, such as licensing and regulatory barrier, technology barrier, capital barrier and supply chain barrier, we face intense competition in the relevant segment. According to Frost & Sullivan, the resources recycling and utilization segments for copper, platinum-group metals, bismuth and antimony are each relatively concentrated. According to the same, in terms of revenue of 2024, we ranked third in the hazardous waste recycling market in China for each copper and platinum-group metals, with a market share of 9.2% and 6.7%, respectively, and ranked first in the hazardous waste recycling market in China for each bismuth and antimony, with a market share of 33.9% and 18.4%, respectively.

We cannot assure you that we will maintain the current market position and that our market share will not decline in the future. Similar to us, the existing competitors may endeavor to increase their market share through various measures, such as continued R&D efforts and optimized production processes. We are expected to face competition from both existing and new competitors as we are expanding our business into new geographic markets and product or service categories. In addition, our competitors may have a longer operating history and greater financial, technical and other resources, enabling them to achieve more efficient cost management and to devote more resources to the cost control, promotion and sale of their products or services. Furthermore, intensified competition may lead to price fluctuations in our products or services, as the prices of our products or services are affected by the prices of similar products or services offered by competitors. Competitors in the resources recycling and utilization, environmental services projects operation and environmental engineering services markets are expanding their production or operation capacity, which may outpace the demand and further impact market prices. We cannot assure you that the prices of our products or services will remain stable or align with our expectations in the future. A significant or sustained decline in the price of our products or services may lead to customers being unwilling to honor contractual commitments based on pre-agreed pricing terms, a reduction in the value of our products or services, lower revenue and profit margins, or even suspension of production or provision of services if operations or delivery of services become economically unviable. Conversely, a significant or sustained increase in our product or service prices may prompt customers to seek alternative products or services, which could reduce demand for our products or services. As a result, if we fail to compete effectively or cannot keep up with other competitors in the market, we may be unable to retain or expand our market share, and our sales volume, profitability and overall business performance may be materially and adversely affected.

Our business operations and reputation are subject to risks relating to ESG.

We are subject to environmental protection laws and regulations as well as the complex and evolving ESG requirements, which require us to devote substantial time and resources for compliance and could adversely affect our business and financial performance.

There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. We believe that it is our responsibility to devote substantial time and resources to developing technology and products designed to reduce our carbon footprint and maintain environmentally friendly business operations. In addition, we have adopted a comprehensive set of ESG-related policies and procedures to ensure our long-term and sustainable growth and have established an ESG committee to oversee the implementation of these policies. See “Business – Environmental, Social and Governance”. However, the process of developing new production technologies and enhancing existing production technologies to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the time frames expected, or at all. Furthermore, our ESG-related policies and procedures may not always be effective, or at all, to tackle the ESG-related risks which we may be exposed to.

RISK FACTORS

Additionally, our business is subject to extensive and increasingly stringent environmental protection laws and regulations, which can make our construction and manufacturing activities more expensive or prohibit them altogether. In particular, our operations involve the handling and storage of toxic and hazardous dangerous substances and stringent environmental protection laws and regulations in China require us to adopt measures to effectively control and properly dispose solid and hazardous waste, waste gases, wastewater and other environmental waste materials. Incidents arising from the mishandling of dangerous materials may occur during our business operations. The occurrence of any of these risks and hazards could result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, suspension or revocation of operating permits, delay in production, increased production costs, monetary losses and possible legal liability (including compensatory claims, fines and penalties) to us, which could materially and adversely affect our business, financial condition and results of operations. See “Business – Legal Proceedings and Compliance – Environmental Pollution Incident” for our non-compliance incidents during the Track Record Period. Save for the non-compliance incidents disclosed in this document, we had complied with the relevant laws and regulations in all material aspects in the jurisdictions where we operate during the Track Record Period.

There is no assurance that we will not be challenged or penalized for our non-compliance with environmental protection laws and regulations as the interpretations and requirements of the competent authorities may vary in the future. We have invested substantial resources into environmental protection measures, including recycling of wastewater, waste gas processing and systematic management for solid and hazardous waste to comply with environmental protection laws. In addition, new environmental issues could arise and lead to currently unanticipated investigations, assessments or costs.

Compliance with the evolving ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business and financial performance. If we are unable to satisfy such new criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to invest in our competitors. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity, and our business operations could be adversely impacted.

Our R&D efforts may not yield the benefits that we expect.

Technology innovation is critical to our success. We made significant investments in product and technology R&D, as we believe that R&D is crucial for our future growth and prospects. Our R&D expenses amounted to RMB324.0 million, RMB509.1 million and RMB458.5 million in each year during the Track Record Period, respectively. In order to maintain and expand our competitive advantages, additional resources may need to be devoted to R&D activities. However, as R&D activities are inherently uncertain, there is no assurance that R&D projects will lead to successful results or be completed within the anticipated time frame and budget, or that newly developed products will achieve wide market acceptance. Even if such results/products can be successfully commercialized, there is no assurance that they will be accepted by our customers and achieve anticipated sales target or profit. In addition, it cannot be assured that our existing or potential competitors will not develop products which are similar or superior to our products, or enhance their production efficiency, reduce their costs or expand their product portfolios through their R&D efforts. Due to uncertainties in the time

RISK FACTORS

frame for developing new products and the duration of market window for these products, there is a substantial risk that a potential product that is no longer commercially viable may have to be abandoned, even after we have invested significant resources in the development of such product.

We may be subject to liabilities and disruption in operations in connection with accidents that occur during the manufacturing process at production facilities.

In the course of operations and production, we implement and require our employees to comply with safety measures and procedures as stipulated in our internal policies. As our manufacturing process is complicated and inevitably involves operation of tools, equipment and machinery and use of chemical materials, accidents resulting in employee injuries or even deaths may occur, although we did not experience any major disputes that lead to disruptions in our Group’s operations. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have adequate or sufficient insurance to cover such liabilities, which could then adversely affect results of operation, financial conditions, business and prospects.

We may face risks associated with enhancing our manufacturing capabilities, including production difficulties and fluctuations in utilization rates, any of which may materially and adversely affect our business, financial condition and results of operations.

Our success depends in part on our ability to enhance our manufacturing capabilities, which include expanding our manufacturing capacity, improving our manufacturing efficiency or modifying our manufacturing lines to meet the varying demands for our products. If we are unable to do so, we may not be able to achieve the desired level of economies of scale in our operations, to reduce manufacturing costs to the level that will allow us to compete effectively or to maintain our pricing and other competitive advantages. Our advantage and efforts to enhance our manufacturing capabilities are subject to significant risks and uncertainties, including:

- unexpected delays and cost overruns resulting from a number of factors, many of which may be beyond our control. These include increases in the prices of raw materials, parts, components and utilities, shortages of workers, transportation constraints, disputes with contractors and vendors, as well as equipment malfunctions and breakdowns;
- our ability to obtain or renew the required permits, licenses and approvals from relevant government authorities;
- availability of the necessary technology or equipment from third parties or our R&D department;
- diversion of management attention and other resources; and
- manufacturing interruption caused by natural disasters or other unforeseen events.

Construction of new production facilities or expansion of existing ones requires substantial upfront capital investment and may involve a prolonged ramp-up period before reaching expected capacity or breakeven. Any failure to complete such projects on schedule or at all may strain our financial resources and adversely affect our business, financial condition and results of operations. Both new and existing facilities are subject to production challenges, including capacity limitations, mechanical and system failures, delays in construction or upgrades, and late delivery of machinery. These issues may lead to production suspension or reduced output. In addition, scheduled and unscheduled maintenance programs may further impact production efficiency. Any significant disruption to our manufacturing operations could impair our ability to produce and deliver products, resulting in lost sales and reputational damage. Such disruptions may have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Our operations are inherently subject to operational and safety risks.

Our business involves hazardous activities such as using heavy machinery and handling hazardous waste, flammable, and explosive materials. Operation risks include equipment failure, improper use of chemicals, labor issues, weather disruptions, natural disasters, environmental hazards, and industrial accidents. These can lead to injuries, fatalities, property damage, environmental damage, and potential legal penalties, affecting our operations and reputation. Our employees face higher risks of workplace accidents compared to other industries, potentially incurring significant compensation costs. Hazardous waste may contain unexpected elements requiring temporary suspension for removal or treatment. Despite precautions, we cannot guarantee complete prevention of environmental or safety incidents or full compliance with safety standards. Any significant incidents or non-compliance could adversely affect our business, finances, and prospects.

Our business depends on a number of key personnel, including our senior management, and the loss of, or our inability to attract or retain such persons could materially and adversely affect our business, prospects, and financial condition.

Our continued success is closely tied to the leadership, vision, and expertise of our senior management team. These individuals possess deep industry knowledge, long-standing relationships with key stakeholders, and a nuanced understanding of the regulatory and operational landscape in which we operate. The departure of any member of our senior management whether due to resignation, retirement, health reasons, or otherwise could disrupt our strategic execution and delay critical decision-making processes. In such cases, we may not be able to identify or recruit suitable replacements in a timely manner, on commercially acceptable terms, or at all. In addition to senior leadership, our operations rely heavily on the contributions of experienced engineers, environmental compliance officers, project managers, and technical specialists. These personnel are essential to the design, construction, and operation of our biomass incineration, waste treatment, and renewable energy facilities. However, competition for such talent is intense, particularly in the PRC where the environmental services sector is expanding rapidly. We may face challenges in attracting and retaining qualified professionals due to market competition, compensation expectations, or geographic constraints. If we are unable to maintain a stable and skilled workforce, our ability to execute projects, comply with regulatory requirements, and deliver consistent service quality may be compromised. This could, in turn, have a material and adverse effect on our business, financial condition, results of operations, and prospects.

The failure to maintain an effective quality management system may result in a material and adverse effect on our business, reputation, financial condition, and results of operations.

Our reputation and operational integrity depend significantly on the effectiveness of our quality management system, which governs the performance, safety, and environmental compliance of our facilities and services. This system encompasses a wide range of protocols, including equipment calibration, emissions monitoring, waste handling procedures, and employee training. It is designed to ensure that our operations meet or exceed the standards set by applicable national and industry regulations, such as the Guiding Opinions on Further Strengthening Environmental Management of Hazardous Waste and Strictly Preventing and Controlling Environmental Risks (《關於進一步加強危險廢物環境治理嚴密防控環境風險的指導意見》). The effectiveness of our quality management system is influenced by several factors, including the robustness of its design, the reliability of the machinery and monitoring tools we deploy, the competence of our personnel, and the consistency with which our policies are implemented across sites. Any lapse in these areas, such as failure to detect equipment malfunctions, inadequate staff training, or inconsistent adherence to protocols, could lead to operational errors, environmental violations, or safety incidents. For example, if a waste incineration facility fails to maintain proper combustion temperatures due to a calibration error, it could result in excessive emissions and trigger regulatory penalties or community complaints. Moreover, we are subject to periodic audits and inspections by regulatory authorities and third-party certifiers. A significant failure in our quality management system could result in the suspension or revocation of critical certifications, such as ISO 9001, ISO 14001, ISO

RISK FACTORS

45001, which are often prerequisites for participating in government tenders or maintaining client contracts. Such outcomes could damage our reputation, limit our market access, and adversely affect our financial performance.

Developments in the labor market, increases in labor costs, or any possible labor unrest may materially and adversely affect our business and results of operations.

As of December 31, 2025, we comprised 4,834 employees, and we anticipate further expansion of our workforce as our business continues to grow. A strong and stable workforce is integral to maintaining operational efficiency, meeting customer expectations, and ensuring the smooth execution of our projects. As we scale, we remain committed to implementing policies and initiatives that safeguard employee welfare, enhance working conditions, and foster a positive workplace culture. However, despite these efforts, we cannot entirely eliminate the possibility of labor-related challenges, including collective bargaining demands, workplace disputes, strikes, or difficulties in attracting and retaining qualified personnel. Any disruption in workforce stability could lead to work stoppages or labor shortages. Addressing labor disputes, recruiting temporary staff, and implementing contingency plans to mitigate workforce shortages could result in unforeseen costs, impacting our overall financial health. Delays in delivery schedules due to labor constraints could lead to reputational damage and lost business opportunities, further exacerbating financial strain. In order to retain a skilled workforce and remain competitive, we may need to enhance compensation packages, increase employee benefits, or invest in additional workforce development initiatives, all of which could significantly raise operational expenses. Additionally, evolving labor regulations, particularly the implementation of stricter minimum wage laws across different jurisdictions, could drive up labor costs, placing further pressure on our profit margins. Given these potential challenges, maintaining cost efficiency while ensuring workforce stability is crucial to sustaining long-term profitability. If labor costs rise substantially without corresponding improvements in productivity or cost-saving measures, our profit margins may be adversely affected. To mitigate this risk, we must continuously refine our workforce management strategies, optimize operational efficiencies, and explore sustainable cost-reduction measures. Nevertheless, if we fail to effectively manage labor-related challenges, our business, financial condition, and overall results of operations could be materially and adversely impacted.

Any change or discontinuation of preferential tax treatment we currently enjoy would increase our tax charge.

During the Track Record Period, our Company benefited from certain preferential tax treatment, such as preferential income tax rates arising from the qualification of several of our subsidiaries in Chinese Mainland as high-tech enterprises and our engagement in certain encouraged industries in the western regions of the PRC as well as in policy-encouraged businesses, which contributed to our financial position and operational efficiency. These advantages were granted under specific PRC tax policies designed to support enterprises in certain industries or regions. However, the regulatory environment governing tax incentives is subject to change, and there is no certainty that these benefits will remain in place. The PRC government may revise, restrict, or even discontinue preferential tax treatments, and our eligibility for such incentives may be re-evaluated or withdrawn. Should there be any changes in policy or the cancellation of these preferential tax benefits, our Company would become subject to the standard corporate income tax rate of 25% on taxable income. This shift could result in a significant increase in tax expenses, impacting our overall cost structure and financial performance. Any unexpected rise in tax liabilities could exert pressure on our profitability, limiting our capacity to reinvest in expansion initiatives and potentially altering our strategic direction. Consequently, uncertainties surrounding future tax treatment introduce an element of financial risk that could materially and adversely affect our business operations, financial condition, and long-term growth prospects.

RISK FACTORS

Our business and operations are capital intensive, and the recovery of capital investment in our projects may take a long time.

Expanding our operations requires substantial capital investment, and the recovery of such expenditures often takes place over an extended period. Each project demands significant upfront cash outlays, including costs associated with acquiring land use rights, constructing facilities and procuring property, plant, and equipment. These initial investments are essential for establishing a strong operational foundation, yet they present financial challenges due to their magnitude and long-term nature. The construction phase alone typically spans several months, during which considerable capital is deployed before any revenue is generated. Beyond these initial investments, our financial obligations extend to the ongoing costs of operations, maintenance, and periodic repairs. The long-term sustainability of our facilities depends on continuous upkeep, and in the case of Build-Operate-Transfer projects, maintenance responsibilities persist throughout the concession periods. Additionally, major overhauls, technological upgrades, or renovations to existing infrastructure may necessitate further capital expenditure, amplifying financial demands over time.

The ability to execute and sustain these capital-intensive projects is contingent upon securing adequate external financing. However, access to financing is influenced by various uncertainties, including the regulatory landscape governing funding approvals in domestic and international markets, our financial health, operating performance, cash flow stability, and creditworthiness. Furthermore, restrictive covenants under existing debt arrangements can limit our financing flexibility, while fluctuations in global and domestic credit and capital markets may affect the availability and cost of funding. Changes in PRC monetary policies that impact bank lending practices could also pose challenges, affecting our ability to access necessary capital.

If we are unable to generate sufficient cash flow from operations, we may face difficulty meeting our capital contribution obligations for ongoing and future projects. Additionally, the accumulation of substantial debt could significantly increase our finance costs, raising our exposure to economic and industry downturns, compelling us to allocate a greater portion of cash flow to debt servicing and constraining our flexibility in business planning and execution. A heightened debt burden may also increase the cost of securing additional financing, further complicating efforts to maintain liquidity. Failure to secure adequate funding or generate sufficient internal cash flow to support capital-intensive projects could materially and adversely affect our business operations, financial condition, and overall growth prospects. Sustaining a stable financial position while expanding operations requires careful financial planning, disciplined cost management, and proactive risk mitigation strategies to safeguard against financial uncertainties and maintain long-term viability.

We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

We are, from time to time, involved in various legal proceedings, regulatory inquiries, and arbitration claims, which may arise from a range of issues including intellectual property disputes, allegations of fraud, unfair business practices, employee-related grievances, breach of contract matters, and securities actions. Furthermore, alleged non-compliance with laws and regulations may expose us to additional litigation and regulatory scrutiny. In certain instances, our Directors may also be subject to claim and disputes. For example, in May 2025, two of our Directors received a warning letter from each of Beijing Regulatory Bureau of the CSRC and the Shanghai Stock Exchange and in August 2025, one of our Directors received a warning letter from the Beijing Regulatory Bureau of the CSRC. See “Directors and Senior Management – Directors – Further Information about our Directors” for details of such incidents. In certain instances, we may also initiate legal actions against former employees involved in fraudulent activities or pursue claims against customers for outstanding payments. Regardless of the legitimacy of such claims, any associated negative publicity – whether accurate or not – could harm our reputation and brand perception, potentially eroding customer trust and investor confidence.

RISK FACTORS

Defending against legal claims or mitigating reputational risks linked to litigation can be both time-consuming and costly. The process often requires significant financial resources, legal expenditures, and dedicated management attention, diverting focus from our day-to-day business operations. The inherent unpredictability of litigation makes it difficult to assess the likely outcomes, and there is no assurance that we will prevail in defending against such claims or proceedings. Additionally, our management’s evaluation of the material impact of these matters, including associated accounting provisions, may not always align with the final resolution of such disputes. Unfavorable developments in legal proceedings, such as monetary judgments, penalty fees, injunctions, or the denial or revocation of licenses and permits, could result in material adverse effects on our business, financial condition, and future prospects. Should we fail to successfully defend or settle legal or arbitral proceedings, or if we miscalculate the significance of a claim, we may incur liabilities that exceed insurance coverage, further straining financial resources. Any prolonged or unresolved litigation may impair our ability to execute strategic initiatives, impact operational efficiency, and affect investor sentiment, ultimately posing a substantial risk to our overall stability and long-term success.

Failure to make adequate contributions to various employee benefit plans may subject us to penalties.

In the PRC, we are obliged to make social insurance payments and housing provident fund contributions for our employees. As advised by our PRC Legal Advisor, under the Regulations on Administration of Housing Provident Fund (住房公積金管理條例), (i) if our Group fails to complete housing provident fund registration before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) in the event that our Group is required by the housing provident fund management agency to make up the housing provident funds and fails to pay the relevant funds within a prescribed time limit, our Group may be ordered to make such payments. According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), for outstanding social insurance fund contributions that our Group did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that our Group pay the outstanding social insurance contributions within a stipulated deadline and it may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if our Group fails to make such payments within the stipulated deadline, it may be liable to a fine of one to three times the outstanding contribution amount. Additionally, evolving labor regulations, particularly the implementation of stricter minimum wage laws across different jurisdictions, could drive up labor costs, placing further pressure on our profit margins. Given these potential challenges, maintaining cost efficiency while ensuring workforce stability is crucial to sustaining long-term profitability. If labor costs rise substantially without corresponding improvements in productivity or cost-saving measures, our profit margins may be adversely affected. During the Track Record Period, we did not make the full contribution of social insurance payments and housing provident fund contributions for our employees. While our PRC Legal Advisor believes that, under the assumptions that no material changes to prevailing policies, regulations and the local government enforcement and requirements, and absence of material complaints from employees, the risk of concentrated rectification or material administrative penalties by regulatory authorities, is remote and unlikely to have a material and adverse effect on our Company, we cannot guarantee that government authorities will share this view.

We may face penalties for the non-registration of our lease agreements in China.

As of the Latest Practicable Date, the lease agreement with respect to the properties our Company and our major subsidiaries leased for staff accommodation and offices in the PRC had not conducted filing registration with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreement according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the registration of any of our future lease agreements after we are requested to do so by the competent PRC government authorities. See “Business – Properties – Leased Properties.” During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. We cannot assure you that our lessor will cooperate with us to register

RISK FACTORS

such leases due to factors beyond our control or our use of the relevant properties will not be further challenged in the future. Any of these may have an adverse effect on our results of operation, financial conditions, business and prospects.

We may not be able to adequately protect our intellectual property rights, and uncertainty regarding the validity, enforceability or scope of our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third parties to protect our intellectual property rights. See “Business – Intellectual Property.” Although we have applied and obtained a number of trademarks and patents for the operations of our business, there is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, for such applications are expensive and time consuming. For example, there may be a leakage of our trade secrets or know-how, and our pending or future patent applications may not be registered or approved. Even if these patent applications are registered and approved, they may not be of sufficient strength or scope to protect our intellectual property. As a result, third parties may challenge our patent applications or use the technologies and proprietary processes that we have developed and compete with us, which may adversely affect our competitive advantage, dilute our brand and materially and adversely affect our results of operations.

In addition, policing the unauthorized use of our proprietary technology can be difficult and expensive. Our success largely depends on our ability to use and develop our technology, know-how and product designs without infringing upon the intellectual property rights of third parties. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The holders of patents and other intellectual property rights potentially relevant to our product offerings may be unknown to us or may otherwise make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by us that are subject to infringement or other similar allegations or claims by third parties which may damage our ability to rely on such technologies. In addition, although we endeavor to ensure that companies that work with us possess appropriate intellectual property rights or licenses, we cannot fully avoid the risks of intellectual property rights infringement created by suppliers of components used in our products or by companies we work with in cooperative R&D activities. Our current or potential competitors may have obtained or may obtain patents that will prevent, limit or interfere with our ability to make, use or sell our products in China or other countries.

The defense of claims, including intellectual property infringement suits and related legal and administrative proceedings, can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination in any such litigation or proceeding to which we may become a party could cause us to pay damage awards, seek licenses from third parties or pay additional ongoing royalties, which could decrease our profit margins, redesign our products or be restricted by injunctions. These factors could effectively prevent us from pursuing some or all of our businesses and result in our customers or potential customers deferring, canceling or limiting their purchase or use of our products, which may have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We are subject to anti-corruption and anti-bribery and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery and similar laws and regulations in various jurisdictions in which we conduct activities. We have direct or indirect interactions with officials and employees of government agencies, state-owned entities and affiliates in the ordinary course of business. These interactions subject us to an increased level of compliance related concerns. We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

Any disruption to our information technology systems or any system security threats may pose a risk to our systems, networks, products and services.

The efficient operation of our business depends on the smooth and efficient operation of the information technology systems. These enterprise systems encompass core operational domains including inventory management, production processes, quality assurance, internal collaboration, and operational oversight. Therefore, our business is dependent upon the continued maintenance and enhancement of our information technology systems. Such systems are subject to certain risks, such as malfunction, nature disasters and the cyber security risks. Our cybersecurity measures may not detect or prevent all attempts to compromise our information technology systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our information technology systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our information technology systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large lump-sum payment in order to resume the operation of our information technology system, which may materially and adversely impact our business and financial condition. As techniques used to obtain unauthorized access to sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against these attacks. Any disruption to our information technology systems may cause interruptions in the manufacturing capacity and maintenance of proper business operations and may cause further adverse impact on our reputation and the perception of our product quality. We cannot guarantee that any disruption to our information technology systems or any system security risks will not occur in the future and we could repair or replace information technology systems in a timely and cost-effective manner, all of which could adversely affect our business, financial condition and results of operations.

RISK FACTORS

If we fail to maintain effective internal controls, our business, financial results and reputation could be materially and adversely affected.

We have put in place a set of internal control and risk management procedures to address various potential operational, financial, legal and market risks identified in relation to our operations. See “Business – Internal Control and Risk Management.” We need to maintain effective internal controls during our business operations. As we continue to expand, we need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our business, financial results and reputation. Our efforts in improving our internal control system may not eliminate all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business, financial results and reputation may be affected.

Our operations may be disrupted for reasons beyond our control.

Our operation may be subject to disruptions arising from factors beyond our control. These may include extreme weather conditions, natural catastrophes, pandemics, geological disasters (such as earthquakes, landslides, and mudslides), infectious disease outbreaks, shortages in raw material supply, equipment or system failures, workforce shortages, and limitations in transportation resources. Any significant disruption to our operations could adversely affect our ability to operate efficiently, which may in turn negatively impact our business, financial condition, and operating results. In addition, due to the nature of our business, the operations of our facilities are exposed to inherent operating risks. These include risks associated with unloading raw materials at site areas, processing chemicals, transporting materials, and the use of electricity and mechanical equipment. Such risks may result in personal injury or death, property damage, environmental harm, and could lead to civil liability, administrative or criminal penalties, or loss of revenue. The occurrence of any of these events could adversely affect the productivity and profitability of individual facilities and, more broadly, our overall business, financial condition, and operating results.

Our insurance coverage may not be sufficient to cover all the losses associated with our business operations.

Our business is exposed to various risks, and to mitigate potential financial impacts, we maintain insurance policies covering key aspects of our operations. As of the Latest Practicable Date, we had insurance coverage for key personnel, material assets (including production facilities and equipment), environmental pollution liabilities and workplace safety and production-related risks. Despite these measures, there is no guarantee that our insurance coverage will be adequate to fully protect against potential losses, nor can we ensure that claims will be processed successfully or in a timely manner. If we incur losses that are either uninsured or insufficiently compensated under our existing policies, it could result in significant financial strain. Unexpected events, such as operational disruptions, regulatory changes, or unforeseen liabilities, may exceed our coverage limits, leaving us exposed to additional costs. Failure to secure adequate insurance protection or recover claims as anticipated could materially and adversely affect our financial condition, operational stability, and overall business performance. As the scope and nature of risks evolve, we may need to reassess and expand our insurance portfolio, which could further increase our costs.

RISK FACTORS

Future acquisitions may be costly or unsuccessful, and we may not be able to effectively integrate acquired businesses into our operations.

We seek growth through strategic acquisitions of facilities and businesses that align with and enhance our existing operations. As part of our expansion efforts, we continuously assess potential investment opportunities and engage in discussions regarding prospective acquisitions. However, identifying suitable acquisition targets is not guaranteed, and even when opportunities arise, integrating a newly acquired company, business, asset, or technology can present unforeseen operational challenges and financial expenditures. The execution of our acquisition strategy is subject to multiple risks, including substantial costs associated with identifying and finalizing acquisitions, difficulties in merging acquired businesses and personnel into our existing framework, and integration expenses that may exceed initial projections. Additionally, acquisitions may expose us to liabilities stemming from pre-existing conditions or activities, as well as litigation or other claims from the acquired businesses. There may be delays or setbacks in realizing the expected benefits of an acquisition, compounded by challenges in securing necessary regulatory approvals or navigating shifting market conditions and customer demands. Furthermore, the process of acquiring and integrating new entities requires significant management attention, potentially diverting focus from our core business activities. Should we fail to adequately address these risks or other complications associated with acquisitions, we may struggle to achieve the anticipated advantages, encounter unforeseen liabilities, and experience adverse effects on our overall operations. Even when acquisitions are successfully completed, we cannot ensure that their returns will align with our expectations. Any failure to identify, acquire, or integrate targeted businesses effectively could have a material negative impact on our financial condition, operational results, and long-term prospects.

Our overseas operations and development plans are subject to risks and restrictions associated with international business.

As we expand our business operations internationally, we encounter a variety of risks and restrictions that could impact our ability to operate effectively in foreign markets. These challenges include navigating complex legal and regulatory requirements, adhering to local industry standards, especially those concerning resource management and environmental protection and managing potential litigation risks outside of China. Additionally, we must contend with political and economic instability in certain regions, high entry barriers in developed markets, and fluctuations in foreign exchange rates. Operating in unfamiliar environments presents further obstacles, such as a lack of familiarity with local business practices and market conditions, cultural and language differences, and restrictive trade policies. Protectionist measures, economic sanctions, and technology-related barriers could hinder our expansion efforts, while intense competition from international producers may pressure our market positioning. Staffing and managing localized overseas operations also demand careful oversight, particularly in complying with diverse labor regulations, stringent environmental and safety standards, and ensuring alignment with local workplace requirements. Maintaining strong customer relationships and securing payments from international clients can be another operational challenge. Any of these risks could significantly affect our ability to sustain and grow our overseas presence, potentially impacting on our financial condition and performance. Given the unpredictable nature of global economic and political shifts, the feasibility and costs associated with our foreign projects remain difficult to forecast. These factors may ultimately influence the success of our expansion strategy and shape the future trajectory of our business.

RISK FACTORS

If our customers, suppliers, other business partners or current or former employees engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed.

We are exposed to the risk that our customers, suppliers, other business partners we have contracted or current or former employees may engage in illegal, fraudulent, improper or unethical conduct. We have put in place a set of internal control and risk management procedures to address various potential operational, financial, legal and market risks identified in relation to our operations. See “Business – Internal Control and Risk Management.” However, misconduct by these individuals and institutions could include intentional, reckless and/or negligent conduct that violates the relevant laws and regulations. Such misconduct could also involve fraud, corruption, bribery, tax evasion and other illegal practices. There is no assurance there will be no such misconduct, arising from actions taken by business partners and current or former employees without our knowledge. We may not be able to identify and deter misconduct by such foregoing persons and the precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with relevant laws or regulations. If this occurs, we and/or our relevant business partners and current or former employees may be subject to investigations, administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses. If we are associated with potential liabilities and negative publicity resulting from illegal, fraudulent, improper, or unethical conduct, or allegations of such conduct, by our employees and business partners, our brands and reputation, business and results of operations will be affected.

We are exposed to the credit risks of our customers.

Our financial stability and profitability are closely tied to the creditworthiness of our customers and their ability to make timely payments. During the Track Record Period, we generally extended credit terms up to 90 days, but there is no guarantee that our customers will consistently meet these payment deadlines. Any delays in collections could lead to slow turnover of trade and bills receivables, restricting our working capital resources and affecting liquidity. As of December 31, 2023, 2024 and 2025, our trade receivables totaled RMB1,818.2 million, RMB2,173.3 million and RMB2,483.6 million, accounting for 13.9%, 15.4% and 17.1% of our current assets, respectively. During the same years, the turnover days for these receivables stood at 67.4 days, 59.5 days and 67.0 days, respectively. If any of our customers encounters unforeseen financial difficulties, suffers a decline in creditworthiness, or becomes unable to meet their payment obligations, we may struggle to collect full or partial payments. Enforcing judgment debts against such customers could also prove challenging. These circumstances may result in miscalculations or inaccuracies in our expected credit loss provisions, potentially leading to financial losses greater than initially estimated. Additionally, an increase in overdue payments could force us to allocate additional resources to debt collection efforts, diverting management focus and increasing operational costs. Failure to receive payments on schedule could have material adverse effects on our cash flow, liquidity, and financial condition. Prolonged delays or defaults could disrupt our ability to fund new projects, meet existing obligations, and sustain our operations. While we actively monitor customer credit risk and implement measures to mitigate exposure, there remains an inherent uncertainty in managing receivables, and any deterioration in collections could significantly impact our financial performance and overall business stability.

RISK FACTORS

We are subject to various risks relating to third-party payment arrangements.

During the Track Record Period, some of our customers based in the PRC settled its outstanding payments to us through a third-party payer, which is of the same group of these customers. The aggregate amount that was settled through the third party amounted to RMB2.8 million, nil and nil in 2023, 2024 and 2025, respectively. We provided environmental engineering services to these customers. For the purpose to settle the outstanding accounts receivable due from these customers in a timely manner, we agreed to accept the settlement payment by the payer who is of the same group with these customers. However, third-party payments may subject us to various legal risks, including: (i) possible claims for return of funds from the third-party payer who was not contractually indebted to us; (ii) potential risks arising from the fact that we have limited knowledge about the source and purpose of the funds utilized by the third-party payer, such as possible money laundering risks; and (iii) possible claims from liquidators of the third-party payer. Any such claim, prosecution or investigation against us may cost us significant time and financial and managerial resources and may materially and adversely affect our business, financial condition, reputation, results of operations and prospects.

We are subject to inventory risks.

To operate our business successfully and to meet our customers’ demands and expectations, we must maintain a certain level of raw materials, work-in-progress, finished goods, low-value consumables and goods in transit. As of December 31, 2023, 2024 and 2025, our inventory amounted to RMB4,931.3 million, RMB5,165.3 million and RMB5,997.0 million, respectively. Such inventories may be subject to fluctuations in the market prices of raw materials. As of December 31, 2023, 2024 and 2025, our raw material accounted for 40.5%, 30.9% and 23.2% of our total inventories (excluding provision for impairment loss), respectively. As we generally purchase raw materials in advance in accordance with our procurement and inventory policy, changes to the prevailing market prices for raw materials cannot be timely reflected in the actual production costs. Such time lag in reflecting the market price fluctuations in the balance of the inventories may adversely affect our business, financial condition and results of operations.

In addition, forecasts for our inventory volume are inherently uncertain. If the forecasted demand is lower than what eventually transpires, we may not be able to maintain an adequate inventory level of our raw materials, work-in-progress, finished products, low-value consumables and goods in transit or manufacture the products in a timely manner, and we may lose sales and market share to the competitors. On the other hand, we may also be exposed to increased inventory risks due to accumulated excess inventory of the products or raw materials, work-in-progress, finished goods, low-value consumables and goods in transit. Excess inventory levels may lead to increases in inventory costs, risks of inventory obsolescence and provisions for write-downs, which will materially and adversely affect our business, financial condition and results of operations. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may also result in inventory write-downs or write-offs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability.

In order to maintain an appropriate inventory level to meet market demand, we may adjust the procurement amount, production schedule and sales strategy from time to time based on our production capacity and production plans. We also carry out inventory review and aging analysis on a regular basis. However, there is no guarantee that these measures will always be effective and that we will be able to maintain an appropriate inventory level. We may still be exposed to the risk of holding excessive inventory, which may increase the inventory holding costs and subject us to the risk of price fluctuations or increased holding costs, which could have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Our level of indebtedness may expose us to liquidity risks.

We rely on both internally generated cash flows and external financing, including bank loans, to support our capital requirements. As of February 28, 2026, our level of indebtedness (including borrowings and lease liabilities (both current and non-current portions)) stood at RMB13,335.8 million, reflecting the significant financial commitments required to sustain and expand our operations. See “Financial Information – Indebtedness.” While access to credit enables strategic investments, a high debt burden introduces liquidity risks that could impact on our financial flexibility, profitability, and overall business stability. Managing debt obligations including principal repayments and interest payments depends on maintaining stable cash flows and securing external financing under favorable terms. However, factors beyond our control, such as economic downturns, fluctuating interest rates, and tightening credit markets, may make refinancing or securing additional funding more challenging. If we encounter difficulties in servicing our debt, we may need to rely on alternative financing arrangements, restructure existing loans, or adjust operational expenditures, any of which could materially and adversely affect our financial condition and long-term growth prospects.

In addition, restrictive covenants in our existing debt agreements may limit our ability to pursue strategic opportunities, raise additional financing, or allocate capital toward business expansion. A high level of leverage could also heighten our vulnerability to adverse industry conditions, requiring us to divert a significant portion of operating cash flows toward debt servicing instead of reinvesting in operations, infrastructure, or research and development. There is no assurance that we will be able to refinance our bank loans upon maturity, repay them when due, or secure new funding to meet ongoing capital commitments. Non-compliance with loan covenants or failure to service our debt obligations could result in penalties, increased interest rates, accelerated repayment schedules, or legal actions by creditors, any of which could have a material and adverse impact on our liquidity, financial performance, and ability to execute our long-term strategy.

We are exposed to fair value changes for financial instruments and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

During the Track Record Period, our financial assets at fair value through profit or loss primarily included unlisted equity investments, and the fair value of such unlisted equity investments that are not traded in an active market is determined by using valuation techniques, which require judgement and assumptions and involve the use of unobservable inputs. We use our judgement to make assumptions that are mainly based on the then prevailing market conditions at the end of each reporting year. See Note 3.5 to the Accountants’ Report set out in Appendix I in this document. Changes in these assumptions and estimates could materially affect the fair value of these unlisted financial products. Factors beyond our control, including but not limited to, general economic conditions, changes in market interest rates and stability of the capital markets, can significantly influence and cause adverse changes to the estimates we use, and thereby affect the fair value. As of December 31, 2023, 2024 and 2025, we had financial assets at fair value through profit or loss at level 3 of fair value hierarchy of RMB19.2 million, RMB58.9 million and RMB93.9 million, respectively. The valuation techniques that we use may involve a significant degree of management judgement and are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations and financial conditions.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in the economic, political and social conditions as well as government policies in the countries and regions where we operate could adversely affect our business and prospects.

The global economic, political and social conditions are evolving rapidly and are subject to uncertainties. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases, instability in the financial system impose new challenges and uncertainties on the global economy. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations. Changes in the economic or political environment could increase our costs, increase our exposure to legal and business risks, disrupt our operations and affect our results of operations.

Severe or prolonged downturn in the global economy, any financial or economic crisis, or perceived threat of such a crisis, could materially and adversely affect our business and financial condition.

Over the years, the global macroeconomic environment faced numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which have been adopted by the central banks and financial authorities of some of the world’s leading economies. It is unclear whether these challenges will be contained and what effects they each may have. Economic conditions in the PRC and the countries in which we operate are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in these countries. Any severe or prolonged slowdown in the global economy might lead to tighter credit markets, increased market volatility, sudden drops in business and dramatic changes in business, and may materially and adversely affect our business, results of operations and financial condition.

Uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

The legal systems across the geographic markets where we operate differ significantly, with some jurisdictions following a civil law framework based on written statutes, while others adhere to common law principles. In civil law systems, prior court decisions may serve as reference points but hold limited precedential weight compared to those in common law jurisdictions. Moreover, many of the legal systems in our markets are continuously evolving, with recently enacted laws and regulations sometimes failing to comprehensively address all facets of economic activity. The interpretation and enforcement of these legal provisions remain subject to future implementations, and their applicability to our operations is often unsettled. Local administrative and judicial authorities wield considerable discretion in interpreting statutory provisions and contractual terms, making it difficult to predict the outcomes of legal proceedings or assess the level of legal protection available to us. Courts may also have the authority to refuse enforcement of foreign judgments or arbitration awards, introducing further uncertainty into the legal landscape. These ambiguities may affect our ability to assess legal requirements and enforce our contractual rights or claims. Additionally, regulatory uncertainties create opportunities for frivolous or unmerited legal actions, including claims concerning third-party conduct or attempts to extract payments or benefits from us.

RISK FACTORS

In several of the markets where we operate, legal frameworks are shaped in part by government policies and internal interpretations, many of which are not published in a timely manner if at all and may even be applied retroactively. Key regulatory definitions may be vague, incomplete, or subject to conflicting interpretations by regulators and courts in analogous cases. Consequently, we may remain unaware of certain violations until well after they have occurred. Furthermore, administrative and legal proceedings in some jurisdictions can be prolonged, leading to substantial costs and diverting critical resources and management focus. It is also possible that new laws and regulations will be introduced or construed to apply to our operations, imposing additional compliance obligations. As scrutiny of the industries in which we operate intensifies, we may need to allocate more legal and financial resources to meet regulatory demands. Any changes to existing laws or the implementation of new regulations could slow industry growth, ultimately affecting our business, financial stability and overall performance.

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations and affect the value of your investment.

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our H Shareholders.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of the PRC as a limited liability entity, with a portion of our assets located within the PRC. Additionally, the majority of our Directors and senior management personnel reside in the PRC, and most of their assets are also based there. Consequently, serving legal process upon us or our key personnel outside the PRC, including in the United States or other foreign jurisdictions, may be challenging. The recognition and enforcement of foreign court judgments across jurisdictions remain complex. The PRC does not have treaties with the United States, the United Kingdom, Japan, or many other countries that allow for the reciprocal recognition and enforcement of court rulings. Similarly, Hong Kong has no formal arrangement for the mutual enforcement of judgments with the United States. This lack of legal reciprocity creates uncertainty in the recognition and enforcement of judgments from foreign courts within the PRC and Hong Kong. To address certain trans-jurisdictional enforcement challenges, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) on July 14, 2006 (the “**2006 Arrangement**”). Under this agreement, enforceable final judgments requiring payment in civil and commercial cases may be recognized and enforced between the PRC and Hong Kong, provided they result from a pre-existing written choice of court agreement. Without such an agreement, enforcement of a Hong Kong court judgment in the PRC remains uncertain. A more recent arrangement between the Supreme People’s Court of the PRC and the Hong Kong government, signed on January 18, 2019, and effective as of January 29, 2024, has removed the prior requirement for a written choice of court agreement in civil and commercial cases. However, the 2006 Arrangement continues to govern cases involving jurisdiction agreements established before the implementation of the 2019 Arrangement. Given its recent enactment, the application and enforcement of the new framework will depend on the relevant laws and regulations in effect at the time, necessitating further interpretation as legal precedents develop.

RISK FACTORS

Payment of dividends is subject to laws and regulations in regions where we operate.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders’ meeting). Our distributable net profit represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS Accounting Standards. As a result, we may not have sufficient distributable profits to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of China and Hong Kong.

As we are listed on the Shanghai Stock Exchange and will be [REDACTED] on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [REDACTED] on the Stock Exchange. Under current laws and regulations of China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no [REDACTED] or settlement between the H Share and A Share markets. With different [REDACTED] characteristics, the H Share and A Share markets have divergent [REDACTED] volumes and liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the [REDACTED] performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in our H Share.

RISK FACTORS

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in Chinese Mainland. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on the regulatory requirements of the securities authorities, industry standards and market practices in Chinese Mainland, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective [REDACTED] in our H Shares should be reminded that, in making their [REDACTED] decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

There has been no prior [REDACTED] for our H Shares, and an active [REDACTED] market for our H shares may not develop or be sustained.

Prior to the [REDACTED], there was no [REDACTED] for our H Shares. There can be no guarantee that an active [REDACTED] market for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company, the [REDACTED] and the [REDACTED] (for itself and on behalf of the [REDACTED] and the [REDACTED]), which may not be indicative of the [REDACTED] at which our H Shares will be [REDACTED] following completion of the [REDACTED]. If an active market for our H Shares does not develop following the completion at the [REDACTED], the [REDACTED] and liquidity of our H Shares may be materially and adversely affected.

The [REDACTED] of our H Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] volume of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese Mainland that have listed their securities in Hong Kong may affect the volatility in the [REDACTED] volumes of our H Shares. A number of Chinese Mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Chinese Mainland-based companies listed in Hong Kong and consequently may impact the [REDACTED] performance of our H Shares. These factors may significantly affect the [REDACTED] and [REDACTED] of our H Shares, regardless of our actual operating performance.

RISK FACTORS

A future significant increase or perceived significant increase in the supply of our H Shares in [REDACTED] could cause the [REDACTED] of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per H Share at that time. Furthermore, we may issue Shares pursuant to any existing or future equity incentive plan, which would further dilute our Shareholders’ interests in our Company.

Future sales or perceived sales of substantial amount of our Shares in the public market, especially by our Directors, executive officers and substantial Shareholders, could materially and adversely affect the prevailing [REDACTED] of our H Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the [REDACTED] of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our H Shares.

Certain equity interests of our single largest Shareholder, Mr. Li, are charged as security interests

Our single largest Shareholder, Mr. Li, pledged certain number of A Shares of our Company in favor of a financial institution in PRC for his personal funding needs. We do not provide any guarantee in respect of such share pledge arrangement. As of the Latest Practicable Date, Mr. Li had pledged approximately 5.9% of the total issued share capital of our Company.

While Mr. Li maintains adequate liquidity and financing channels, the share pledge arrangement may still pose risks. If Mr. Li fails to meet his repayment obligations and the pledged shares are enforced. Mr. Li may no longer be able to maintain the current level of interest in our Company, which could adversely affect its influence over us.

RISK FACTORS

We are a Chinese Mainland enterprise and we are subject to Chinese Mainland tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to Chinese Mainland income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the Chinese Mainland and a non-Chinese Mainland investor’s jurisdiction of residence that provides for a different income tax arrangement, Chinese Mainland withholding tax at the rate of 10% is normally applicable to dividends from Chinese Mainland sources payable to investors that are non-Chinese Mainland resident enterprises, which do not have an establishment or place of business in Chinese Mainland, or which have an establishment or place of business in Chinese Mainland if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% Chinese Mainland income tax rate if such gains are regarded as income from sources within Chinese Mainland unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within Chinese Mainland paid to foreign individual investors who are not Chinese Mainland residents are generally subject to a Chinese Mainland withholding tax at a rate of 20% and gains from Chinese Mainland sources realized by such investors on the transfer of shares are generally subject to a 20% Chinese Mainland income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in Chinese Mainland. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發 [1993]045號文件廢止後有關個人所得稅徵管問題的通知》)(Guo Shui Han [2011] No. 348)(國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-Chinese Mainland resident individual holders of H Shares are generally subject to individual income tax of Chinese Mainland at the withholding tax rate of 10%, in which the non-Chinese Mainland resident individual holder of H Shares resides as well as the tax arrangement between Chinese Mainland and Hong Kong. Non-Chinese Mainland resident individual holders who reside in jurisdictions that have not entered into tax treaties with Chinese Mainland are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of Chinese Mainland and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》)(Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》)(Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-Chinese Mainland resident individuals on the sale of shares of Chinese Mainland resident enterprises listed on overseas stock exchanges.

If Chinese Mainland income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-Chinese Mainland resident investors, the value of your [REDACTED] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with Chinese Mainland may not qualify for benefits under such tax treaties or arrangements.

RISK FACTORS

Certain facts, forecasts, statistics and information in this document relating to the industry in which we operate may not be fully reliable.

Certain facts, forecasts and statistics in this document relating to the industry in which we operate are obtained from various sources that we believe are reliable, in particular, information and statistics from official government sources. We have taken reasonable care in the reproduction or extraction of the such information. However, we cannot guarantee the quality or reliability of these sources. Specifically, neither we, the Sole Sponsor, the [REDACTED], nor our or their respective affiliates or advisers have verified such information. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other markets, and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as may be the case elsewhere.

We cannot assure you that we will declare and distribute any dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of our H Shares for a return on your [REDACTED].

We cannot assure you when and in what form dividends will be paid on our H Shares after the [REDACTED]. Our historical dividends may not be indicative of its future dividend policy, and the declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our H Shares in the future. If we retain most, or all, of our available funds and any future earnings after the [REDACTED] to fund the development and commercialization of new projects, we may not expect to pay any cash dividends in the foreseeable future. Therefore, you may not be able to rely on an [REDACTED] in our H Shares as a source for any future dividend income. Even if our Board decides to declare and pay dividends, the timing, number and form of future dividends, if any, will depend on our future results of operations and cash flow, our financial condition, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [REDACTED] in our H Shares will likely depend entirely upon any future price appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value after the [REDACTED] or even maintain the price at which you [REDACTED] the H Shares. You may not realize a return on your [REDACTED] in our H Shares and you may even lose your entire [REDACTED] in our H Shares.

RISK FACTORS

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain statements and information that are “forward-looking”. When used in this document, the words “going forward”, “next”, “underestimate”, “expect”, “hope”, “confirm”, “navigate”, “intend”, “might”, “anticipate”, “justify”, “need”, “estimate”, “believe”, “moving forward”, “looking forward”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “could”, “should”, “would”, “aim”, “around”, “can”, “may”, “will”, and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. [REDACTED] in the H Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business or the [REDACTED].

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this document. Prior to the completion of the [REDACTED], there may be press and media coverage regarding our Group and the [REDACTED]. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to [REDACTED] in our H Shares, prospective investors should rely only on the financial, operational and other information included in this document. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [REDACTED]. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant for listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of the executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant’s arrangements for maintaining regular communication with the Stock Exchange.

Given that (i) our headquarters is based in the PRC, (ii) the substantial portion of our business operations and management of our Group are carried out in the PRC, (iii) our executive Directors and senior management are principally based in the PRC to better manage and attend to our Group’s business operations, we do not have and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the sole purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirement under Rules 8.12 and 19A.15 of the Listing Rules subject to the following conditions:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules. The two authorized representatives are Mr. Ling Jinming, our executive Director, and Mr. Lee Cheuk Wang, our joint company secretary. The authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorized representatives has means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. We will implement a policy whereby:
 - (i) each Director will provide his/her contact details (including phone number and email address) to the authorized representatives;
 - (ii) each Director will provide his/her phone numbers or means of communication to the authorized representatives when he/she is travelling; and
 - (iii) each Director has provided his/her mobile phone number, office phone number and email address to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Lego Corporate Finance Limited to act as our compliance advisor, who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the [REDACTED] and ending on the date that our Company publishes our financial results for the first full financial year after the [REDACTED] pursuant to Rule 13.46 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we shall ensure that the compliance advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, our Directors and other officers will provide promptly such information and assistance as the compliance advisor may need or may reasonably require in connection with the performance of the compliance advisor’s duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors and other officers and the compliance advisor, and will keep the compliance advisor fully informed of all communications and dealings between us and the Stock Exchange;
- (d) our Company will inform the Stock Exchange promptly in respect of any change in our Company’s authorized representatives and compliance advisor; and
- (e) each Director who is not ordinarily resident in Hong Kong has confirmed that each of them possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the laws of Hong Kong).

In addition, Note 2 to Rule 3.28 of the Listing Rules further provides that in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules (i.e., not less than 15 hours of relevant professional training in each financial year); and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhang Jiong, who is our secretary to the Board, as one of our joint company secretaries with effect from the [REDACTED]. Although Mr. Zhang does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Listing Rules, we would like to appoint him as our joint company secretary due to his past management experience within our Group and his thorough understanding of the internal administration and business operations of our Group. In addition, we have appointed Mr. Lee Cheuk Wang, who fulfils the requisite qualifications as required under Note 1 to Rule 3.28 of the Listing Rules, to act as our other joint company secretary and to assist Mr. Zhang to acquire all qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules. See “Directors and Senior Management” for further information regarding the qualifications and experience of Mr. Zhang and Mr. Lee.

Apart from discharging his functions in his role as one of our joint company secretaries, Mr. Lee will assist Mr. Zhang in enabling him to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws. In addition, Mr. Zhang will also attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules.

We have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance of Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment of Mr. Zhang as one of our joint company secretaries pursuant to Chapter 3.10 of the Guide for New Listing Applicants on the following conditions:

- (a) Mr. Zhang must be assisted by Mr. Lee, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary of our Company throughout the validity period of the waiver;
- (b) the waiver is valid for an initial period of three years commencing from the [REDACTED] and will be revoked immediately if Mr. Lee ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company; and
- (c) before the end of the three-year period, the qualifications and experience of Mr. Zhang and the need for on-going assistance of Mr. Lee will be further evaluated by our Company. Our Company will then endeavor to demonstrate to the Stock Exchange’s satisfaction that Mr. Zhang, having had the benefit of the assistance of Mr. Lee for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

Our Company understands that the Stock Exchange may revoke the waiver if Mr. Lee ceases to provide assistance to Mr. Zhang during the three-year period.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Li Weiguo (李衛國先生)	No. 86, Courtyard 8 Cuihu Road, Shangzhuang Town Haidian District Beijing, the PRC	Chinese
Mr. Ling Jinming (凌錦明先生)	Room 501, Building 11 Guyueyuan, Tianxiu Road Haidian District Beijing, the PRC	Chinese
Mr. Zhang Huazhen (張華振先生)	No. 805, North Village, Building 5 Cuijing, Liyuan Town Tongzhou District Beijing, the PRC	Chinese
Mr. Long Shaopeng (龍少鵬先生)	Room 801, West Village, Building 5 Moli Garden Residential Community Northwest Wangdezheng Road South Haidian District, Beijing, the PRC	Chinese
Mr. Sun Min (孫敏先生)	Room 1506, Unit 2, Building 6 Maker Town Haidian District Beijing, the PRC	Chinese
Ms. Li Yewei (李燁燁女士)	Room 603, Unit 3, Building 1, Courtyard 13 Huanbao Jiayuan, Dijin Road Environmental Science and Technology Park Zhongguancun, Haidian District Beijing, the PRC	Chinese
<i>Independent non-executive Directors</i>		
Ms. Wang Jingda (王競達女士)	Room 505, Unit 1, Building 7 Courtyard 88, Fangfei Road Fengtai District Beijing, the PRC	Chinese
Mr. Huang Changbo (黃常波先生)	Room 501, Unit 1, Building 122 Lize Xiyuan Zone 1 Chaoyang District Beijing, the PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Residential address	Nationality
Ms. Liu Li (劉力女士)	Room 1602, Building 18, Guangbei Village No. 25 Xitucheng Road Haidian District Beijing, the PRC	Chinese
Mr. Chow Chi Wing (周志榮先生)	Room 2, 25/F Yu Fun House Yu Chui Court Shatin, Hong Kong	Chinese

For further information on the backgrounds of our Directors, see “Directors and Senior Management” in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong

[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]

Legal Advisors to our Company	<i>As to Hong Kong law:</i> Loeb & Loeb LLP 2206-19 Jardine House 1 Connaught Place Central Hong Kong <i>As to PRC law:</i> Zhong Lun Law Firm 22-24/F & 27-31/F South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing 100020, PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Legal Advisors to the Sole Sponsor and the
[REDACTED]**

As to Hong Kong law:

Jia Yuan Law Office
Suites 3502-3503, 35/F
One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:

Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District, Beijing, PRC

Reporting Accountants

Confucius International CPA Limited
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
Room 1501-08, 15/F
Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**
Suite 2504, Wheelock Square
1717 Nanjing West Road
Shanghai
PRC

[REDACTED]

[REDACTED]

CORPORATE INFORMATION

Registered address in the PRC	Unit 101, Level 1-4 Building No. 1, Courtyard 36 Qiufeng Road Haidian District Beijing, PRC
Headquarters and principal place of business in the PRC	GeoEnviron Building Building No. 1 Courtyard 36, Qiufeng Road Haidian District Beijing, PRC
Principal place of business in Hong Kong	Unit 1901, China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong
Company’s website	www.bgechina.cn <i>(the information contained in this website does not form part of this document)</i>
Joint company secretaries	Mr. Zhang Jiong (張炯先生) GeoEnviron Building Building No. 1 Courtyard 36, Qiufeng Road Haidian District Beijing, PRC Mr. Lee Cheuk Wang (李卓宏先生) <i>(Solicitor of the High Court of HK SAR)</i> 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Authorized representatives	Mr. Ling Jinming (凌錦明先生) GeoEnviron Building Building No. 1 Courtyard 36, Qiufeng Road Haidian District Beijing, PRC Mr. Lee Cheuk Wang (李卓宏先生) 2206-19 Jardine House 1 Connaught Place Central Hong Kong

CORPORATE INFORMATION

Strategy Committee

Mr. Li Weiguo (*Chairman*)
Mr. Ling Jinming
Mr. Huang Changbo

Audit Committee

Ms. Wang Jingda (*Chairman*)
Mr. Huang Changbo
Ms. Liu Li

Remuneration and Appraisal Committee

Ms. Liu Li (*Chairman*)
Mr. Ling Jinming
Ms. Wang Jingda

Nomination Committee

Mr. Huang Changbo (*Chairman*)
Mr. Li Weiguo
Ms. Liu Li

[REDACTED]

[REDACTED]

Principal banker(s)
(in alphabetical order)

China Minsheng Bank Corp., Ltd.
(China World Trade Centre Branch)
Rongheng Research & Development Building
No. 128 Jianguo Road
Chaoyang District
Beijing, the PRC

Bank of Beijing Co., Ltd.
(Xidan Branch)
Level 1, Block B
No. 156 Fuxingmennei Main Street
Xicheng District
Beijing, the PRC

INDUSTRY OVERVIEW

The information and statistics presented in this section and other sections of this document, unless otherwise indicated, were extracted from different official government publications and other publications, and from the industry report prepared by Frost & Sullivan, an independent market research and consulting company that was commissioned by us, in connection with this [REDACTED]. The information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on Global and China’s solid waste and hazardous waste recycling industry for the use in this document, which was commissioned by us for a fee of RMB390,000. In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) the social, economic and political conditions of China and other countries discussed will remain stable during the forecast period, (ii) global and China’s government policies on solid waste and hazardous waste recycling industry will remain consistent during the forecast period, (iii) global and China’s solid waste and hazardous waste recycling industry will be driven by the factors which are stated in the report in the forecast period. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

ANALYSIS OF SOLID WASTE AND HAZARDOUS WASTE RECYCLING MARKET

Definition and Classification of Solid Waste and Hazardous Waste Recycling Market

The solid waste and hazardous waste recycling market encompasses the collection, processing, and conversion of solid waste as well as hazardous waste into reusable materials or energy. This market aims to reduce environmental impact, conserve natural resources, and convert waste resources into valuable ones in compliance with strict regulatory requirements.

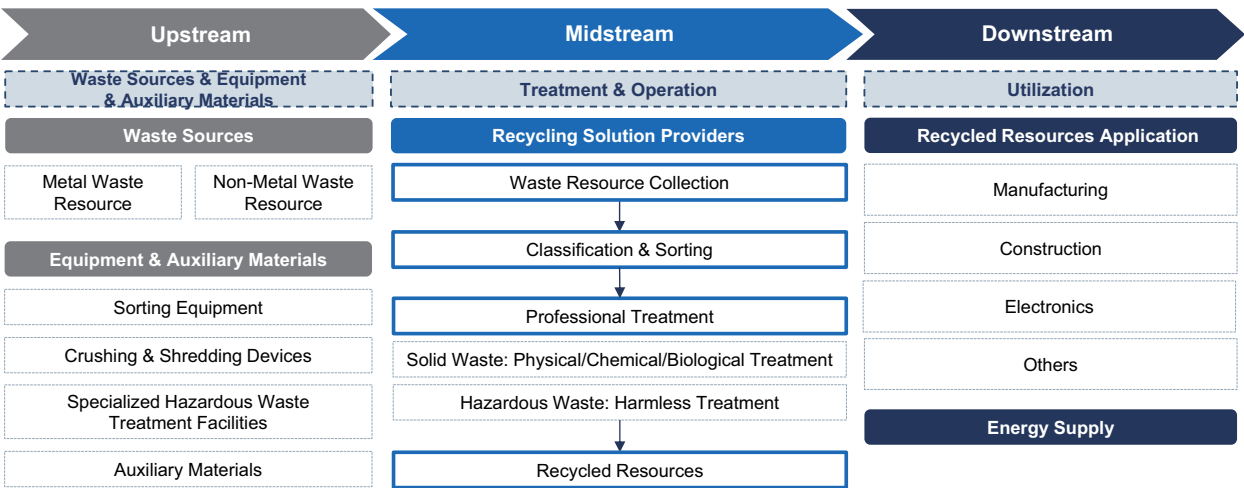
The solid waste and hazardous waste recycling market can be classified into metal resource recycling market, non-metal resource recycling market, and waste-to-energy incineration market.

Value Chain of Solid Waste and Hazardous Waste Recycling Industry

The upstream of the solid waste and hazardous waste recycling industry consists of waste sources, such as metal and non-metal waste resource, as well as equipment and auxiliary materials. The recycling solution providers in the midstream provide treatment and operation services, covering waste resource collection, classification, sorting, and treatment. The downstream includes recycled resources application and energy supply.

INDUSTRY OVERVIEW

Value Chain of Solid Waste and Hazardous Waste Recycling Industry



Source: Frost & Sullivan

Market Size of China Solid Waste and Hazardous Waste Recycling Market

Driven by policy support, such as the expansion of “Waste-Free City” pilots and strengthened enforcement of extended producer responsibility (EPR), the solid waste and hazardous waste recycling market in China has seen significant growth in the past 5 years, the market size of which increased from RMB1,597.4 billion in 2020 to RMB2,147.9 billion in 2024, with a CAGR of 7.7%. Looking forward, due to continuous structural optimization and technological innovation, the solid waste and hazardous waste recycling market in China is expected to increase from RMB2,414.6 billion in 2025 to RMB3,504.3 billion in 2029, representing a CAGR of 9.8% during the period.

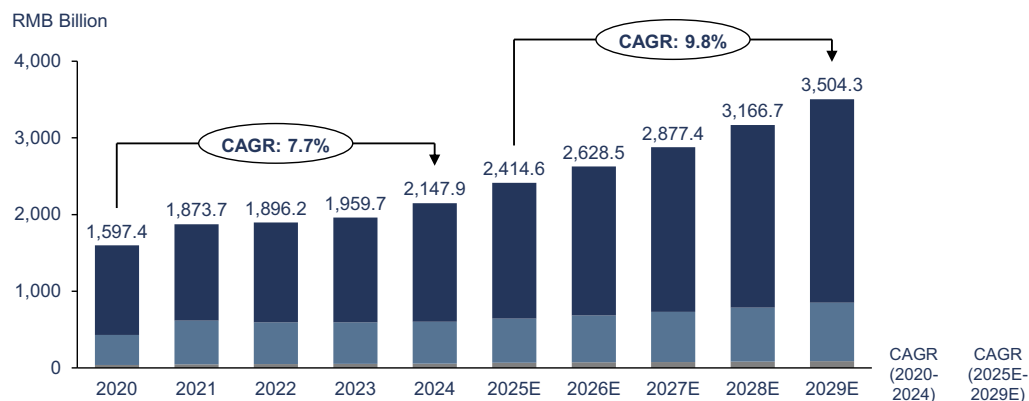
The metal resource recycling market in China increased from RMB1,168.9 billion in 2020 to RMB1,546.2 billion in 2024, with a CAGR of 7.2%, primarily due to the implementation of national strategies for green development and strategic resource security. In the future, the landscape will be shaped by innovation-led high-quality development as well as supply-demand integration. The metal resource recycling market in China is expected to reach RMB2,653.9 billion in 2029, representing a CAGR of 10.6% from 2025 to 2029.

The non-metal resource recycling market in China was primarily driven by an urgent push to construct a nationwide recycling infrastructure, catalyzed by top-level strategies such as “Dual Carbon” goals and the enforcement of waste import bans. Its market size grew from RMB391.4 billion in 2020 to RMB546.1 billion in 2024, with a CAGR of 8.7%. Looking ahead, market drivers are shifting towards fostering high-quality, technology-intensive, and economically integrated growth. The non-metal resource recycling market size in China is expected to reach RMB762.7 billion in 2029, representing a CAGR of 7.3% from 2025 to 2029.

Supported by policy imperative to eliminate urban waste landfills and build foundational disposal capacity, the waste-to-energy incineration market size in China has seen dramatic growth, which increased from RMB37.1 billion in 2020 to RMB55.6 billion in 2024, representing a CAGR of 10.6% during the period. Looking ahead, the market landscape is characterized by the move towards high-efficiency operation and technology upgrades to enhance power generation efficiency, alongside the diversification of fuel sources. The waste-to-energy incineration market size in China is expected to reach RMB87.8 billion in 2029, with a CAGR of 6.9% from 2025 to 2029.

INDUSTRY OVERVIEW

Solid Waste and Hazardous Waste Recycling Market Size (revenue breakdown by service types), China, 2020-2029E



	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	CAGR (2020- 2024)	CAGR (2025E- 2029E)
Metal Resource Recycling	1,168.9	1,257.0	1,302.0	1,367.6	1,546.2	1,771.7	1,945.6	2,147.3	2,381.3	2,653.9	7.2%	10.6%
Non-Metal Resource Recycling	391.4	571.0	544.8	539.1	546.1	575.7	611.1	653.3	703.3	762.7	8.7%	7.3%
Waste-to-Energy Incineration	37.1	45.7	49.4	53.0	55.6	67.3	71.9	76.8	82.1	87.8	10.6%	6.9%

Source: Frost & Sullivan

Market Size of China Metal Resource Recycling Market

Based on metal types, the metal resources can be categorized into base metals, precious metals, and other metals.

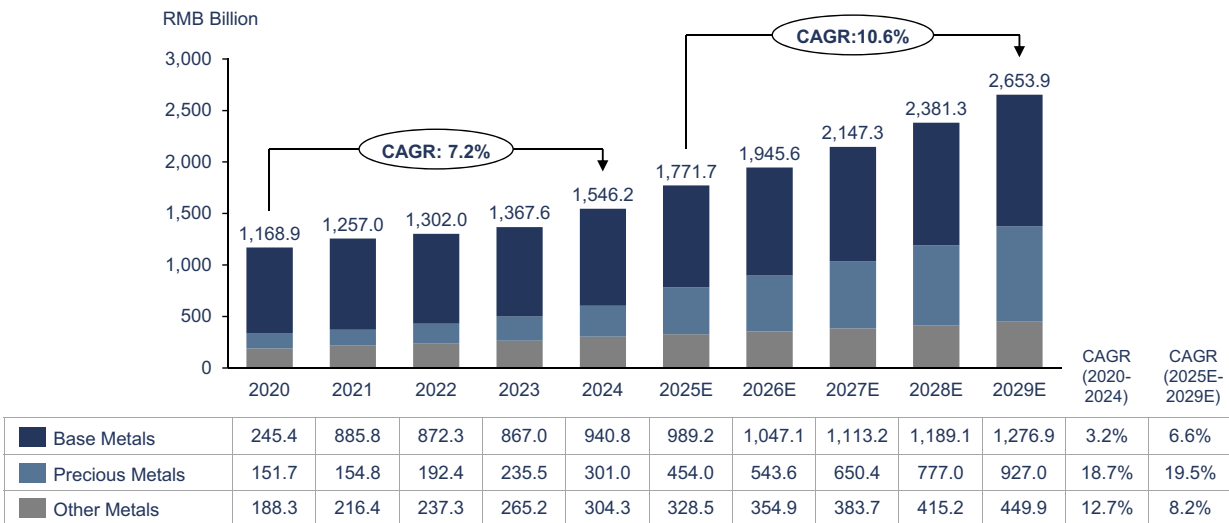
Base metals, mainly include iron, manganese, copper, aluminum, lead, zinc, tin, nickel and antimony, accounted for the greatest portion of the metal resource recycling market, which is primarily driven by the national imperative to reduce dependence on imported primary ores, compounded by the need to meet ambitious “Dual Carbon” goals, which made energy-efficient recycling a strategic necessity. The base metal resource recycling market size in China increased from RMB828.9 billion in 2020 to RMB940.8 billion in 2024, with a CAGR of 3.2% during the period. Propelled by structural optimization, technological innovation, and industry consolidation, the market size is expected to increase from RMB989.2 billion in 2025 to RMB1,276.9 billion in 2029, representing a CAGR of 6.6% from 2025 to 2029. Among base metals, the recycled copper market size increased from RMB79.0 billion in 2020 to RMB135.1 billion in 2024, representing a CAGR of 14.4%, and is expected to reach RMB231.8 billion in 2029, with a CAGR of 10.9% from 2025 to 2029. Also, the recycled lead market size grew from RMB25.8 billion in 2020 to RMB40.0 billion in 2024, representing a CAGR of 11.6%, and is expected to reach RMB61.1 billion in 2029, with a CAGR of 10.1% from 2025 to 2029. The recycled antimony market size increased from RMB1.6 billion in 2020 to RMB7.8 billion in 2024, representing a CAGR of 48.1% during the period, and is expected to reach RMB21.4 billion in 2029, with a CAGR of 15.3%.

Precious metals, including gold, silver, and platinum-group metals, are the second major category in China’s metal resource recycling market, and its market size increased from RMB151.7 billion in 2020 to RMB301.0 billion in 2024, with a CAGR of 18.7% during the period. The sector’s future growth will be amplified by the rapid growth of high-tech industries and the need for high-purity materials, coupled with sophisticated technological breakthroughs for efficient extraction from new waste resources, ensuring maximum value recovery and supply chain security in a competitive global market. The precious metal resource recycling market size is expected to increase from RMB454.0 billion in 2025 to RMB927.0 billion in 2029, representing a CAGR of 19.5% during the period. Among precious metals, the platinum-group metal recycling market size increased from RMB4.6 billion in 2020 to RMB8.4 billion in 2024, with a CAGR of 16.6%, and is expected to reach RMB23.2 billion in 2029, representing a CAGR of 23.3% from 2025 to 2029.

INDUSTRY OVERVIEW

Others metals include bismuth, lithium, tungsten, cobalt, etc. The explosion of domestic new energy vehicle and renewable energy sectors created an urgent demand for a variety of metals as well as end-of-life solutions for their products, such as batteries and motors. Looking ahead, the focus will be on building a secure domestic closed-loop supply chain for these critical materials, mitigating geopolitical risk and price volatility risk. The market size of other metal resource recycling market grew from RMB188.3 billion in 2020 to RMB304.3 billion in 2024, with a CAGR of 12.7% during the period, and is expected to reach RMB449.9 billion in 2029, representing a CAGR of 8.2% from 2025 to 2029. Among other metals, the recycled bismuth market size increased from RMB0.3 billion in 2020 to RMB1.1 billion in 2024, representing a CAGR of 34.9% during the period, and is expected to reach RMB4.1 billion in 2029, with a CAGR of 19.2% from 2025 to 2029.

Metal Resource Recycling Market Size
(revenue breakdown by metal types), China, 2020-2029E



Source: Frost & Sullivan

Market Size of Global Solid Waste and Hazardous Waste Recycling Market

The global solid waste and hazardous waste recycling market between 2020 and 2024 was primarily propelled by stringent and evolving regulatory frameworks alongside significant corporate sustainability commitments, such as the adoption of EPR regulations in the EU and North America. The global solid waste and hazardous waste recycling market grew from RMB5,086.7 billion in 2020 to RMB6,189.3 billion in 2024, with a CAGR of 5.0%. Looking ahead, market drivers are transitioning from establishing compliance framework to achieving economic and environmental efficiency through deep technological integration. The global solid waste and hazardous waste recycling market is expected to reach RMB9,122.3 billion in 2029, representing a CAGR of 8.1% from 2024 to 2029.

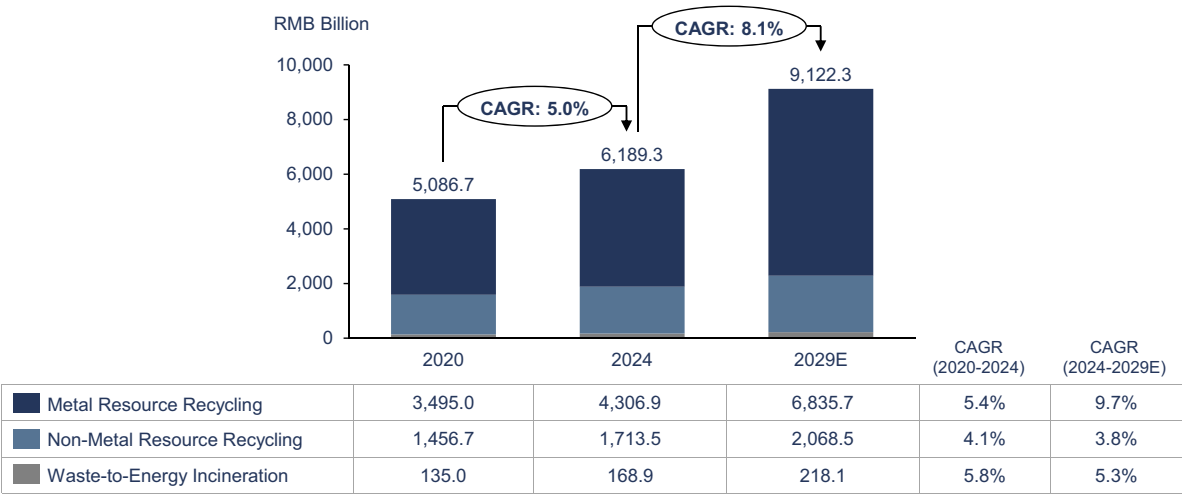
Metal resource recycling, which accounted for the biggest portion of the global solid waste and hazardous waste recycling market, recorded stable growth in the past 5 years, propelled by global policy push towards national resource security and a collective energy transition. Its market size increased from RMB3,495.0 billion in 2020 to RMB4,306.9 billion in 2024, with a CAGR of 5.4%. Driven by continuous supply chain optimization and structural integration, the global metal resource recycling market size is expected to reach RMB6,835.7 billion in 2029, representing a CAGR of 9.7% from 2024 to 2029.

INDUSTRY OVERVIEW

Non-metal resource recycling market globally is primarily driven by escalating global policy frameworks aimed at decoupling economic growth from virgin material use, as well as corporate sustainability commitments to reduce carbon footprints. Its market size increased from RMB1,456.7 billion in 2020 to RMB1,713.5 billion in 2024, with a CAGR of 4.1%. The dynamics is expected to shift from basic collection to creating high-value secondary raw materials that meet stringent quality standards. The non-metal resource recycling market size globally is anticipated to reach RMB2,068.5 billion in 2029, representing a CAGR of 3.8% from 2024 to 2029.

Driven by the urgent need to manage escalating municipal solid waste volumes and reduce landfill dependence, countries across the globe are directing capital towards waste-to-energy facility upgrades and decarbonizing industrial operations. The waste-to-energy incineration market size globally increased from RMB135.0 billion in 2020 to RMB168.9 billion in 2024, representing a CAGR of 5.8% during the period. The market size is expected to reach RMB218.1 billion in 2029, with a CAGR of 5.3% from 2024 to 2029.

**Global Solid Waste and Hazardous Waste Recycling Market Size
(revenue breakdown by service types), 2020-2029E**



Source: Frost & Sullivan

Market Size of Southeast Asia Solid Waste and Hazardous Waste Recycling Market

Between 2020 and 2024, the solid waste and hazardous waste recycling market landscape in Southeast Asia was marked by the policy shift from being a passive waste importer to actively controlling cross-border waste flows, which reshaped the market toward greater self-sufficiency. Its market size grew from RMB118.2 billion in 2020 to RMB174.9 billion in 2024, with a CAGR of 10.3%. Driven by the formalization and scaling of circular systems, as well as significant capital deployment into advanced infrastructure and technologies, the solid waste and hazardous waste recycling market size in Southeast Asia is expected to reach RMB390.5 billion in 2029, representing a CAGR of 17.4% from 2024 to 2029.

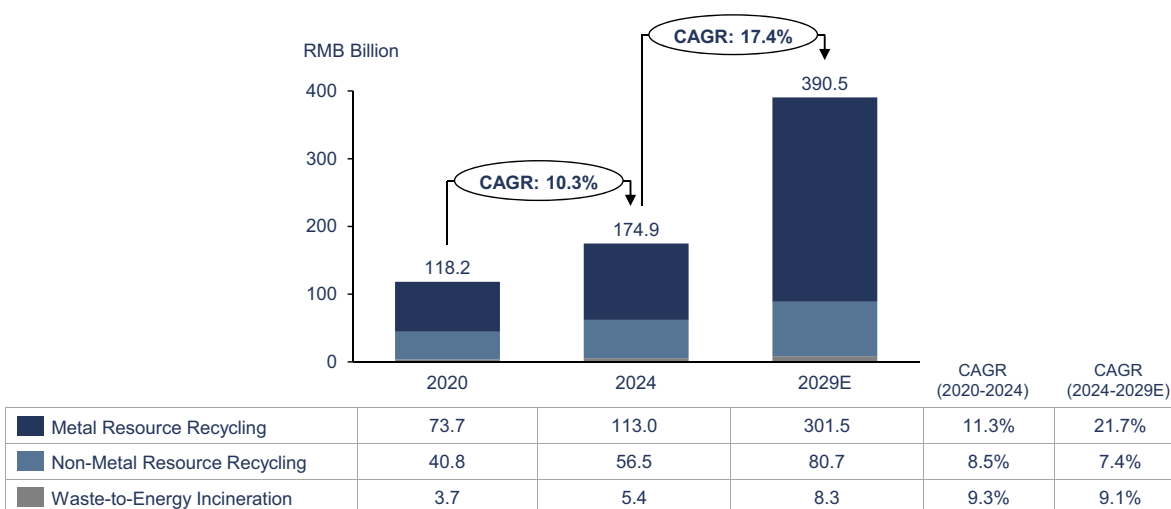
INDUSTRY OVERVIEW

Southeast Asia’s rapid economic and urban growth significantly increased domestic consumption and the generation of end-of-life metal scrap, particularly from electronics, which created a foundational supply base for the local metal resource recycling market. The metal resource recycling market size in Southeast Asia increased from RMB73.7 billion in 2020 to RMB113.0 billion in 2024, with a CAGR of 11.3%. Looking ahead, regional policy evolution from the ASEAN Framework for a Circular Economy and national regulations will be central in shaping and formalizing the market. The metal resource recycling market size in Southeast Asia is expected to reach RMB301.5 billion in 2029, representing a CAGR of 21.7%. For example, Malaysia mandates domestic processing of rare earths to develop magnet industry, while Thailand solidifies its role as a regional aluminum scrap hub with significant foreign investment.

The non-metal resource recycling market in Southeast Asia in the past 5 years was primarily driven by the establishment of high-level regional policy vision, with many countries restricting low-quality waste imports and seeking innovative solutions to handle domestic waste. Its market size grew from RMB40.8 billion in 2020 to RMB56.5 billion in 2024, representing a CAGR of 8.5% during the period. In the future, the market landscape will be driven by executing policy into tangible economic value and technological innovation. The non-metal resource recycling market size in Southeast Asia is expected to reach RMB80.7 billion in 2029, with a CAGR of 7.4% from 2024 to 2029. For example, Thailand leads in integrating plastics recycling into its manufacturing sector, while Indonesia is pivoting towards systematic waste management, stimulating its development in resources recycling and organic waste processing.

Fueled by policy shift to a more sustainable waste management framework as well as urgent need for advanced disposal solutions, the waste-to-energy incineration market in Southeast Asia has seen significant growth. Its market size increased from RMB3.7 billion in 2020 to RMB5.4 billion in 2024, with a CAGR of 9.3% during the period. Future driver will be the integration of waste-to-energy into national industrial and energy security strategies, supported by strategic foreign investment in infrastructure and technology partnerships. The waste-to-energy incineration market size in Southeast Asia is expected to reach RMB8.3 billion in 2029, with a CAGR of 9.1% from 2024 to 2029. For example, Indonesia stands as one of the most ambitious players and launches a massive national plan to build a number of waste-to-energy plants, while initiating major international tenders to attract foreign investment and expertise.

**Southeast Asia Solid Waste and Hazardous Waste Recycling Market Size
(revenue breakdown by service types), 2020-2029E**



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Drivers of Solid Waste and Hazardous Waste Recycling Market

- ***Diversification of Recycling Resources:*** The market is driven by the expansion of waste resources to materials beyond traditional ones. The industry now encompasses complex and valuable resources from sectors such as electronics, construction, textiles, and new energy field. This diversification is not only driving the aggregate recycled volume, but also capturing high-value materials, such as platinum-group and bismuth, and addressing critical resource security concerns. It transforms waste management from a cost-centric disposal service into a strategic resource recovery sector, integral to global circular economy ambitions.
- ***More Stringent Environmental Regulations:*** The regulatory landscape of the solid waste and hazardous waste recycling industry globally is evolving from simple guidelines to active, legally-binding frameworks that create and enforce market demand for recycling. Policies such as the Guiding Opinions on Further Strengthening Environmental Management of Hazardous Waste and Strictly Preventing and Controlling Environmental Risks issued by the Chinese government, aiming to internalize end-of-life costs into product design and finance collection systems, are continuously rolled out to compel industries to adopt compliant treatment solutions, shifting waste management from a voluntary practice to a mandatory operational and strategic imperative for corporations.
- ***Technological Advancement Enhancing Treatment Efficiency:*** Technological innovation is the critical enabler that makes advanced recycling economically feasible and environmentally superior. Process spans biologically-based treatments for organic waste, advanced chemical processes for complex plastics, and artificial intelligence for precise material sorting. For hazardous waste, novel resource recovery techniques are setting new standards for safety and efficiency. These advancements collectively enhance the purity and value of recovered materials, reduce energy consumption, and enable the treatment of previously non-recyclable or complex waste resources.

Development Trends of Solid Waste and Hazardous Waste Recycling Market

- ***Strengthening Industrial Chain Synergy:*** A key development trend is the deepening vertical integration and horizontal collaboration across the waste recycling value chain. Companies are moving beyond isolated operations to form strategic alliances that connect waste sourcing, logistics, processing, and end-market applications. This synergy aims to create closed-loop systems, enhance resource security, and optimize the economics of recycling. The focus on building resilient, efficient, and traceable industrial ecosystems can better respond to market fluctuations and regulatory demands, thereby elevating the entire industry’s operational stability and value capture.
- ***Business Expansion of Chinese Companies to Emerging Economies:*** Leading Chinese resources recycling corporates are increasingly exporting their integrated technological and operational expertise to emerging economies, particularly Southeast Asia. This expansion is driven by the pursuit of new growth markets, the global expansion of circular economy models, and participation in international infrastructure projects. By establishing facilities and partnerships abroad, these companies are not only accessing new waste streams and resources, but also facilitating the global diffusion of advanced recycling standards and practices, shaping waste management frameworks in rapidly developing regions.

INDUSTRY OVERVIEW

COMPETITIVE ANALYSIS OF SOLID WASTE AND HAZARDOUS WASTE RECYCLING MARKET

Ranking of Recycled Copper Companies in the Hazardous Waste Recycling Market in China

In 2024, the total recycled copper revenue contributed by companies in the hazardous waste recycling market in China reached RMB56.7 billion. Based on recycled copper revenue of RMB5.2 billion in 2024, the Company ranked the third among companies in the hazardous waste recycling market in China, with a market share of 9.2%.

TOP 5 Recycled Copper Companies in the Hazardous Waste Recycling Market
(by revenue), China, 2024



Source: Company reports, Frost & Sullivan

Note: Company A is a company headquartered in Zhejiang Province, China, and listed on the Shenzhen Stock Exchange, was established in 2004 and primarily specializes in environmental protection and clean energy equipment manufacturing.

Company B is a company headquartered in Guangdong Province, China, and listed on the Shenzhen Stock Exchange, was established in 2008 and primarily specializes in hazardous waste disposal and renewable resource recycling.

Company C is a company headquartered in Jiangxi Province, China, was established in 2019 and primarily specializes in nonferrous metal smelting.

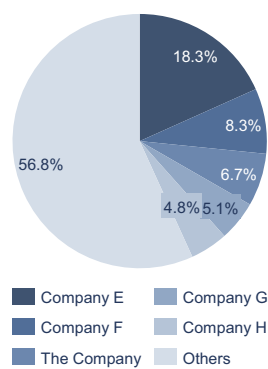
Company D is a company headquartered in Anhui Province, China, and listed on the Shenzhen Stock Exchange, was established in 1999 and primarily specializes in advanced copper-based materials and carbon materials.

INDUSTRY OVERVIEW

Ranking of Recycled Platinum-Group Metal Companies in the Hazardous Waste Recycling Market in China

In 2024, the total recycled platinum-group metal revenue contributed by companies in the hazardous waste recycling market in China reached RMB8.0 billion. Based on recycled platinum-group metal revenue of RMB0.5 billion in 2024, the Company ranked the third among companies in the hazardous waste recycling market in China, with a market share of 6.7%. Furthermore, the Company is among the few companies in the industry that cover the recycling of major types of platinum group metals, including platinum, palladium, rhodium, ruthenium, and iridium.

TOP 5 Recycled Platinum-Group Metal Companies in the Hazardous Waste Recycling Market (by revenue), China, 2024



Rank	Company	Recycled Platinum-Group Revenue (Billion RMB)	Market Share
1	Company E	1.5	18.3%
2	Company F	0.7	8.3%
3	The Company	0.5	6.7%
4	Company G	0.4	5.1%
5	Company H	0.4	4.8%
	Others	4.5	56.8%
	Total	8.0	100.0%

Source: Company reports, Frost & Sullivan

Note: Company E is a company headquartered in Yunnan Province, China, and listed on the Shanghai Stock Exchange, was established in 2000 and primarily specializes in precious metal functional materials and compound production.

Company F is a company headquartered in Jiangsu Province, China, and listed on the Shenzhen Stock Exchange, was established in 2005 and primarily specializes in precious metal recycling and comprehensive utilization services.

Company G is a company headquartered in Guangdong Province, China, and listed on the Shenzhen Stock Exchange, was established in 2001 and primarily specializes in urban mining resource recycling and new energy material manufacturing.

Company H is a company headquartered in Guangdong Province, China, and listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange, was established in 1999 and primarily specializes in industrial and municipal waste resource utilization and harmless treatment.

INDUSTRY OVERVIEW

Ranking of Recycled Bismuth Companies in the Hazardous Waste Recycling Market in China

In 2024, the total recycled bismuth revenue contributed by companies in the hazardous waste recycling market in China reached RMB895.0 million. Based on recycled bismuth revenue of RMB303.3 million in 2024, the Company ranked the first among companies in the hazardous waste recycling market in China, with a market share of 33.9%.

TOP 5 Recycled Bismuth Companies in the Hazardous Waste Recycling Market
(by revenue), China, 2024



Source: Company reports, Frost & Sullivan

Note: Company I is a company headquartered in Henan Province, China, and listed on the Shanghai Stock Exchange, was established in 2000 and primarily specializes in lead, zinc, and precious metal smelting.

Company J is a company headquartered in Hunan Province, China, and listed on the Shanghai Stock Exchange, was established in 1993 and primarily specializes in zinc, lead smelting and alloy products.

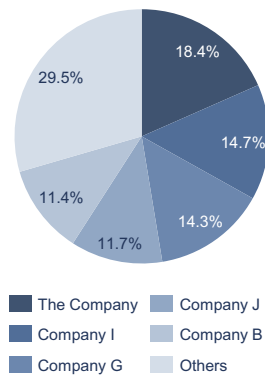
Company K is a company headquartered in Hunan Province, China, and listed on the Shenzhen Stock Exchange, was established in 1993 and primarily specializes in cemented carbide and tungsten, molybdenum, tantalum, niobium production and deep processing.

INDUSTRY OVERVIEW

Ranking of Recycled Antimony Companies in the Hazardous Waste Recycling Market in China

In 2024, the total recycled antimony revenue contributed by companies in the hazardous waste recycling market in China reached RMB368.0 million. Based on recycled antimony revenue of RMB67.8 million in 2024, the Company ranked the first among companies in the hazardous waste recycling market in China, with a market share of 18.4%.

TOP 5 Recycled Antimony Companies in the Hazardous Waste Recycling Market (by revenue), China, 2024



Rank	Company	Recycled Antimony Revenue (Million RMB)	Market Share
1	The Company	67.8	18.4%
2	Company I	54.1	14.7%
3	Company G	52.5	14.3%
4	Company J	43.2	11.7%
5	Company B	41.8	11.4%
	Others	108.6	29.5%
	Total	368.0	100.0%

Source: Company reports, Frost & Sullivan

Entry Barriers of Solid Waste and Hazardous Waste Recycling Market

- Licensing and Regulatory Barrier.** New entrants of the solid waste and hazardous waste recycling industry in China faces licensing and regulatory barriers. Obtaining solid waste and hazardous waste operation licenses involves complex, multi-year approval processes from environmental authorities at various levels. And the industry is subject to strict compliance requirements under evolving policies. New entrants must navigate a comprehensive regulatory framework that includes environmental impact assessments, facility siting approvals, and ongoing compliance monitoring, which creates a major barrier for them.
- Technology Barrier.** The industry faces significant technological barriers due to the complex and diverse nature of waste sources. Solid waste and hazardous waste requires specific treatment processes involving physics, chemistry, biology, and other interdisciplinary technologies. Additionally, treating solid waste and hazardous waste with characteristics such as toxicity or corrosiveness requires specialized equipment and accumulated expertise to ensure safety and compliance. New entrants lack the long-term R&D capabilities and practical experience to develop efficient, economical, and environmentally compliant treatment solutions quickly.

REGULATORY OVERVIEW

PRC REGULATORY OVERVIEW

Our business operations in the PRC are subject to a large number of laws and regulations as well as extensive government supervision. This section sets out a summary of the major laws, regulations, rules and policies that may have a significant impact on our business operations in the PRC.

Laws and Regulations Relating to Business Operation

Treatment of municipal domestic waste

According to the Law of the PRC on Promoting Clean Production (《中華人民共和國清潔生產促進法》), which was last amended on February 29, 2012, and came into effect on July 1, 2012, new constructions, reconstructions and expansion projects shall conduct environmental impact assessments, analyze, and demonstrate aspects such as raw material use, resource consumption, comprehensive resource utilization, and pollutant generation and disposal. Such projects shall prioritize to adopting cleaner production technologies, processes, and equipments with high resource utilization rates and low pollutant generation. Entities that utilize waste in accordance with the law and produce products by recycling raw materials from waste shall enjoy tax preferential policies in accordance with national regulations.

According to the Administrative Measures for Municipal Domestic Waste (《城市生活垃圾管理辦法》), which was last amended on May 4, 2015, the construction of facilities for the collection and disposal of municipal domestic waste shall comply with the Municipal Domestic Waste Treatment Plan and other relevant national technical standards. Municipal domestic waste should be disposed of at municipal domestic waste transfer stations and treatment plants (sites). No entity or individual shall dispose of municipal domestic waste at will. Enterprises engaged in the commercial cleaning, collection, and transportation of municipal domestic waste shall obtain a license for such actions. The construction (environmental sanitation) authorities of directly-administered municipalities, cities, and counties shall make decisions on licensing for the commercial cleaning, collection, and transportation of municipal domestic waste through fair competition methods such as bidding, and shall issue licenses for commercial cleaning, collection, and transportation services of municipal domestic waste to the winning bidders.

According to the Administrative Measures for Franchise Operations of Infrastructure and Public Utilities (《基礎設施和公用事業特許經營管理辦法》), which was last amended on March 28, 2024 and came into effect on May 1, 2024, franchise operators are granted the exclusive right to invest in, construct, operate, and obtain returns from specific infrastructures and public utility projects of the agreement (within the agreed-upon period). Meanwhile, franchise operators shall provide public goods or services that meet the quality and efficiency requirements as stipulated in the agreement, and shall be subject to supervision and management in accordance with the law. Local governments at all levels should standardize the promotion of franchise projects within the scope of their respective government responsibilities, and authorize relevant industry authorities, public institutions, etc. in accordance with laws and regulations, to serve as the implementing agencies for franchise projects of infrastructure, and public utilities. These agencies are responsible for the preparation, implementation, and supervision of franchise projects, with the content and scope of their authorization clearly defined. Franchise operators shall provide public goods or services universally, without discrimination to all users within the service areas specified in the franchise agreement, and shall not impose differential treatment on new users.

REGULATORY OVERVIEW

According to the Administrative Measures on the Franchise of Municipal Public Utilities (《市政公用事業特許經營管理辦法》), which was last amended on May 4, 2015, and came into effect on the same day, the implementation of franchise operations for municipal public utilities shall adhere to the principles of openness, fairness, impartiality, and their priority should be given to public interests. Those who participate in the bidding for franchise rights shall meet the following conditions: (1) being a legally registered enterprise or a legal person; (2) having corresponding facilities and equipments; (3) having a good bank credit standing, financial status and corresponding debt – paying ability; (4) having corresponding work experience(s) and a good performance; (5) having a corresponding number of personnel in key positions in fields such as technical, financial and operational; (6) having a practical and feasible business plan; (7) other conditions specified in local laws and regulations. The terms of franchise operation shall be determined according to factors such as industry characteristics, scale, and operation mode, with the maximum duration not exceeding 30 years. If an enterprise that has obtained or is obtaining the franchise right needs to change its name, address, or legal representative, it shall inform the competent department in writing in advance, to obtain its consent. Where the competent department or the enterprise with the franchise right violates the agreement, the party at fault shall bear the liability for the breach of contract; if losses are caused to the other party, it shall bear the liability for compensation.

According to the Guiding Opinions of the State Council on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment (《國務院關於創新重點領域投融資機制鼓勵社會投資的指導意見》) promulgated and implemented by the State Council on November 16, 2014, the PRC government encourages social capital’s participation in the municipal infrastructure projects including urban water supply, waste water treatment and garbage disposal by concession, investment subsidy, government’s purchase of services and other methods and shall choose eligible operators in accordance with the law. The PPP mode mainly applies to the public services and infrastructure projects for which the government assumes the responsibility of provision and which are also suitable for market operation. The PPP mode may be adopted for gas, power supply, water supply, heating, sewage and waste disposal and other municipal facilities, highways, railways, airports, urban rail transit and other transportation facilities, health care, tourism, education and training, health, pension and other public service projects, as well as water conservancy, resources and environment, and ecological protection projects. The projects with clear basis for charges and operating charges capable of completely covering the investment costs may be promoted by Build-Operate-Transfer (“BOT”), Build-Own-Operate-Transfer (“BOOT”), and other modes, through the government’s grant of franchise rights. The construction and operation market of relevant projects shall be opened according to the law, to actively promote the gradual implementation of franchising in the natural monopoly industries.

Power generation

According to the Renewable Energy Law of the PRC (《中華人民共和國可再生能源法》) which was last amended on December 26, 2009, and came into effect on April 1, 2010, the PRC government encourages and supports the grid-connected power generation of renewable energy. For the construction of renewable energy grid-connected power generation projects, administrative permission shall be obtained to ensure grid safety or filing shall be submitted in accordance with the laws and the regulations of the State Council. Power generation enterprises shall be obliged to cooperate with power grid enterprises. Power generation enterprises shall truthfully and completely record and preserve relevant materials on renewable energy power generation, and to accept the inspection and supervision by power regulatory authorities.

REGULATORY OVERVIEW

According to the Administrative Measures for Electric Power Business Licenses (《電力業務許可證管理規定》), which was last amended on January 4, 2024 and came into effect on March 1, 2024, any entity or individual engaged in electric power business operations must obtain an electric power business license. Unless under special circumstances specified by the Electricity Regulatory Commission of the PRC government, no entity or individual may engage in any electric power businesses without such a license. Electric power regulatory authorities shall establish and improve a supervision and inspection system for electric power business licensing to oversee whether licensees operate in compliance with the conditions, scope, and obligations stipulated in their electric power business licenses. Regulatory agencies shall conduct inspections in accordance with the law, and licensees shall cooperate with such inspections. If any entity or individual engages in electric power businesses without obtaining a license in accordance with the law, they shall be subjected to corrective actions, confiscate illegal gains, and a fine of up to five times the illegal proceeds by relevant authorities. If the violation constitutes a crime, criminal liability shall be pursued in accordance with the law.

According to the Trial Measures for the Administration of Renewable Energy Power Generation Pricing and Cost Allocation (《可再生能源發電價格和費用分攤管理試行辦法》) which was promulgated on January 4, 2006, and came into effect on the same day, the pricing of renewable energy power generation shall be implemented in two forms: government-set prices and government-guided prices. The government-guided prices refer to the winning prices determined through bidding. Renewable energy power generation enterprises and power grid enterprises must truthfully and completely record and preserve relevant materials such as the quantity, price, and amount of renewable energy power generation traded on the grid. They shall accept inspections and supervision by the competent price departments, power regulatory authorities, and auditing departments.

Circular Economy Promotion Law

According to the Circular Economy Promotion Law of the PRC (《中華人民共和國循環經濟促進法》), promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on August 29, 2008, effective from January 1, 2009, and last amended on October 26, 2018, the term “circular economy” refers to a generic term for the reducing, reusing, and recycling activities conducted in the process of production, circulation, and consumption. Among these, the term “reusing” refers to using wastes as a product directly, using wastes after repair, renewal or reproduction or using part or all wastes as components of other products; the term “recycling” refers to using wastes as raw materials directly or after regeneration. Developing a circular economy is an important strategy for the economic and social development of the state. In the process of re-utilizing and recycling wastes, production safety shall be guaranteed so as to ensure that product quality satisfy the state standards and prevent the secondary pollution.

Recycling of Resources

According to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), promulgated by the SCNPC on October 30, 1995, effective from April 1, 1996, and last amended on April 29, 2020, the prevention and control of environmental pollution by solid wastes adhere to the principles of reduction, recycling, and soundness. The competent department of ecological and environmental protection of the State Council shall, in collaboration with relevant departments of the State Council, develop a national list of hazardous waste, which shall be adjusted dynamically. Entities engaged in operations of the collecting, storing, utilizing, or disposing of hazardous waste shall apply for a permit in accordance with the relevant provisions issued by the state.

REGULATORY OVERVIEW

According to the Measures for the Administration of Permit for Operation of Dangerous Wastes (《危險廢物經營許可證管理辦法》), promulgated by the State Council on May 30, 2004, effective from July 1, 2004, and last amended on February 6, 2016, any entity undertaking the business activities of collection, storage, and disposal of dangerous wastes within the territory of the PRC shall obtain the permit for operation of dangerous wastes. The permit for operation of dangerous wastes shall be divided into the permit for comprehensive operation of the collection, storage, and disposal of dangerous wastes and the permit for operation of the collection of dangerous wastes in light of the ways of business operation.

Hazardous Chemical Operations

According to the Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》) (formerly known as Hazardous Chemical Goods Safety Administration Regulation (《化學危險物品安全管理條例》)), which were promulgated by the State Council on February 17, 1987, came into effect on the same date, and were last amended on December 7, 2013, the hazardous chemicals catalog is determined, pronounced, and properly adjusted by the State Council’s work safety supervision and administration department in conjunction with other relevant departments, based on the standards for identifying and classifying the hazardous properties of chemicals.

According to the Measures for the Administration of the Permits for Trading in Hazardous Chemicals (《危險化學品經營許可證管理辦法》) issued by the former State Administration of Work Safety (now the Ministry of Emergency Management of the PRC) on July 17, 2012, effective from September 1, 2012, and last amended on May 27, 2015, the State has established a licensing system for the operation, including storage operation, of hazardous chemicals listed in the catalog of Hazardous Chemicals within the territory of the PRC. Enterprises engaged in the operation of these hazardous chemicals are required to obtain a hazardous chemical operation license in accordance with this measure. However, enterprises producing hazardous chemicals that have obtained a Hazardous Chemicals Safety Production license in accordance with the law are exempted from the requirement to obtain a Hazardous Chemicals Operation license for the sale of their own produced hazardous chemicals within their factory premises. The operation of hazardous chemicals without the required operation license is punishable under the relevant provisions of the Work Safety Law of the PRC for the unauthorized production, operation and storage of hazardous substances. If such actions constitute a criminal offense, legal proceedings will be initiated to hold the responsible parties accountable.

Laws and Regulations Relating to Land Use Rights, Construction Land Planning Permit and Construction Work Planning Permit

Land use rights

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, last amended on August 26, 2019, and brought into effect from January 1, 2020, lands owned by the PRC government might be transferred or allotted to construction entities or individuals in accordance with the law. According to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated on November 24, 2014, last amended on March 10, 2024, and brought into effect on May 1, 2024, the real estate registration shall be conducted by the real estate registration authorities of the people’s government at or above the county level.

According to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020, and implemented on January 1, 2021, the creation, alteration, alienation, or extinguishment of a real right of the immovable property that is required by law to be registered, becomes effective at the time when it is recorded in the registration of immovable property. The real right certificate for immovable property is the proof of a right holder’s entitlement to the real right in the immovable property.

REGULATORY OVERVIEW

The Interim Regulations on Real Estate Registration and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated on January 1, 2016, last amended on May 9, 2024, and brought into effect on May 21, 2024, provide that, among others, the PRC government implements a uniform real estate registration system, and the registration of real estate shall be strictly administered and carried out in a stable and continuous manner that provides convenience for people.

Construction land planning permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007, implemented on January 1, 2008 and amended on April 24, 2015, and April 23, 2019, respectively, a construction land planning permit is required for the right to use the state-owned land acquired by transfer and allocation.

If a construction entity which is authorized to use the land fails to obtain a construction land use planning permit, the people’s government at or above the county level shall revoke any relevant approval document(s). If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to laws.

Construction work planning permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), to build any building, structure, road, pipeline, or other engineering project within a city or town planning area, the relevant construction entity or individual shall apply for a construction work planning permit. The permit can be obtained from a competent urban and rural planning administrative department of the people’s government at the municipal or county level or from the people’s government of town as recognized by the people’s government of a province, autonomous region, or municipality and is directly under the PRC government.

For construction work that proceeds without the construction work planning permit or is in violation of the provisions of the construction work planning permit, a competent urban and rural planning administrative department at or above the county level can order termination; if the impact on the planning caused by such construction can be eliminated, the department shall order the construction entity to take remedial action within a prescribed time limit and pay a fine of no less than 5% but not exceeding 10% of the construction cost; if such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish its construction within a prescribed time limit. For construction work that cannot be demolished, the department shall confiscate it or seize any illegal income. They may also be liable to a fine of no more than 10% of the construction cost.

Laws and Regulations Relating to Environmental Protection, Work Safety and Energy Conservation Review

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was last amended by the SCNPC on April 24, 2014 and came into effect on January 1, 2015, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law.

REGULATORY OVERVIEW

Pursuant to the Law of Environmental Impact Assessment of the PRC (《中華人民共和國環境影響評價法》) (Order No. 77 of the PRC President, effective on September 1, 2003 and amended on July 2, 2016, and December 29, 2018 respectively), Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》) (Order No. 253 of the State Council, effective on November 29, 1998 and amended on July 16, 2017), where effects may be exerted on the environment after the completion of construction projects, the construction enterprise shall submit an environmental impact report (form) or environmental impact registration form to the relevant environmental protection department. The project that is required to prepare the environmental impact report (form) in accordance with the law shall obtain the approval from the relevant environmental protection department for its environmental impact assessment documents; otherwise it shall not start the construction. After the construction project is completed, the construction enterprise shall apply for environmental protection acceptance of the construction project and make acceptance report pursuant to the standard and formality set by the environmental protection authority.

According to the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), last amended on April 29, 2020, by the SCNPC and came into effect on September 1, 2020, the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), last amended on June 27, 2017, by the SCNPC and came into effect on January 1, 2018, and the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), last amended by the SCNPC on October 26, 2018 and took effect on the same day, any entity or individual that generates, collects, stores, transports, utilizes or disposes of solid waste shall take measures to prevent or reduce the (pollution of solid waste to the environment,) and shall be responsible for the environmental pollution caused (in accordance with the law.) Where hazardous waste exists in solid waste, it shall be managed in accordance to the respective company’s hazardous waste management. Enterprises, institutions and other production and operation entities directly or indirectly discharging industrial waste water and medical sewage to water bodies, and the enterprises, institutions and other production and operation entities required to obtain a Pollutant Discharging Permit before discharging waste water and sewage waste must obtain the pollutant discharging permit. Enterprises and institutions that emit industrial waste gas or toxic and hazardous air pollutants listed in the catalog published according to Article 78 of the Law of the PRC on the Prevention and Control of Atmospheric Pollution, as well as other entities that implement administration of pollution discharge permits in accordance with the law, shall obtain a pollutant discharging permit.

According to the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated on January 24, 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated on April 1, 2024, the PRC government implements classified pollutant discharge permit management (i.e., key and simplified management) on pollutant discharges of enterprises based on factors such as the volume of pollutants generated, the amount of pollutants discharged and the degree of impact the pollutants have on the environment. Enterprises, institutions and other production and operation entities that are included in the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a Pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

REGULATORY OVERVIEW

According to the Regulation on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013, and came into effect on January 1, 2014, the Competent Urban Drainage Department shall sign a maintenance and operation contract with the Maintenance and Operation Entity of urban sewage treatment facilities, specifying the rights and obligations of both parties. The Maintenance and Operation Entity of urban sewage treatment facilities shall ensure that the effluent quality meets the discharge standards stipulated by the state and local authorities, and shall not discharge sub-standard sewage. The Maintenance and Operation Entity of urban sewage treatment facilities or the sludge treatment and disposal entity shall safely treat, and dispose of sludge, ensure that the sludge after treatment and its disposal meets the relevant national standards, track and record the sludge generated, as well as the destination, use and dosage of the sludge after treatment and disposal, and report to the Competent Urban Drainage Department and the Competent Environmental Protection Department. No entity or individual shall arbitrarily dump, stack, discard or scatter sludge. The Maintenance and Operation Entity of urban drainage and sewage treatment facilities shall establish and improve safety production management systems, strengthen daily inspections, repair and maintain urban drainage and sewage treatment facilities, such as manhole covers, and ensure the safe operation of the facilities.

Work Safety

Pursuant to the Law on Work Safety of the PRC (《中華人民共和國安全生產法》) (Order No.70 of the PRC President, effective on November 1, 2002 and amended on August 27, 2009, August 31, 2014, and June 10, 2021 respectively), enterprises engaged in production activities must strengthen safety production management, establish and improve the responsibility system for safe production and ensure a safe production environment. The state establishes and implements a system for the accountability of production safety accidents. If the company fails to comply with the provisions of the Law on Work Safety, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit.

In addition to general work safety requirements, for newly constructed, renovated, or expanded construction projects, according to the Measures for the Supervision and Management of “Three Simultaneities” in Safety Facilities of Construction Projects (《建設項目安全設施“三同時”監督管理辦法》) (the “**Measures for Safety Facilities of Construction Projects**”) issued by the former State Administration of Work Safety (now the Ministry of Emergency Management of the PRC) on December 14, 2010, and amended on April 2, 2015, the safety facilities in new construction, renovation, or expansion projects must be designed, constructed, and put to use simultaneously with the main body of the project. For construction projects specifically stipulated in the Measures for Safety Facilities of Construction Projects, production and operation entities shall engage qualified safety evaluation agencies to conduct safety pre-evaluation and safety acceptance evaluation for their construction projects. If an enterprise violates the relevant regulations, it may be ordered to stop construction or stop production or business operation for rectification, order it to make correction within a certain time limit, and imposed a fine.

Pursuant to the Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》), the production, storage, use, operation, and transportation of hazardous chemicals must be in accordance with the safety management regulations. The hazardous chemical entities shall oblige to the safety conditions required by laws and administrative regulations and state and industry standards, establish and improve safety management rules and post safety responsibility systems, and provide safety education and legal education and occupation technical training for employees. Employees should accept such education and training, and may begin working only after qualifying the relevant assessment. Where it requires employees to have certain qualification to assume a post, an enterprise shall only designated employees having such qualification to assume the post.

REGULATORY OVERVIEW

Fire Prevention

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) last amended by the SCNPC and came into effect from April 29, 2021, the emergency management departments of the State Council and local people’s governments at or above the county level are responsible for supervising and managing fire prevention work. The fire prevention design and construction of construction projects must comply with the national fire prevention technical standards for engineering construction. The employer, as well as the designing, construction, project supervision and other entities, shall be responsible for the quality of fire protection design and construction according to law.

According to the Interim Provisions on the Administration of Fire Prevention Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), which was revised by the Ministry of Housing and Urban-Rural Development of the PRC on August 21, 2023, and came into effect on October 30, 2023, the construction entity bears primary legal responsibility for the fire prevention design and construction quality of construction projects. A fire safety design review and acceptance system is implemented for special construction projects. With respect to the construction projects other than special construction projects, the fire protection acceptance of construction projects must be filed with the competent authority.

Energy Conservation Review

According to the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) promulgated by the SCNPC on November 1, 1997, effect from January 1, 1998 and last amended on October 26, 2018, the State implements rules for the energy conservation assessment and examination of fixed asset investment projects. The construction entity shall not commence the construction of a project that does not comply with compulsory energy conservation standards; and if the project has been completed, it shall not be put into production and use.

According to the Measures for the Energy Conservation Examination and Carbon Emission of Fixed Asset Investment Projects (《固定資產投資項目節能審查和碳排放評價辦法》) issued by the NDRC on July 17, 2025, the opinion on the energy conservation examination of a fixed-asset investment project is an important basis for the construction, acceptance inspection, and operation management of the project. For an enterprise investment project, the construction employer shall, before commencing construction, obtain the energy conservation examination opinion issued by the energy conservation examination authority. The construction employer shall not commence the construction of a project that fails to undergo the energy conservation examination in accordance with the provisions of these Measures or fails to pass the energy conservation examination, and if the project has been completed, it shall not be put into production or use.

Laws and Regulations Relating to Employment

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the PRC President, effective on January 1, 2008 and amended on December 28, 2012) and the Regulations on Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council, effective on September 18, 2008) provide for the establishment of labor relationship between employing entities and workers, as well as the concluding, performance, dissolution and revision of the labor contracts. To establish a labor relationship, a written labor contract shall be signed. In the event that no written labor contract is signed at the time when a labor relationship is established, such contract shall be signed within one month as of the date when the employing enterprise employs the employee.

REGULATORY OVERVIEW

Pursuant to Social Insurance Law of the PRC (《中華人民共和國社會保險法》), (Order No.35 of the PRC President, effective on July 1, 2011, and amended on December 29, 2018), Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No.259 of the State Council, effective on January 22, 1999 and amended on March 24, 2019), Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》) (No. 504 [1994] the Ministry of Labor, effective on January 1, 1995), Regulations on Work-Related Injury Insurance (《工傷保險條例》) (Order No. 375 of the State Council, effective on January 1, 2004 and amended on December 20, 2010), and Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council, effective on April 3, 1999 and amended on March 24, 2002, March 24, 2019, respectively), employing entity must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. If an employing entity fails to go through the formalities or does not pay the full amount as scheduled, the relevant administration department shall order it to make rectification or make up the payment within the prescribed time limit. If the rectification for social insurance registration is not made within the stipulated period, the employing entity shall be imposed a fine. If the payment for social insurance premiums is not made within the stipulated period, the relevant administration department shall impose a fine. If an employing entity fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund account for its employees by the expiration of the time limit, a fine shall be imposed. If an employing entity fails to make the payment and deposit of the housing provident fund within a prescribed time limit, an application may be made to the people’s court for compulsory enforcement.

Laws and Regulations Relating to Foreign Investment

According to the Company Law of the PRC (《中華人民共和國公司法》), which was approved by the SCNPC on December 29, 1993 and subsequently amended in 1999, 2004, 2005, 2013, 2018 and 2023, and the latest amended version of which was effective on July 1, 2024, a company established under the PRC laws and within the territory of the PRC may take the form of a limited liability company or a company limited by shares. The Company Law of the PRC shall also be applicable to foreign-invested limited liability companies and companies limited by shares, unless otherwise provided by the relevant laws and regulations.

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, and the Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)(2024年版)》), the “Negative List (2024 Edition)”, which was amended and promulgated by the MOFCOM and the NDRC on June 6, 2024 and took effective on November 1, 2024. The Negative List (2024 Edition) set out in a unified manner the restrictive measures, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List (2024 Edition) covers 11 industries, and any field not falling in the Negative List (2024 Edition) shall be administrated under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (“**Foreign Investment Law**”) was promulgated by SCNPC on March 15, 2019 and became effective on January 1, 2020. After the Foreign Investment Law came into force, the Law on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), the Law on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law on Sino-foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as foreign investors) directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law: (1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; (2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; (3) investing by foreign investors in new projects in China alone or jointly with other investors; (4) other forms of investment prescribed by laws, administrative regulations or the State Council.

REGULATORY OVERVIEW

On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the MOFCOM issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020. After the Measures for the Reporting of Foreign Investment Information came into effect, the Interim Measures on the Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) has been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

Laws and Regulations Relating to Overseas Investment

The Measures for Overseas Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall be filed with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

The Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be complied with, including approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the Catalog of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), which was promulgated by the NDRC on January 31, 2018 and came into effect on March 1, 2018, to list the current sensitive industries in detail.

REGULATORY OVERVIEW

Laws and Regulations Relating to Intellectual Property

Copyright and Software Registration

The SCNPC promulgated the Copyright Law (《中華人民共和國著作權法》) in 1990 and amended it in 2001, 2010 and 2020, respectively. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, including computer software. The purpose of the Copyright Law is to encourage the creation and dissemination of works which contribute to the construction of socialist spiritual and material civilization and promote the development and prosperity of socialist cultural and scientific pursuit.

The Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on December 20, 2001 and amended in 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatization of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organizations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the “CPCC”) is designated as the software registration authority. The CPCC shall grant registration certificates to the computer software copyright applicants which conforms to the provisions of both the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, as well as the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council in 2002 and amended in 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

REGULATORY OVERVIEW

Patent

The SCNPC promulgated the Patent Law of the PRC (《中華人民共和國專利法》) in 1984 and amended it in 1992, 2000, 2008 and 2020, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, domain names are registered on a “first-come, first-served” basis. The domain names registered or used by an organization or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on March 16, 2007, implemented on January 1, 2008, and subsequently revised on February 24, 2017 and December 29, 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and last amended on December 6, 2024, (collectively, the “**EIT Law**”), a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. A non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes has no actual connection to its office or establishment inside China must pay enterprise income tax on the incomes derived from China at a rate of 10%.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the “**VAT Law**”), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

REGULATORY OVERVIEW

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改征增值稅試點的通知》), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016.

The Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》), promulgated by the MOF and the SAT on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and became effective on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; and where the original applicable tax rate is 10%, the tax rate will be adjusted to 9%.

According to the Announcement of the Ministry of Finance and the State Taxation Administration on the Weighted Value-added Tax Deduction Policy for Advanced Manufacturing Enterprises (Announcement No. 43 [2023] of the Ministry of Finance and the State Taxation Administration) (《財政部、稅務總局關於先進製造業企業增值稅加計抵減政策的公告》(財政部、國家稅務總局公告[2023]年第43號)) published on September 3, 2023, and effective from January 1, 2023, advanced manufacturing enterprises are allowed to deduct weighted 5% of the current deductible input tax amount from the Value-added Tax payable during the period from January 1, 2023, to December 31, 2027.

Laws and Regulations Relating to Foreign Exchange Control

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE or its designated banks is obtained.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital and external debts and funds recovered from overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated on October 23, 2019 and amended by SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) which was promulgated on December 4, 2023, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to the law on the condition that the current Special Administrative Measures for Access of Foreign Investment (Negative List) are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

REGULATORY OVERVIEW

The principal regulations governing dividends distributions by companies is the Company Law of the PRC. PRC companies are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Laws and Regulations Relating to Overseas Listing

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant guidelines on February 17, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of the PRC domestic companies, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek overseas offering and listing, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and submit relevant information. The Overseas Listing Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) listing and financing is explicitly prohibited by provisions in the PRC laws, administrative regulations or relevant State regulations; (ii) overseas offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with the law; (iii) the domestic enterprises or their controlling shareholders or actual controllers have committed crimes such as corruption, bribery, embezzlement of property, misappropriation of property or disruption of the order of the socialist market economy during the latest three years; (iv) the domestic enterprises are under official investigation in accordance with the law for any suspected crime or severe violations of laws and regulations without any explicit conclusions; or (v) there are major ownership disputes over the stock rights held by the controlling shareholders and/or such shareholders as controlled by the controlling shareholders or actual controllers.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Confidentiality Provisions**”), which became effective from March 31, 2023. Pursuant to the Confidentiality Provisions, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Founded in 1992, we have over 30 years of operating history. Our Company was originated from our Company’s predecessor, Beijing High-Energy Liner Engineering Office* (北京高能墊襯工程處), which was restructured and converted into a limited liability company in December 2001 when Mr. Li first became interested in our Company. We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios and broad service coverages. Our product portfolios include a wide range of metal products primarily comprising base metals, precious metals and critical metals.

Since December 2014, our A Shares have been listed on the Shanghai Stock Exchange with the stock code of 603588. For details, please see “– Corporate Development and Major Shareholding Changes of our Company – Listing on the Shanghai Stock Exchange in December 2014” below.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our Group’s key corporate and business development milestones:

Year	Event
1992	Our Company’s predecessor, Beijing High-Energy Liner Engineering Office* (北京高能墊襯工程處) was established in the PRC
2001	Beijing High-Energy Liner Engineering Office* (北京高能墊襯工程處) was restructured as Beijing High-Energy Liner Engineering Co., Ltd.* (北京高能墊襯工程有限公司)
2009	We were awarded as National High-Tech Enterprise* (國家級高新技術企業) Our Company was converted into a joint stock company
2014	Our Company was listed on the Shanghai Stock Exchange (stock code: 603588)
2015	Our business was defined into three major business segments: environmental remediation, industrial environment and urban environment We fully entered into the municipal waste-to-energy incineration sector and secured waste-to-energy incineration projects in Sihong, Jiangsu province and Hezhou, Guangxi province in the PRC
2016	We fully entered into the hazardous waste sector and by the end of 2016, our licensed capacity for hazardous waste treatment and disposal had reached 226,600 tons We were accredited as a National Center for Enterprise Technology (國家企業技術中心) by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the General Administration of Customs and the State Taxation Administration
2017	We were awarded the National Science and Technology Progress Award Second Prize* (國家科學技術進步二等獎) by the State Council

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2018	We promulgated GeoEnviron Corporate Charter (高能環境約法), the first corporate charter in the environmental protection industry, which embodied the vision of “benefiting the world and all living beings”(利天下，利眾生) and established our Company’s comprehensive framework of value, culture and standard We successfully issued convertible bonds of RMB840 million
2020	We participated in nationwide COVID-19 prevention and control, providing emergency support for the construction and operation of Wuhan “Huoshenshan” and “Leishenshan” hospitals We acquired equity interest in resources utilization companies by issuance of A Shares and formulated a medium-to-long-term strategy for the resources utilization of solid waste and hazardous waste
2022	We completed a private placement of 246.25 million A Shares, raising RMB2,758 million
2023	Tianjin GeoEnviron was awarded National Specialized and Sophisticated ‘Little Giant’ Enterprises* (國家專精特新「小巨人」企業)
2024	We implemented a comprehensive global expansion strategy to expand our business footprint to other countries
2025	We entered into the mining sector by acquiring certain equity interest in mining companies, creating synergies with our existing metal resources recycling and utilization business

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Incorporation of Our Company in August 1992

Our Company’s predecessor was Beijing High-Energy Liner Engineering Office* (北京高能墊襯工程處) which was established on August 28, 1992 as a state-owned enterprise with approval of the High-Tech Enterprise Bureau of the Chinese Academy of Sciences* (中國科學院高技術企業局) and funded by the Institute of High Energy Physics of the Chinese Academy of Sciences (中國科學院高能物理研究所).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Restructured in 2001

In December 2001, Beijing High-Energy Liner Engineering Office* (北京高能墊襯工程處) was restructured and converted into a limited liability company with a registered capital of RMB8.0 million. After the restructuring, the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Oriental Yuhong ⁽¹⁾	3,000,000	37.50
Hunan Oriental Yuhong Construction Waterproof Engineering Co., Ltd.* (湖南東方雨虹建築防水工程有限公司)(“Hunan Yuhong”) ⁽²⁾	2,280,000	28.50
Institute of High Energy Physics of the Chinese Academy of Sciences	1,821,200	22.77
Other Shareholders ⁽³⁾	898,800	11.23
Total	8,000,000	100.00

Notes:

1. Mr. Li held approximately 33.56% of equity interest in Oriental Yuhong at the material time.
2. Mr. Li held approximately 38.00% of equity interest in Hunan Yuhong at the material time.
3. All of which were Independent Third Parties at the material time save for being our Shareholders.

Share transfers from 2002 to 2007

From 2002 to 2007, our Company went through several rounds of share transfer and share capital change, which mainly included the transfer of equity interests held by Oriental Yuhong and Hunan Yuhong to various parties including Mr. Li and the then shareholders of Oriental Yuhong and Hunan Yuhong at the material time.

Upon completion of various share transfers, our Company’s shareholding was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Li	4,741,086	39.51
Other Shareholders ^(Note)	7,258,914	60.49
Total	12,000,000	100.00

Note: All of which were individuals which included our Company’s key technical personnel, management or core business personnel at the material time.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Conversion into a joint stock company in November 2009

In November 2009, our Company was converted into a joint stock company, with a registered capital of RMB30,000,000 divided into 30,000,000 Shares with a nominal value of RMB1.00 each. After the conversion, the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Li	11,852,715	39.51
Other Shareholders ^(Note)	<u>18,147,285</u>	<u>60.49</u>
Total	<u>30,000,000</u>	<u>100.00</u>

Note: All of which were individuals which included our Company’s key technical personnel, management or core business personnel at the material time.

Increase in share capital and subscription from 2010 to 2014

From 2010 to 2014, our Company went through several rounds of increase in share capital and subscription, including the increase in share capital for the preparation of the listing of our Shares on the Shanghai Stock Exchange. Pursuant to the shareholders’ resolution dated November 12, 2011, (a) our Company increased our registered share capital from RMB51,000,000 to RMB102,000,000 by way of conversion of capital reserve and issued 51,000,000 additional Shares on the basis of 10 capitalization Shares for every 10 Shares in issue; and (b) our Company issued an aggregate of 19,200,000 Shares to certain existing Shareholders (including Mr. Li) and certain investors (including Mianyang Science and Technology City Industrial Investment Fund (Limited Partnership)* (綿陽科技城產業投資基金(有限合夥)) and Beijing Junlian Ruizhi Venture Capital Center (Limited Partnership)* (北京君聯睿智創業投資中心(有限合夥)) which subscribed for 15,000,000 Shares and 1,694,118 Shares, respectively, all of which were Independent Third Parties at the material time) at a total consideration of RMB259,200,000. The consideration was fully settled in November 2011. The registration of the change in share capital with the Beijing Administration for Industry and Commerce was completed on November 17, 2011. Upon completion, the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Li	36,032,962	29.73
Mianyang Science and Technology City Industrial Investment Fund (Limited Partnership)	15,000,000	12.38
Beijing Junlian Ruizhi Venture Capital Center (Limited Partnership)	10,694,118	8.82
Other Shareholders	<u>59,472,920</u>	<u>49.07</u>
Total	<u>121,200,000</u>	<u>100.00</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Listing on the Shanghai Stock Exchange in December 2014

As approved by the CSRC, our Company completed the initial public offering and listing of our A Shares on the Shanghai Stock Exchange (SSE: 603588) on December 29, 2014, under which a total of 40,400,000 A Shares, representing 25.0% of number of Shares immediately following such A Shares listing, were issued. Upon completion of the A Shares listing, the registered share capital of our Company increased to RMB161,600,000, and the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Li	36,032,962	22.30
Other A Shareholders	<u>125,567,038</u>	<u>77.70</u>
Total	<u>161,600,000</u>	<u>100.00</u>

Share capital changes in 2016

In June 2016, 7,723,000 restricted A Shares were vested pursuant to the 2016 Share Incentive Plan. Pursuant to the terms of the 2016 Share Incentive Plan, the 2016 Share Incentive Plan has expired and no further restricted A Shares will be granted.

At the annual general meeting of our Company held in May 2016, we resolved to issue 161,600,000 A Shares as bonus Share to our then Shareholders by capitalizing the capital reserve of our Company on the basis of 10 bonus Shares for every 10 existing Shares.

Upon which, our registered share capital increased to RMB330,923,000.

Share capital changes in 2017

At the annual general meeting of our Company held in April 2017, we resolved to issue 330,923,000 A Shares as bonus Share to our then Shareholders by capitalizing the capital reserve of our Company on the basis of 10 bonus Share for every 10 existing Shares.

During 2017, a total of 1,364,000 restricted A Shares were vested pursuant to the 2016 Share Incentive Plan and a total of 1,019,046 restricted A Shares granted under the 2016 Share Incentive Plan were repurchased and canceled by us.

Upon which, our registered share capital increased to RMB662,190,954.

Share capital changes in 2018

In August 2018, a total of 1,674,708 restricted A Shares granted under the 2016 Share Incentive Plan were repurchased and canceled by us.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In July 2018, we conducted public issuance of convertible bonds of RMB840,000,000 at a par value of RMB100 (the “**2018 Convertible Bonds**”) and the 2018 Convertible Bonds were listed on Shanghai Stock Exchange (bond code: 113515) on August 27, 2018. The conversion period is from the first trading day after six months from the date of completion of the issuance of the 2018 Convertible Bonds to the maturity date of the 2018 Convertible Bonds, i.e., from February 1, 2019 to July 25, 2024 with the initial conversion price as RMB9.38 per A Share. The conversion price of the 2018 Convertible Bonds shall be adjusted upon occurrence of certain events, including distributions to Shareholders, issue or placing of Shares etc., which result in a change in our Company’s share capital.

On May 19, 2020, the Board resolved to exercise our Company’s conditional redemption rights under the 2018 Convertible Bonds to redeem all outstanding 2018 Convertible Bonds after close of market on June 17, 2020 at face value plus accrued interests. As of June 17, 2020, the relevant bondholders converted the relevant convertible bonds into 89,125,593 A Shares in aggregate. The outstanding 2018 Convertible Bonds in the amount of RMB7,934,000 were redeemed by the Company on June 18, 2020 at the price of RMB7,976,684.92. The 2018 Convertible Bonds were delisted on Shanghai Stock Exchange on June 18, 2020.

Share capital changes in 2019

In July 2019, a total of 462,600 restricted A Shares granted under the 2016 Share Incentive Plan were repurchased and canceled by us.

Shares issuance in June 2020 and private placement in August 2020

In June 2020, our Company obtained approval from the CSRC for the shares issuance and a private placement of A Shares, the purpose of which was to fund the acquisition of the equity interest in two target companies and supplement the general working capital of our Company. Details of the acquisition were as follow:

Vendors	Target shares	Cash consideration RMB	Share consideration RMB	Total consideration RMB
Mr. Ke Peng (柯朋)	40.00% equity interest in GeoEnviron Pengfu	20,000,000	190,000,000 (being 19,114,688 A Shares at an issue price of RMB9.94)	210,000,000
Mr. Song Jianqiang (宋建強)	30.01% equity interest in Jingyuan GeoEnviron	30,000,000	127,552,200 (being 12,832,213 A Shares at an issue price of RMB9.94)	157,552,200
Mr. Tan Chengfeng (譚承鋒)	19.01% equity interest in Jingyuan GeoEnviron	20,000,000	79,802,200 (being 8,028,390 A Shares at an issue price of RMB9.94)	99,802,200
		<u>70,000,000</u>	<u>397,354,400</u>	<u>467,354,400</u>

The consideration was determined with reference to the valuation reports of the equity interest of GeoEnviron Pengfu and Jingyuan GeoEnviron as at September 30, 2019. Upon completion of the acquisition, GeoEnviron Pengfu and Jingyuan GeoEnviron became wholly-owned subsidiaries of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In August 2020, our Company issued and placed 10,897,400 A Shares to four institutional investors who were Independent Third Parties at an issue price of RMB15.60 per A Share. The issue price was determined based on various factors, including the average price of the 20 trading days prior to the pricing date.

During 2020, a total of 7,138,320 A Shares were granted and issued pursuant to the 2018 Share Option Plan and a total of 646,600 restricted A Shares granted under the 2016 Share Incentive Plan were repurchased and canceled.

Following which, our registered share capital increased to RMB806,543,650.

Share capital changes in 2020 and 2022

From November 2020 to July 2022, a total of 16,813,171 restricted A shares were issued pursuant to the 2018 Share Option Plan and from July 2021 to March 2022, a total of 234,000 restricted A Shares granted under the 2020 Share Incentive Plan were repurchased and canceled by us.

In June 2021, a total of 243,694,303 A Shares were issued for the purpose of dividend distribution on the basis of 0.30 A Shares for every A Share in issue, excluding 531,000 A Shares repurchased by our Company.

In June 2022, a total of 213,073,997 A Shares were issued for the purpose of dividend distribution on the basis of 0.20 A Shares for every A Share in issue, excluding 531,000 A Shares repurchased by our Company.

Private placement of A Shares in 2022

In June 2022, our Company obtained approval from the CSRC for a private placement of A Shares and in August 2022, our Company issued and placed 246,250,000 A Shares to 15 investors, including institutional investors who were Independent Third Parties and Mr. Li, at an issue price of RMB11.20 per A Share. The issue price was determined based on various factors, including the average price of the 20 trading days prior to the pricing date.

Following the completion of the private placement of A Shares, our registered share capital increased to RMB1,526,141,121, and the shareholding structure of our Company was as follows:

Name of the Shareholder	Number of Shares held	Approximate percentage of shareholding (%)
Mr. Li	263,452,149	17.26
Other A Shareholders	<u>1,262,688,972</u>	<u>82.74</u>
Total	<u>1,526,141,121</u>	<u>100.00</u>

From August 2022 to September 2022, a total of 421,611 A Shares were issued pursuant to the 2018 Share Option Plan.

In November 2022, a total of 512,850 restricted A Shares were granted under the 2020 Share Incentive Plan were repurchased and canceled and a total of 531,000 A shares in the repurchase account of our Company were canceled by us.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Share capital changes in 2023

In October 2023, a total of 11,840,000 restricted A Shares were issued pursuant to the 2023 Share Incentive and Share Option Plan.

Share capital changes in 2024

In January 2024, a total of 307,515 restricted A Shares granted under the 2020 Share Incentive Plan were repurchased and canceled by us, and in August 2024, a total of 1,976,910 restricted A Shares granted under the 2020 Share Incentive Plan were repurchased and canceled by us.

In June 2024, due to changes in the operating environment and significant price fluctuation of the A Shares, our Company resolved to terminate the 2023 Share Incentive and Share Option Plan. Our Company (a) repurchased and canceled a total of 11,840,000 restricted A Shares held by 586 incentive recipients at a repurchase price of RMB4.52 per A Share; and (b) canceled a total of 11,840,000 outstanding options held by 586 incentive recipients that have been granted but not yet exercised at an exercise price of RMB8.85 per option. The repurchase and cancellation of the relevant restricted A Shares and options was completed in November 2024. Upon completion of such repurchase and cancellation, the registered share capital of our Company was RMB1,523,234,457.

MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we had eight major subsidiaries which had made a material contribution to our results of operation and were established in the PRC and Hong Kong. The following table sets forth the detailed information of these major subsidiaries as of the Latest Practicable Date:

Name of subsidiary	Date of establishment/ incorporation and commencement of business	Registered capital/ share capital	Effective ownership of our Group (%)	Principal business
Jiangxi Xinke	June 13, 2016	RMB1,500,000,000	91.2 ⁽¹⁾	Comprehensive recycling and utilization of metal resources
Jingyuan GeoEnviron	January 12, 2005	RMB115,800,000	100.0	Comprehensive recycling and utilization of metal resources
Jinchang GeoEnviron	December 8, 2020	RMB150,000,000	59.67 ⁽²⁾	Comprehensive recycling and utilization of metal resources
GeoEnviron Pengfu	April 9, 2012	RMB38,075,510	100.0	Comprehensive recycling and utilization of metal resources
GeoEnviron Zhongse	October 24, 2006	RMB40,000,000	71.03 ⁽³⁾	Comprehensive recycling and utilization of metal resources
Neijiang GeoEnviron	February 2, 2019	RMB100,000,000	69.84 ⁽⁴⁾	Environmental services projects operation
Tibet Yuneng	November 16, 2016	RMB25,000,000	100.0	Procurement of equipment and raw materials
GeoEnviron (HK)	March 17, 2015	HK\$60,000,000	100.0	Investment holding

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

1. As of the Latest Practicable Date, Jiangxi Xinke was held as to approximately 91.2% by our Company and approximately 8.8% by Jiangxi Jinsong New Materials Co., Ltd.* (江西津嵩新材料有限責任公司)(“**Jiangxi Jinsong**”), which is owned by certain core management and key technical personnel of Jiangxi Xinke.
2. As of the Latest Practicable Date, Jinchang GeoEnviron was held as to (a) approximately 49.11% by GeoEnviron (HK); (b) approximately 39.66% by Tibet Juxin New Materials Co., Ltd.* (西藏聚鑫新材料有限公司), which is owned as to approximately 5.86% by Ms. Li Yewei (our executive Director), as to approximately 17.38% by Mr. Tan Chengfeng, and the remaining is held by certain employee of our Group and other individuals who have extensive experience in the industry and are Independent Third Parties; (c) approximately 10.56% by our Company; and (d) approximately 0.67% by Mr. Tan Chengfeng. Mr. Tan was the shareholder of Jingyuan GeoEnviron in June 2020 when the Company acquired his then equity interest of Jingyuan GeoEnviron. Mr. Tan is currently the general manager of our Company’s resource recycling and utilization division.
3. As of the Latest Practicable Date, GeoEnviron Zhongse was held as to (a) approximately 50.74% by our Company; (b) approximately 15.26% by Jinchang Jinyixin Investment Service Co., Ltd.* (金昌金億鑫投資服務有限公司), which is a company controlled by Mr. Li Aijie who is a director of GeoEnviron Zhongse; and (c) approximately 34.00% by Jinchang GeoEnviron. As of the Latest Practicable Date, Jinchang GeoEnviron was held as to approximately 49.11% by GeoEnviron (HK) and 10.56% by our Company. Therefore, our Group’s effective ownership in GeoEnviron Zhongse is approximately 71.03%.
4. As of the Latest Practicable Date, Neijiang GeoEnviron was held as to (a) approximately 69.84% by our Company; (b) approximately 30.00% by Neijiang Investment Holding Group Co., Ltd.* (內江投資控股集團有限公司), an Independent Third Party; (c) approximately 0.147% by EIT Ltd., an Independent Third Party; (d) approximately 0.007% by China Aviation Planning and Design Institute (Group) Co., Ltd.* (中國航空規劃設計研究總院有限公司), an Independent Third Party; and (e) approximately 0.007% by Aerospace Sanchuang Environmental Technology (Chengdu) Co., Ltd.* (航天三創環保科技(成都)有限公司), an Independent Third Party.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had not carried out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Since December 2014, our A Shares have been listed on the Shanghai Stock Exchange.

In May 2025, each of the Beijing Regulatory Bureau of the CSRC (中國證券監督管理委員會北京監管局) and the Shanghai Stock Exchange issued a warning letter (警示函) to our Company, Mr. Li (our executive Director and chairman of the Board), Mr. Ling Jinming (our executive Director) and Ms. Wu Xiujiao (the then financial officer of our Company) for our failure to comply with certain disclosure requirements pursuant to the applicable rules and regulations of the CSRC. The incident mainly relates to insufficient basis for goodwill impairment provision and incomplete scope of consolidated financial statements which resulted in an underreporting of revenue for the year ended December 31, 2023. As advised by our PRC Legal Advisor, the warning letters were not regarded as a form of administrative penalty and is not regarded as a material non-compliance.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Save as disclosed above, our Directors confirmed that as of the Latest Practicable Date, we had no instance of non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects since our listing on the Shanghai Stock Exchange and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Based on the filings on the website of the Shanghai Stock Exchange and the information available in the public domain, our PRC Legal Advisor is of the view that the above confirmation of our Directors with regard to our compliance record is accurate and reasonable. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor’s view above, nothing has come to the Sole Sponsor’s attention that would cause them to cast reasonable doubt on our Directors’ confirmation with regard to the compliance record of the Company on the Shanghai Stock Exchange in any material respect.

REASONS FOR [REDACTED] ON THE STOCK EXCHANGE

Our Company is seeking a [REDACTED] of the H Shares on the Stock Exchange in order to utilize the overseas financing platform to enhance our competitive strengths and our brand image internationally, advance our international strategies and further expand our capital structure and gain direct access to the international capital markets for financing to support our operations and business expansion. See “Future Plans and Use of [REDACTED]” for further details.

PUBLIC FLOAT AND FREE FLOAT

Public float

Rule 19A.13A of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public, at the time of listing, must (a) represent at least 10% of the issuer’s total number of issued shares in the class to which H shares belong (excluding treasury shares); or (b) have an expected market value of not less than HK\$3,000,000,000.

So far as our Directors are aware, all [REDACTED] H Shares to be issued pursuant to the [REDACTED], representing approximately [REDACTED]% of our total issued share capital immediately upon [REDACTED] (assuming the [REDACTED] is not exercised and excluding the treasury Shares), will be counted towards the public float for the purpose of Rule 19A.13A of the Listing Rules at the time of the [REDACTED], which is higher than the prescribed percentage of H Shares required to be held in public hands of 10% under Rule 19A.13A(2)(a) of the Listing Rules. Accordingly, at the time of [REDACTED], we will be able to satisfy and maintain a sufficient public float as required under Rule 19A.13A(2) of the Listing Rules where at least 10% of our Company’s total number of issued shares (excluding treasury Shares) will be held by the public.

Free float

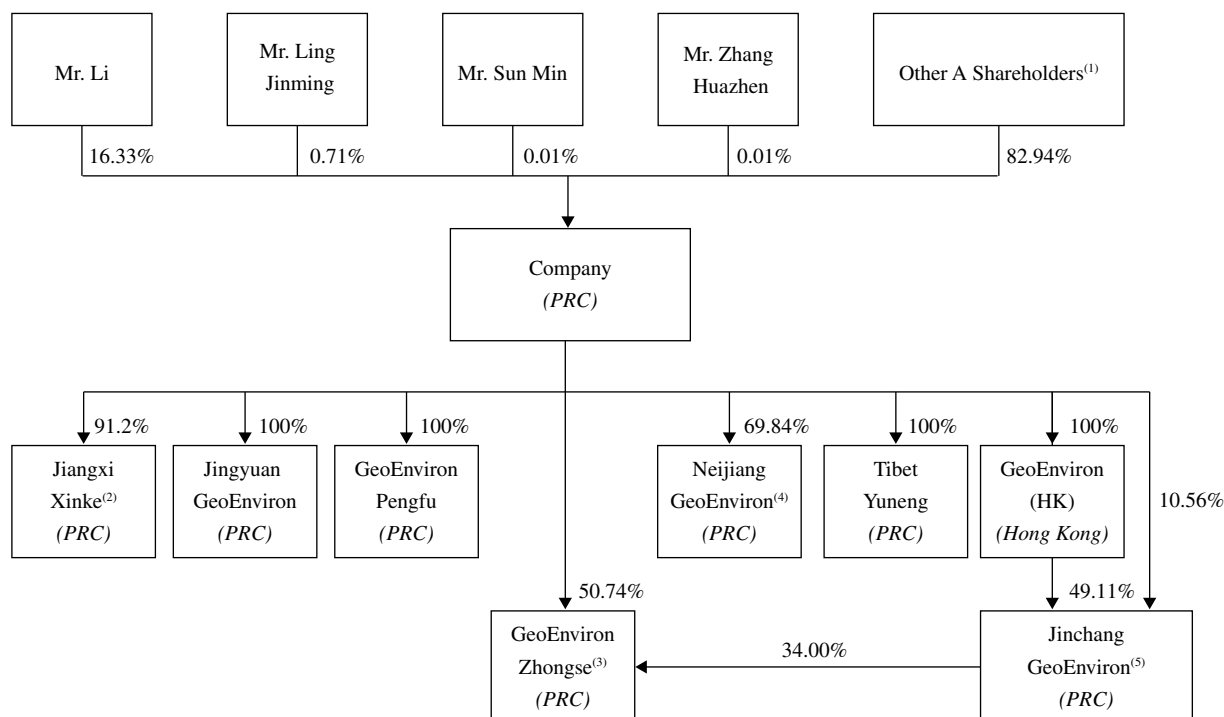
Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK\$50,000,000; or (b) have an expected market value at the time of listing of not less than HK\$600,000,000. Based on an [REDACTED] of HK\$[REDACTED] per H Share, being the maximum [REDACTED], our Company will satisfy the free float requirement under Rule 19A.13C of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure immediately prior to the [REDACTED]

The following chart illustrates the simplified corporate and shareholding structure of our Company immediately prior to the [REDACTED]:



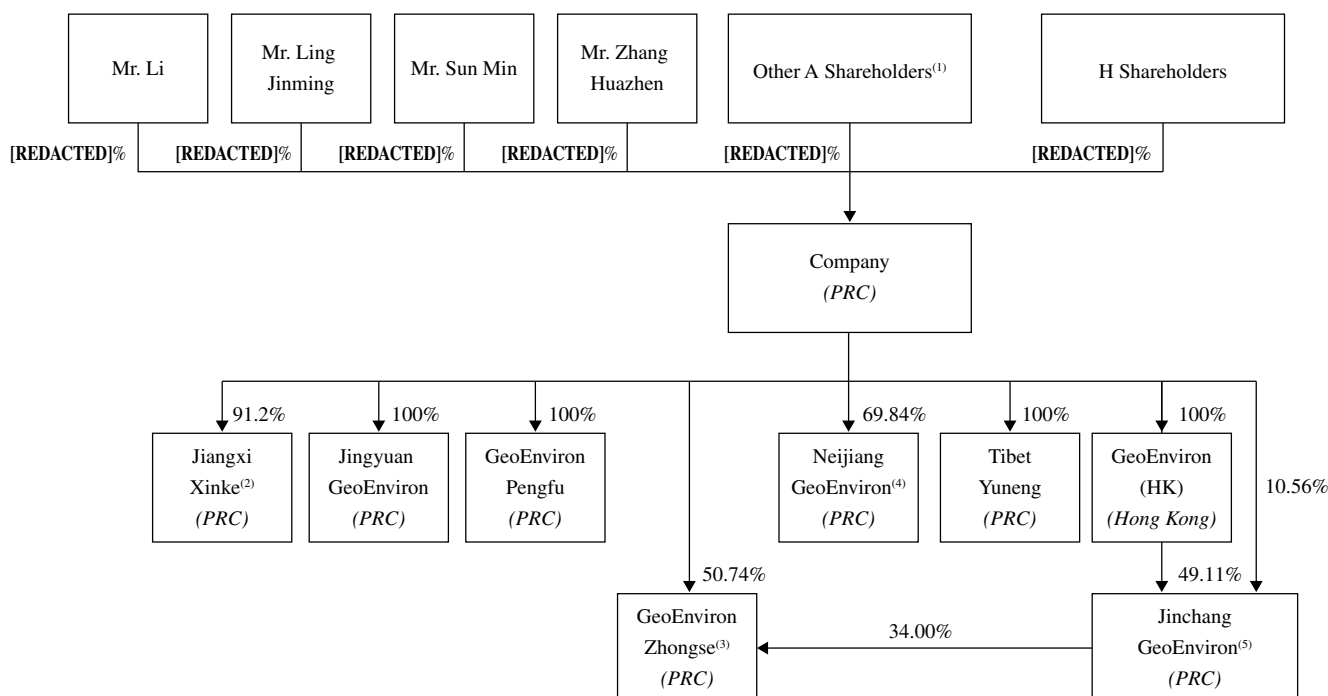
Notes:

- None of such A Shareholders held more than 5% interests in our Company as of the Latest Practicable Date.
- As of the Latest Practicable Date, Jiangxi Xinke was held as to (a) approximately 91.2% by our Company; and (b) approximately 8.8% by Jiangxi Jinsong, which is owned by certain core management and key technical personnel of Jiangxi Xinke.
- As of the Latest Practicable Date, GeoEnviron Zhongse was held as to (a) approximately 50.74% by our Company; (b) approximately 15.26% by Jinchang Jinyixin Investment Service Co., Ltd.*, which is a company controlled by Mr. Li Aijie who is a director of GeoEnviron Zhongse; and (c) approximately 34.00% by Jinchang GeoEnviron. As of the Latest Practicable Date, Jinchang GeoEnviron was held as to approximately 49.11% by GeoEnviron (HK) and 10.56% by our Company. Therefore, our Group's effective ownership in GeoEnviron Zhongse is approximately 71.03%.
- As of the Latest Practicable Date, Neijiang GeoEnviron was held as to (a) approximately 69.84% by our Company; (b) approximately 30.00% by Neijiang Investment Holding Group Co., Ltd.*, an Independent Third Party; (c) approximately 0.147% by EIT Ltd., an Independent Third Party; (d) approximately 0.007% by China Aviation Planning and Design Institute (Group) Co., Ltd.*, an Independent Third Party; and (e) approximately 0.007% by Aerospace Sanchuang Environmental Technology (Chengdu) Co., Ltd.*, an Independent Third Party.
- As of the Latest Practicable Date, Jinchang GeoEnviron was held as to (a) approximately 49.11% by GeoEnviron (HK); (b) approximately 39.66% by Tibet Juxin New Materials Co., Ltd.*, which is owned as to approximately 5.86% by Ms. Li Yewei (our executive Director), as to approximately 17.38% by Mr. Tan Chengfeng, and the remaining is held by certain employee of our Group and other individuals who have extensive experience in the industry and are Independent Third Parties; (c) approximately 10.56% by our Company; and (d) approximately 0.67% by Mr. Tan Chengfeng. Mr. Tan was the shareholder of Jingyuan GeoEnviron in June 2020 when our Company acquired his then equity interest of Jingyuan GeoEnviron. Mr. Tan is currently the general manager of our Company's resource recycling and utilization division.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Corporate structure immediately following the [REDACTED]

The following chart illustrates the simplified corporate and shareholding structure of our Company immediately after completion of the [REDACTED], assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED]:



Notes (1) to (5): Please refer to “– Corporate Structure – Corporate structure immediately prior to the [REDACTED]” for details.

BUSINESS

OVERVIEW

We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios and broad service coverages. Our product portfolios include a wide range of metal products primarily comprising base metals, precious metals and critical metals. In 2025, we recycled 14 types of metal elements and sold more than 15 types of products. According to Frost & Sullivan, in terms of revenue of 2024, we ranked third in the hazardous waste recycling market in China for each copper and platinum-group metals, with a market share of 9.2% and 6.7%, respectively. According to the same source, in terms of revenue in 2024, we ranked first in the hazardous waste recycling market in China for each bismuth and antimony, with a market share of 33.9% and 18.4%, respectively.

Our origins could be traced back to the Institute of High Energy Physics of the Chinese Academy of Sciences* (中科院高能物理研究所), making us one of the pioneers in China’s resources recycling and utilization sector with specialty in solid waste and hazardous waste pollution prevention technology research, commercialization of scientific achievements and provision of integrated solutions. Established in 1992, we have driven industrial transformation and upgraded through technological innovation leveraging over three decades of industry immersion. We have established a comprehensive business portfolio anchored in three core segments, namely resources recycling and utilization, environmental services projects operation and environmental engineering services.

Resources Recycling and Utilization segment focuses on metal resources recycling. This involves the extraction of valuable elemental resources from solid waste or hazardous waste through physical or chemical processes and processing them into marketable products to achieve resource circularity. Our key metal products include electrolytic copper, electrolytic lead, refined bismuth, antimony oxide, gold ingots, silver ingots, platinum-group metals and nickel-based products. Moreover, our resource recycling and utilization segment also involves non-metal resources recycling. Our non-metal products are primarily generated from recycling and utilization of plastic wastes and rubber tire wastes.

Environmental Services Projects Operation segment primarily includes operation of waste-to-energy incineration projects, where we utilize incineration methods to convert primarily household waste into thermal energy and furnace slag as the by-products. The generated thermal energy can be used for electricity and steam generation, and the furnace slag can be further used as construction materials, thereby achieving resources recycling. Moreover, this segment also involves harmless treatment of solid waste and hazardous waste, which refers to the process of reducing the volume and toxicity of waste through incineration and landfilling, ultimately eliminating its pollution attributes. We operate our environmental services projects primarily under concession models, namely, BOT or TOT.

Environmental Engineering Services segment involves us undertaking environmental engineering projects including landfill construction, soil and groundwater remediation, wastewater treatment, organic waste treatment and flue gas treatment. We provide efficient and sustainable solutions for environmental management and pollution control, facilitating environmental compliance and enhancing environmental quality, thereby contributing to a green and sustainable future.

BUSINESS

We continuously strengthen our competitive edge through technological innovation. We have cultivated long-term strategic partnerships with renowned domestic and international research institutes and environmental enterprises. Notably, we established a post doctoral research station in Zhongguancun Science Park Haidian Park. Several of our subsidiaries have been recognized as National Green Factories and National Specialized and Sophisticated ‘Little Giant’ Enterprises. As of December 31, 2025, our Company and our major subsidiaries held 493 patents and 37 software copyrights. See “History, Development and Corporate Structure – Major Subsidiaries” for details of our major subsidiaries. As of the same date, we have spearheaded or participated in the formulation of 103 international, national, industry, and group standards and technical specifications. Our commitment to excellence has garnered nearly 100 national and provincial-level honors, including the Second Prize of the State Scientific and Technological Progress Award and the Second Prize of the National Technological Invention Award.

In 2023, 2024 and 2025, our revenue reached RMB10,580.4 million, RMB14,499.5 million and RMB14,732.3 million, respectively. During the same years, our gross profit was RMB1,859.0 million, RMB1,989.8 million and RMB2,684.3 million, respectively, at gross profit margins of 17.6%, 13.7% and 18.2%, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and continued growth:

A Leader in the Solid Waste and Hazardous Waste Recycling Industry in China

Tracing our origins to the Institute of High Energy Physics of the Chinese Academy of Sciences (中科院高能物理研究所), we are one of pioneers in China’s resource recycling and utilization sector with specialty in solid waste and hazardous waste pollution prevention in technology research, commercialization of scientific achievements and provision of integration solutions. With over 30 years of accumulation, we have strategically established our comprehensive business portfolio anchored in three business segments, namely resource recycling and utilization, environmental services projects operation and environmental engineering services. We are one of the leading players in China’s solid waste and hazardous waste recycling market. According to Frost & Sullivan, in terms of revenue of 2024, we ranked third in the hazardous waste recycling market in China for each copper and platinum-group metals, with a market share of 9.2% and 6.7%, respectively. According to the same source, in terms of revenue in 2024, we ranked first in the hazardous waste recycling market in China for each bismuth and antimony, with a market share of 33.9% and 18.4%, respectively. We offer products and services that cover the integrated industrial chain spanning metal and non-metal recycling, waste-to-energy incineration, harmless treatment of solid waste and hazardous waste, wastewater treatment, organic waste treatment, landfill construction and soil and underground water treatment and remediation. Our market leadership is substantiated by our achievements as follows:

As a pioneer in China’s resource recycling and utilization sector, we are a holder of various scarce licenses. As of Latest Practicable Date, we held several hazardous waste operation licenses with annual capacity exceeding one million tons, as well as several other licenses, including hazardous chemicals operation license and pollutant discharge permit. Given the tightening regulatory landscape and increasingly stringent approval process, the acquisition of necessary permits and licenses has become a significant barrier for new market participants. Concurrently, China’s advancement of its Zero-Waste City and Dual Carbon initiatives has elevated the strategic value of our comprehensive portfolio of operation licenses. These licenses, which are scarce in the industry, constitute a durable competitive moat and key differentiator for our business.

BUSINESS

We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios. In 2024, we recycled 14 types of metal elements and sold more than 15 types of products. We recycled and utilized metal elements including copper, nickel, lead, zinc, gold, silver, platinum, palladium, ruthenium, rhodium, iridium, bismuth and antimony and sold products including electrolytic lead, copper alloy, gold ingots, silver ingots, gold and silver alloy, platinum-group metals, refined bismuth, antimony oxide, low-grade nickel matte, and nickel sulfate.

We achieved industry-leading recovery rates for our metal recycling. In particular, we achieved the recovery rates of approximately 99% for platinum-group metals, gold and silver and attained a recovery rate of approximately 98.7% for copper and over 95% for bismuth, antimony, lead and nickel, respectively. All such rates surpass industry averages in China, according to Frost & Sullivan. Our capabilities of high-performance recovery of a wide range of metals enhance the economic returns on metal recycling and reinforce our commitment to sustainable manufacturing, contributing to a resilient competitive advantage.

We possess industry-leading production capability in recycling precious metals and critical metals. Precious metals and critical metals are key inputs for advanced manufacturing, healthcare and high-tech industries. In particular, bismuth, one of our recycled critical metals, is an important raw material in the pharmaceuticals, electronics and semiconductors sectors. In 2024 and 2025, we produced refined bismuth of 4,469 tons and 4,021 tons, respectively, and platinum-group metals of 1,849 kilogram and 3,695 kilogram, respectively. Our established production capacity for precious and critical metals strategically positions us to capitalize on the sustained, long-term demand for these essential raw materials to serve the accelerated growth of advanced manufacturing, healthcare and high-tech industries.

We are one of the industry leaders in waste-to-energy incineration projects operation in terms of operational efficiency. In 2024, all of our waste-to-energy incineration projects operated for more than 8,000 hours, and we were the only company in the waste-to-energy incineration market in China with such record in the same year, according to Frost & Sullivan. This high efficiency in operation of waste-to-energy incineration projects, supported by our strength in operational management and the technical reliability of our platform, eventually driving the asset returns on our projects.

We are a leading environmental engineering services provider in China, with extensive industry experience in specific segments of environmental engineering. We have accumulated substantial experience in specific areas such as landfill projects and remediation engineering, and received a number of industry recognitions and awards, including the “Luban Prize for China Construction Engineering” (中國建設工程魯班獎) and the “National Municipal Golden Cup Demonstration Engineering Award” (全國市政金杯示範工程). In addition, the Liulitun Project stands as our landmark showcase. This municipal solid waste sanitary landfill features a perimeter flexible vertical pollution control barrier system spanning 2,722 meters with an average depth of 41 meters and maximum depth of 54 meters. It marks Beijing’s first flexible vertical pollution control project and represents the deepest isolation barrier implemented in a municipal solid waste landfill in China. This system received the Second Prize Huaxia Construction Science and Technology Awards (華夏建設科學技術獎二等) in 2024. See “- Our Businesses – Environmental Engineering Services.”

Our established market leadership has fostered strong recognition among customers and industry peers, enhancing our commercial reach and ability to secure new opportunities. In an environment of increasing market consolidation, these first-mover advantages and our entrenched market position are expected to provide a robust platform for capturing a greater share of future growth.

BUSINESS

Vertically Integrated Operations along the Industry Value Chain as well as Strategic Deployment of Production Bases Strengthening Our Market Position

We differentiated ourselves through a vertically integrated operation model that strengthens our competitiveness in cost management, resilience to raw material price fluctuations and stable access to metal resources. Leveraging nearly a decade of deep industry experience, we became one of the few companies in China possessing large-scale capacity for both multi-metal recycling and deep processing. Some of the intermediate products generated at the front-end recycling, which mainly comprise various alloys, become raw materials for downstream deep processing of high value metals, such as electrolytic copper, gold ingots, silver ingots and platinum-group metals. Leveraging our internal upstream-downstream synergies, we recycled and produced metal products with higher purity and commercial value, thereby significantly enhancing our profitability. Currently, we have three independent and synergistical closed-loop full cycle operations focusing on recycling of industrial waste containing copper, lead and nickel. Moreover, with the closed-loop full cycle operation focusing on the recycling of industrial waste containing copper, we also recycled other metal resources including nickel, tin, gold, silver, platinum and palladium. With the closed-loop full cycle operation focusing on the recycling of industrial waste containing lead, we also recycled other metal resources including copper, bismuth, antimony, gold, silver and tellurium. With the closed-loop full cycle operation focusing on the recycling of industrial waste containing nickel, the recycled products ranged from low-grade nickel matte to deep-processed nickel-based products, such as nickel carbonate and nickel sulfate.

Our processing facilities for resources recycling are strategically located in primary hubs for non-ferrous metals, such as Jiangxi and Gansu provinces. This geographic positioning provides us a fundamental competitive advantage through proximate access to raw material sources and alignment with supportive regional industrial policies. These factors enable us to construct a resilient market moat via reliable supply chains and superior customer responsiveness, which in turn fosters strong, long-term customer relationships. For example, Jiangxi province possesses significant reserves of strategic and high-value-added metals, supported by substantial smelting and processing capacity. It has established a sophisticated circular economy for copper, further enhanced by its strategic geographic proximity to major downstream customer markets in the Yangtze River Delta and Pearl River Delta regions. Moreover, Jinchang city in Gansu province is known as China’s nickel capital, with an undisputed leading position in the smelting and processing of nickel and cobalt in China. The ore deposits in Gansu province often feature polymetallic associations, such as copper-nickel and lead-zinc paragenesis. Traditional manufacturers within the region, including us, possess deep-seated expertise in the integrated recovery of complex polymetallic ores. This capability, honed through decades of accumulated production experience, allows for the cost-effective extraction of multiple valuable metals from a single ore source. Capitalizing on the strategic location of our production facilities, we achieved distinct advantage in production capacity of our metal products.

Industry-Leading Technological Breakthroughs Underpinned by Unwavering Commitment to R&D Investment

With nearly a decade of experience in the solid waste and hazardous waste recycling industry, we have gained deep and interdisciplinary insight across physics, chemistry, material science and metallurgical engineering, which forms the foundation of our fundamental research. Leveraging on these, we have achieved significant breakthroughs in recycling and utilization of solid waste and hazardous waste, waste-to-energy incineration, treatment of wastewater and environmental restoration. At the same time, these commercial applications in turn strengthens our fundamental research, creating a virtuous cycle of technological advancement.

BUSINESS

Unwavering Commitment to R&D Investment and Development of Proprietary Intellectual Property

We prioritize R&D investment to maintain our competitive edge. In each year during the Track Record Period, our R&D expenses amounted to RMB324.0 million, RMB509.1 million, and RMB458.5 million, representing 3.1%, 3.5% and 3.1% of our total revenue, respectively. As of December 31, 2025, we had a dedicated team of 577 technology and R&D personnel. We established long-term strategic collaboration with a number of leading research institutions in China and worldwide. For instance, we entered into talent training cooperation agreements with more than ten universities including Huazhong University of Science and Technology (華中科技大學), Zhongnan University (中南大學) and Nankai University (南開大學). We also entered into joint technology development agreements with premier institutes and corporations, including Chinese Research Academy of Environmental Sciences (中國環境科學研究院), and China ENFI Engineering Corporation (中國恩菲工程技術有限公司).

As of December 31, 2025, our Company and our major subsidiaries had 493 patents and 37 software copyrights and led or participated in the formulation of 103 international, national, and industry standards and technical specifications. Moreover, we hold several national-level accreditations. In particular, we were awarded National High-Tech Enterprise (國家級高新技術企業) in 2009, National Enterprise Technology Centre (國家級企業技術中心) in 2016, National Technological Innovation Demonstration Enterprise (國家技術創新示範企業) in 2018 and National Intellectual Property Demonstration Enterprise (國家知識產權示範企業) in 2019. In 2017, we were awarded the Second Prize State Scientific and Technological Progress Award (國家科學技術進步獎二等獎). Furthermore, Tianjin GeoEnviron, one of our subsidiaries, was awarded National Specialized and Sophisticated ‘Little Giant’ Enterprises (國家專精特新「小巨人」企業) in 2023. All these awards demonstrate our leading R&D and innovation capabilities.

Industry-leading Technological Breakthroughs Underpinned by Strong R&D Capabilities

Underpinned by robust R&D capabilities, we have achieved industry-leading technology breakthroughs, including:

- We have demonstrated industry-leading capabilities in metal resources recycling across diverse categories, including copper, nickel, lead, zinc, tin, bismuth, antimony, gold, silver, platinum, palladium, rhodium, iridium, ruthenium. According to Frost & Sullivan, we are among few companies in China with comprehensive product portfolios in the solid waste and hazardous waste recycling industry in China.
- We were one of the pioneers in establishing a closed-loop full-cycle operation for recycling of platinum-group metals in China. Through the coordinated processing capabilities of our subsidiaries, we are capable of separating and extracting all five types of major platinum-group metals, namely platinum, palladium, rhodium, ruthenium and iridium.
- Utilizing our proprietary “pyrometallurgical enrichment – hydrometallurgical refining – centrifugal extraction” technology, we have achieved an overall recovery rate of approximately 99% for platinum-group metals, gold and silver, and over 95% for bismuth, antimony, lead and nickel. Following recent technical upgrades in separation and extraction technologies, our copper recovery rate has reached 98.7%.

BUSINESS

- We achieved high purity for our recycled metals. Our platinum-group metal products, comprising platinum, palladium, rhodium, ruthenium and iridium, all achieve purity levels of not less than 99.99%, satisfying the strict requirements of high-end manufacturing. Our refined bismuth reaches a purity of not less than 99.9% and is used in pharmaceuticals, healthcare and semiconductor industries as well as high-end alloys. The purity of our other major products including gold ingots, silver ingots, electrolytic copper and electrolytic lead also reaches not less than 99.99%. Such high purity enables us to charge premium pricing and achieve higher profitability than our competitors, according to Frost & Sullivan.
- We successfully reduced our costs in the recycling and production of electrolytic lead and refined bismuth in 2024 through a series of improvements including process and ingredient optimization, enhanced lean workshop management, and other technical and administrative upgrades. In 2024, the production costs of electrolytic lead and refined bismuth declined on a year-on-year basis by 4.3% and 3.6%, respectively. In 2025, the production cost of electrolytic lead further declined a year-on-year basis by 12.5%.
- In our waste-to-energy incineration sector, we adopt “third-generation blue incineration technology” and “ultra-clean flue gas emission technology.” As a result, our emission indicators consistently outperform both national standards and EU 2010 standards, demonstrating our leading position in clean and compliant waste-to-energy operations.

Enhanced Operational Efficiency and Safety Empowered by AI-enabled Operations and Digital Transformation

Leveraging on our technological achievements, we are actively facilitating a transition toward intelligent manufacturing by integrating AI and industrial automation across our operations to enhance efficiency, improve safety and reduce operating costs:

AI industrial brain and intelligent incineration system. In collaboration with a well-known third party cloud service provider, we implemented an AI control system for waste-to-energy incineration operations. This system automates over 90% of our operation, resulting in a combustion stability improvement of over 10% and increased power generation efficiency. Furthermore, process optimization has reduced the consumption of environmental protection consumables by approximately 5% in 2025.

AI-based intelligent inspection system replacing traditional manual inspections. We have transitioned from manual protocols to AI-enabled intelligent inspection systems. This implementation has reduced labor costs in relevant operational areas by approximately 8.7% in 2025. Additionally, we utilize an AI behavior recognition system to monitor high-value inventory. Since the system’s deployment, we have recorded zero economic losses attributed to material theft or mishandling, effectively enhanced operating efficiency strengthened on-site safety control.

BUSINESS

Visionary Leadership and a Future-Oriented Talent Structure

Our chairman of the Board and executive Director, Mr. Li, has over 20 years of experience in corporate management and environmental protection industry. Serving as the vice president of the China Association of Environmental Protection Industry on behalf of our Company, Mr. Li has established a corporate culture focusing on technological innovation and quality management. Our core management team possesses rich experience in resources recycling and utilization industry and environmental governance. For example, Mr. Ling Jinming, our vice chairman of the Board executive Director and CEO, brings profound industry insight to our strategic operations. Serving as the vice president of the China Urban Environmental Sanitation Association on behalf of our Company, Mr. Ling contributes rich expertise in the environmental services and business strategy. To support our technological advancement, we have built a high caliber talent pool with our technology and R&D team consisting of 577 professionals, which provides a strong intellectual foundation for our continuous innovation.

In 2018, we promulgated the “GeoEnviron Corporate Charter” (高能環境約法). The charter serves as the foundation of our corporate governance, defining our core values, culture and standards. It guides our corporate actions and decisions, with the goal to establish us as industry benchmark for social responsibility and ensure our sustainable and long-term growth. We also position ourselves as a technology-led enterprise where innovation is the primary engine of growth, whereby we uphold a people-centric approach that prioritizes employee value and development.

We maintain a multi-tiered compensation and incentive framework designed to motivate our staff, recognize individual and team contributions, and align employee objectives with corporate performance. This structure ensures that compensation is directly correlated with achievement, fostering a shared commitment to the company’s success. It covers three distinct tiers: (i) for senior management, we foster an intrapreneurship culture and collaborate with our senior management for long-term contributions to our development and success; (ii) for core management and technical personnel, we align their interests with shareholders, through performance-linked equity incentive schemes, which we may adopt from time to time in accordance with applicable rules and regulations; and (iii) for junior staff, we operate on a performance-based reward system that directly links individual contributions to immediate compensation, incentivizing greater effort with proportionally higher rewards.

Long-Term Commitment to ESG Responsibilities and Sustainable Development

We are committed to implementing ESG management throughout all aspects of corporate governance, manufacturing operations and industrial cooperation, striving to build a low-carbon, environmentally friendly and sustainable ecosystem.

Environmental Investment and Resource Recycling

We made continuous investments in environmental protection. We have invested a cumulative total of RMB234.6 million in environmental protection, with over 46,715 participants attending our environmental trainings in 2025. In the same year, we processed approximately 2,728,566.68 tons of solid waste and hazardous waste, extracting valuable metals, including copper, lead, nickel and silver. We operated 13 clean waste-to-energy incineration plants, generating 1.52 billion kWh of electricity and supplying approximately 594,457.33 tons of steam from waste-to-energy projects operations and treated a total of approximately 0.8 million cubic meters of sewage in 2025.

BUSINESS

Green Operation

In 2025, we actively increased the proportion of clean energy usage, introducing natural gas to replace traditional fuels in high-energy consumption processes like smelting. This optimization shortened reaction time, significantly reducing energy consumption, greenhouse gas emissions, and volatile organic compounds (VOCs). Consequently, we achieved a greenhouse gas emission reduction of approximately 358.9 tons of CO₂ equivalent during the same year.

We also strengthened the utilization of renewable energy. In 2025, we consumed approximately 2,399.1 tons of standard coal equivalent in renewable energy, with our new energy facilities generating approximately 9.4 million kWh of electricity. We also actively participated in the Green Electricity Certificate market. As of December 31, 2025, our Xinyi Project, Yining Project, and Hezhou Project have successfully realized such transactions.

Safety Management and Corporate Governance

In terms of safety management, we invested RMB67.87 million in 2025, conducting approximately 1,847 safety training sessions and rectified approximately 3,527 identified safety hazards. Regarding corporate governance, we conducted 16 special risk trainings covering 600 participants, further strengthening risk awareness and internal control capabilities across our Group.

OUR STRATEGIES

We plan to further strengthen our leading position by implementing the following business strategies:

Strengthen Technological Capabilities, Further Enhance Metal Recovery Rates and Improve Profitability of Our Recycled Products

We plan to reinforce our technological capability to enhance our operational efficiency while deepening the application of advanced technologies in the field of resource utilization of solid waste and hazardous waste and expanding our metal product portfolios. Emerging technologies such as artificial intelligence will be deployed to optimize critical processes, including intelligent sorting and resource recovery. Furthermore, we will accelerate the deployment of big data and the Internet of Things (IoT) to support the transition toward smart operations and digitalized management. Simultaneously, we will introduce biotechnological approaches to develop efficient and eco-friendly treatment solutions to ensure compliance with pollutant emission control.

Building upon this technological platform, we aim to maximize economic returns by systematically replicating our core separation and purification technologies to extend our value chain and diversify our product portfolios. Our strategy focuses on deepening value through downstream processing to extract and separate more products during recycling. We will upgrade our capabilities to transform basic recycled streams into high-performance materials; for example, we apply our technologies to extract bismuth from recycled streams and deep-process it into high-purity bismuth oxide for the semiconductor industry, thereby significantly elevating product value. In parallel, we plan to enhance our multi-metal extraction capabilities to recover a wider array of rare and precious elements from the same waste stream, while actively expanding into non-metal segments such as recycled plastics and rubber. This dual approach not only enhances the monetization potential of our intellectual property but also strengthens the scalability and flexibility of our core operations.

BUSINESS

To capitalize on the accelerated consolidation of the resource recycling industry, we plan to pursue a targeted acquisition strategy designed into a three-pillar dimension: vertical integration, adjacent category expansion, and geographic and segment diversification. This approach is intended to construct a more resilient, comprehensive value chain and a highly efficient, synchronized production ecosystem, thereby securing a structural competitive advantage.

- First, through vertical integration, we target acquisitions within our core metal resources utilization value chain. By securing upstream suppliers and downstream processors, we aim to optimize our industrial footprint and enhance control over raw material supply, thereby enhancing capacity utilization.
- Secondly, via adjacent category expansion, we will actively pursue targets such as domestic recycling enterprises in high-value segments, including rare earth and metals used in the semiconductor and power battery energy industries. We believe that with adjacent category expansion, we are able to broaden our revenue portfolio, leverage on our established operational and procurement infrastructure and capture tangible synergies with our existing production base.
- In addition, our geographic and segment diversification pillar involves pursuing strategic overseas acquisitions in adjacent non-metal resource sectors, including waste plastic and rubber recycling. This initiative is focused on creating new, high-margin revenue streams and building a more balanced, future-proof business portfolio, thereby delivering incremental profit growth and reducing cyclical exposure.

Enhance Operational Excellence Through Integrated and Lean Value-Chain Management

We intend to systematically integrate emerging technologies, such as artificial intelligence and the Internet of Things (IoT), into our daily operational workflows. This strategic adoption is designed to streamline processes, reduce manual intervention and optimize resource allocation, thereby driving significant reductions in operational costs while enhancing overall efficiency. These strategic initiatives include further implementing lean management discipline across our entire value chain. An AI-driven intelligent procurement platform will be deployed together with cross-cycle price-locking mechanisms for bulk raw materials. These efforts are designed to accelerate our inventory turnover, optimize working capital and enhance cash conversion efficiency, thereby strengthening our competitive cost structure and balance sheet resilience. Moreover, we intend to implement a series of lean management initiatives to reduce costs and improve operational efficiency. We will focus on lean production and energy efficiency, including streamlining production workflows, adjusting equipment into energy saving mode and optimizing the usage of auxiliary materials and fuels. We will further reduce procurement costs by attending centralized tendering and joint procurement. We believe the widespread implementation of these technologies as well as our lean management will not only strengthen our competitive positioning but also support scalable and sustainable growth in the long term.

Accelerate Our Global Expansion Focusing on Markets with High-growth Potentials

We are committed to building a diversified global ecosystem that integrates resources recycling and utilization, environmental services projects operation and environmental engineering services. Our global expansion strategy targets resource-abundant markets where evolving environmental standards create a compelling need for our services and solutions specifically Southeast Asia, where we can address the critical shortfall in environmental infrastructure. In addition, we will strategically focus on acquiring mining assets to enhance integration across our value chain to achieve industrial synergy.

BUSINESS

In the resource recycling and utilization segment, we will leverage our established strategic footprint and stable feedstock channels in key regions to export our successful business model and leading technologies. Our strategic focus remains on precious metals of high value or as key inputs for advanced manufacturing, healthcare and high-tech industries, such as platinum-group metals, bismuth and antimony, as our core profit growth driver. We intend to implement flexible processing arrangements, including (i) conducting primary processing overseas with further downstream processing in the PRC, or (ii) completing the full processing chain overseas, depending on commercial feasibility and regulatory considerations.

To expand our international waste-to-energy incineration footprint, we plan to execute a dual-path growth strategy. We will actively secure development rights for greenfield projects, applying our proven capabilities in engineering, construction, and operations to build and own a new generation of high-quality facilities. In parallel, we intend to provide operational services to established environmental services projects by leveraging our technical expertise and operational experience. This balanced approach is designed to build a robust and sustainable international profit pipeline.

Furthermore, we plan to execute an upstream integration strategy through the selective acquisition of strategic metal mining assets, both domestically and internationally. This vertical expansion serves a dual strategic purpose: first, to secure a cost-advantaged and reliable supply of critical raw materials for our core resources recycling and utilization business, thereby enhancing operational resilience; and second, to establish a new, high profit margin segment with long-term growth potential. We target strategic stakes in greenfield projects to secure future resource reserves and underpin sustained and long-term development, while also pursuing cash-generating operating mines to achieve near-term earnings accretion.

OUR BUSINESSES

We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios and broad service coverages. Our core business comprises (i) resources recycling and utilization; (ii) operation of environmental services projects; and (iii) environmental engineering services.

Resources recycling and utilization segment focuses on the recycling of metal resources. This involves the process of dehydration, mixing, smelting, refining and purification of solid waste and hazardous waste to extract metals, which yields alloy products such as copper alloys, lead alloys and nickel alloys. Certain alloy products such as blister copper and crude lead can be further processed into metal products such as electrolytic copper, electrolytic lead, gold ingots, silver ingots, platinum-group metals, refined bismuth and antimony oxide. By-products generated during the refining process, such as water-quenched slag which can be sold as construction materials. On the other hand, the recycling of non-metal resources primarily involves the process of deriving (i) polymer materials from rubber waste such as discarded tires and (ii) nylon raw materials from plastic waste such as airbag fabrics and textiles of end-of-life vehicles.

Environmental services projects operation segment primarily includes operation of waste-to-energy incineration projects. The waste-to-energy incineration starts with the collection and delivery of household waste to our incineration plants, where it is converted into electricity and steam. The electricity generated is supplied to the local grid, while the steam produced is ultimately provided to local steam users, thereby reducing reliance on traditional fossil fuels. The incineration process also produces fly ash and furnace slag. Treated fly ash residues are disposed of at landfill, while furnace slag is generally reused as construction materials, contributing to resource recycling. In addition, we provide harmless treatment services for solid waste and hazardous waste (including industrial waste, medical waste and organic waste), as well as landfill operation services.

BUSINESS

We also provide environmental engineering services such as constructing landfills, soil and underground water treatment and remediation and sewage treatment, which are efficient and sustainable solutions to our customers to enhance regulatory compliance and environmental quality.

By interlinking different stages of the waste industry chain, from waste collection, and treatment to energy generation and resource utilization, we create value across the entire industry chain. This approach not only minimizes environmental impact but also transforms waste into valuable resources, reinforcing our role as a key contributor to a more sustainable and circular economy.

During the Track Record Period, we generated a majority of the revenue from sales of products derived from recycling of metal resources. In addition, we also generated revenue from (i) environmental services projects operation, which primarily includes electricity and steam sales and waste treatment services from our waste-to-energy incineration facilities; and (ii) environmental engineering services. The following table sets forth such a breakdown during the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Resources Recycling and Utilization						
Revenue from sales of products derived from recycling of metal resources	5,557,080	52.5	9,976,392	68.8	10,923,400	74.2
Revenue from sales of products derived from recycling of non-metal resources	<u>911,283</u>	<u>8.6</u>	<u>1,160,501</u>	<u>8.0</u>	<u>975,727</u>	<u>6.6</u>
Subtotal	6,468,363	61.1	11,136,893	76.8	11,899,127	80.8
Environmental Services Projects Operation						
Revenue from waste-to-energy incineration projects	1,077,358	10.2	1,153,409	8.0	1,181,651	8.0
Revenue from harmless treatment of solid waste and hazardous waste projects	412,151	3.9	377,504	2.6	392,028	2.7
Others ⁽¹⁾	<u>138,075</u>	<u>1.3</u>	<u>198,471</u>	<u>1.3</u>	<u>147,219</u>	<u>1.0</u>
Subtotal	1,627,584	15.4	1,729,384	11.9	1,720,898	11.7
Environmental Engineering Services	2,484,419	23.5	1,633,268	11.3	1,112,232	7.5
Total	<u>10,580,366</u>	<u>100.0</u>	<u>14,499,545</u>	<u>100.0</u>	<u>14,732,257</u>	<u>100.0</u>

Notes:

1. Mainly including three water treatment projects, as well as services provided by the Neijiang Project other than waste-to-energy incineration and organic waste treatment. See “Business – Our Business – Operation of Environmental Services Projects – Our Projects” for details.

BUSINESS

Resource Recycling and Utilization

The resources recycling and utilization segment is our core business and the foundation of resources recycling and circular economy strategy. This segment encompasses the recycling of metal and non-metal resources, with a primary focus on recycling of metal resources. During the Track Record Period, we derived revenue primarily from the production and sales of (i) base metals and their alloy mainly including electrolytic copper, electrolytic lead, copper alloy, lead alloy and nickel-based products primarily comprising low-grade nickel matte and nickel sulfate; (ii) precious metals and their alloy mainly including gold ingots, silver ingots and gold and silver alloy as well as platinum-group metals comprising platinum, palladium, rhodium, iridium and ruthenium; and (iii) critical metals mainly including refined bismuth and antimony oxide. Among our product portfolios, electrolytic copper, electrolytic lead, silver ingots, gold ingots, refined bismuth and platinum group metals are standard products and others are non-standard products. In addition to metal products, we also recycled and sold non-metal products primarily comprising rubber and plastic products during the Track Record Period. The pictures below set forth our core products under the resources recycling and utilization business.

Our Products

Standard Products:



Electrolytic copper



Electrolytic lead



Gold ingots



Silver ingots



Refined bismuth



Palladium



Rhodium



Platinum



Iridium

BUSINESS

Non-standard Products:



Copper alloy



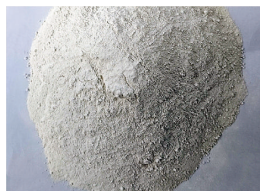
Gold and silver alloy



Low-grade nickel matte



Nickel sulfate



Antimony oxide

The table below sets forth the revenues, sales volumes and average selling prices of the core products derived from recycling of metal resources during the years indicated.

	For the year ended December 31,		
	2023	2024	2025
Standard Products			
Electrolytic copper			
Revenue (RMB'000)	2,034,040	3,666,356	2,228,628
Sales volume (tons)	34,790	53,683	30,571
Average selling price ⁽¹⁾ (RMB/ton)	58,466	68,296	72,900
Electrolytic lead			
Revenue (RMB'000)	385,653	379,262	294,650
Sales volume (tons)	28,996	26,690	19,808
Average selling price ⁽¹⁾ (RMB/ton)	13,300	14,210	14,875
Gold ingots			
Revenue (RMB'000)	565,713	1,189,935	1,593,909
Sales volume (gs)	1,218,020	2,158,940	1,985,598
Average selling price ⁽¹⁾ (RMB/g)	464	551	803
Silver ingots			
Revenue (RMB'000)	101,837	304,826	360,153
Sales volume (gs)	19,942,972	47,028,457	40,107,734
Average selling price ⁽¹⁾ (RMB/g)	5	6	9
Refined bismuth			
Revenue (RMB'000)	188,543	303,335	319,118
Sales volume (tons)	3,978	4,791	3,290
Average selling price ⁽¹⁾ (RMB/ton)	47,396	63,314	96,996
Platinum-group metals⁽²⁾			
Revenue (RMB'000)	105,411	535,492	1,005,272
Sales volume (gs)	489,040	2,237,910	3,533,210
Average selling price ⁽¹⁾ (RMB/g)	216	239	285

BUSINESS

	For the year ended December 31,		
	2023	2024	2025
Non-standard Products			
Copper alloy			
Revenue (RMB'000)	727,069	1,534,166	2,501,739
Sales volume (tons)	37,447	80,206	120,806
Average selling price ⁽¹⁾ (RMB/ton)	19,416	19,128	20,709
Gold and silver alloy			
Revenue (RMB'000)	476,429	1,453,068	1,119,123
Sales volume (gs)	52,621,668	75,396,593	48,550,000
Average selling price ⁽¹⁾ (RMB/g)	9	19	23
Low-grade nickel matte			
Revenue (RMB'000)	130,804	161,494	128,578
Sales volume (tons)	7,124	6,387	5,701
Average selling price ⁽¹⁾ (RMB/ton)	18,361	25,285	22,554
Nickel sulfate			
Revenue (RMB'000)	14,222	142,579	141,291
Sales volume (tons)	667	7,144	8,387
Average selling price ⁽¹⁾ (RMB/ton)	21,322	19,958	16,846
Antimony oxide			
Revenue (RMB'000)	33,512	67,802	89,689
Sales volume (tons)	758	855	839
Average selling price ⁽¹⁾ (RMB/ton)	44,211	79,301	106,900

Notes:

1. Average selling price is calculated as revenue for the year divided by sales volume for the same year. The average selling price of non-standard products does not directly correlate with the market trend of metal prices as the metal content varies across each non-standard products.
2. Platinum-group metals include platinum, palladium, rhodium, iridium and ruthenium.

Over the years, we have established an integrated production system covering the entire process of recovery and recycling of various alloy and metal products. We first recover alloy products mainly including blister copper, crude lead and nickel from waste residue purchased from upstream manufacturers in metal smelting, electroplating, electronics, chemicals and other related industrial sectors. Leveraging our closed-loop full cycle operation and advanced processing techniques, we further refine such alloy products into standard products or higher-purity alloy products.

BUSINESS

Base Metals and Their Alloys

Our base metals and their alloys products mainly include electrolytic copper, electrolytic lead, copper alloy, lead alloy and nickel-based products. During the Track Record Period, we produce and sell electrolytic copper and copper alloy as our main products. The revenue generated from the sales of electrolytic copper and copper alloy accounted for 26.1%, 35.9% and 32.1% of our total revenue in each year during the Track Record Period. We first recover copper alloy and lead alloy such as blister copper and crude lead at our melting workshops. A portion of these alloys is further refined into electrolytic copper and electrolytic lead at our electrolysis workshops. We sell copper alloy externally primarily to customers in the non-ferrous metal, mining, resource recycling and utilization industries. We sell electrolytic copper and electrolytic lead primarily to downstream copper processors and battery manufacturers, respectively. On the other hand, our nickel-based products primarily include nickel sulfate. Through close collaboration among our upstream and downstream subsidiaries, we established a closed-loop full cycle operation for the recycling of industrial waste containing nickel. We sell our nickel-based products primarily to automotive manufacturers, battery manufacturers and non-ferrous metal processors.

Precious Metals

Our precious metal products primarily include gold ingots, silver ingots and platinum-group metal products. We recover our precious metals from alloy products at our precious metal workshops. We sell our gold ingots and silver ingots primarily to enterprises in the non-ferrous metal smelting and processing industry and platinum-group metals primarily to chemical products manufacturers. Platinum-group metals are key inputs for automotive, electronics and semiconductor, healthcare and biochemistry and new energy sectors. According to Frost & Sullivan, we are among the few companies in the industry capable of recycling and selling all key metals of platinum-group metals. Moreover, the phase II of our Jinchang GeoEnviron production base in Gansu province commenced full operation in July 2024, which significantly improved our production capacity of platinum-group metals, thereby strengthening our market competitiveness. According to Frost & Sullivan, in terms of revenue of 2024, we ranked third in the hazardous waste recycling market in China for platinum-group metals, with a market share of 6.7%.

Critical Metals

Our critical metal products mainly include refined bismuth and antimony oxide. Critical metals, as a national strategic reserve materials, are widely used in key industries such as semiconductors, superconductors, pharmaceuticals and new energy materials. Our refined bismuth is sold primarily to customers engaged in the semiconductor value chain. We recover bismuth primarily from lead alloy as intermediate products generated during the smelting of non-ferrous metal waste. Our antimony is sold primarily to the downstream processor of high-purity antimony products. We recover antimony mainly from antimony-bearing anode slime generated at our melting workshops. According to Frost & Sullivan, in terms of revenue in 2024, we ranked first in the hazardous waste recycling market in China for each bismuth and antimony, with a market share of 33.9% and 18.4%, respectively.

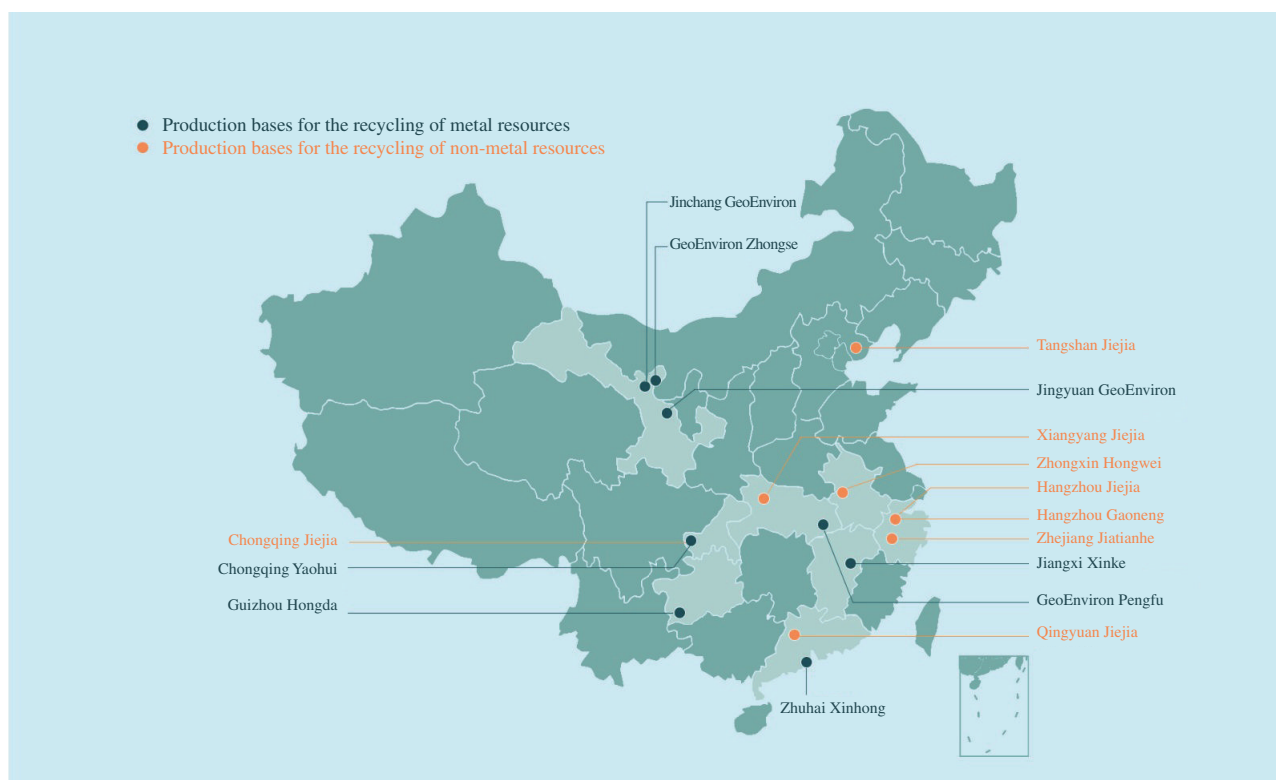
Non-metal Products

Moreover, in addition to metal products, we also recycled and sold non-metal products, which primarily include (i) rubber waste mainly derived from discarded tires into polymer materials and (ii) plastic waste mainly derived from airbag fabrics and textiles of end-of-life vehicles into primarily nylon raw materials. In each year during the Track Record Period, the revenue we generated from the recycling and sale of products from non-metal resources represented 8.6%, 8.0% and 6.6% of our total revenue, respectively.

BUSINESS

Our Production Facilities

We strategically locate our production bases near main sites of metal and non-metal resources in China covering provinces and municipalities such as Jiangxi, Gansu, Hubei, Guangdong, Chongqing, Zhejiang and Anhui. The following map illustrates the geographical location of our production bases for the resources recycling and utilization as of the Latest Practicable Date:



The following table summarizes the location and primary products of our key production bases in operation as of the Latest Practicable Date:

Location	Production Base	Primary Products
Jiangxi, China	Jiangxi Xinke production base	Electrolytic copper, gold ingots, silver ingots, platinum, palladium and nickel sulfate
Gansu, China	Jinchang GeoEnviron production base	Gold ingots, silver ingots, platinum, palladium, ruthenium, iridium and rhodium, copper matte, copper and nickel alloy
Gansu, China	Jingyuan GeoEnviron production base	Electrolytic lead, refined bismuth, bismuth oxide, antimony oxide and gold and silver alloy
Chongqing, China	Chongqing Yaohui production base	Blister copper and copper matte
Guangdong, China	Zhuhai Xinhong production base	Blister and copper matte
Hubei, China	GeoEnviron Pengfu production base	Blister copper and copper matte

BUSINESS

Location	Production Base	Primary Products
Gansu, China	GeoEnviron Zhongse production base	Low-grade nickel matte
Zhejiang, China	Zhejiang Jiatianhe production base	Plastic pellets
Zhejiang, China	Hangzhou Gaoneng production base	Polymeric materials (such as rubber-modified powder), steel drums and plastic drums
Anhui, China	Zhongxin Hongwei production base	Polyamide 6 (PA6), polyamide 66 (PA66) and plastic pellets

The following table sets forth a brief description of the production operating data of our core standard and non-standard products for the recycling of metal resources segment:

	For the year ended December 31,		
	2023	2024	2025
Standard Products			
Electrolytic copper			
Production Capacity ⁽¹⁾ (ton)	45,000	68,000	35,000
Production Volume (ton)	34,925	53,587	31,032
Utilization Rate ⁽²⁾ (%)	77.6	78.8	88.7
Electrolytic lead			
Production Capacity ⁽¹⁾ (ton)	35,000	30,000	25,000
Production Volume (ton)	29,170	26,490	20,071
Utilization Rate ⁽²⁾ (%)	83.3	88.3	80.3
Gold ingots			
Production Capacity ⁽¹⁾ (g)	1,500,000	2,500,000	2,500,000
Production Volume (g)	1,244,440	2,143,910	1,995,185
Utilization Rate ⁽²⁾ (%)	83.0	85.8	79.8
Silver ingots			
Production Capacity ⁽¹⁾ (g)	21,000,000	55,000,000	40,000,000
Production Volume (g)	19,943,002	50,866,853	36,963,265
Utilization Rate ⁽²⁾ (%)	95.0	92.5	92.4
Refined bismuth			
Production Capacity ⁽¹⁾ (ton)	4,500	5,500	5,000
Production Volume (ton)	3,548	4,469	4,021
Utilization Rate ⁽²⁾ (%)	78.8	81.3	80.4
Platinum group metals⁽³⁾			
Production Capacity ⁽¹⁾ (g)	1,000,000	2,000,000	4,000,000
Production Volume (g)	961,720	1,848,950	3,694,745
Utilization Rate ⁽²⁾ (%)	96.2	92.4	92.4

BUSINESS

	For the year ended December 31,		
	2023	2024	2025
<i>Non-standard Products</i>			
Copper alloy			
Production Capacity ⁽¹⁾ (ton)	80,000	100,000	150,000
Production Volume (ton)	66,348	81,430	122,321
Utilization Rate ⁽²⁾ (%)	82.9	81.4	81.5
Gold and silver alloy			
Production Capacity ⁽¹⁾ (g)	55,000,000	78,000,000	50,000,000
Production Volume (g)	52,453,908	75,686,347	48,558,307
Utilization Rate ⁽²⁾ (%)	95.4	97.0	97.1
Low-grade nickel matte			
Production Capacity ⁽¹⁾ (ton)	9,000	8,800	5,000
Production Volume (ton)	7,340	7,910	4,142
Utilization Rate ⁽²⁾ (%)	81.6	89.9	82.8
Nickel sulfate			
Production Capacity ⁽¹⁾ (ton)	1,500	6,000	4,000
Production Volume (ton)	1,250	5,224	3,368
Utilization Rate ⁽²⁾ (%)	83.3	87.1	84.2
Antimony oxide			
Production Capacity ⁽¹⁾ (ton)	1,200	1,000	1,500
Production Volume (ton)	1,098	899	1,217
Utilization Rate ⁽²⁾ (%)	91.5	89.9	81.1

Notes:

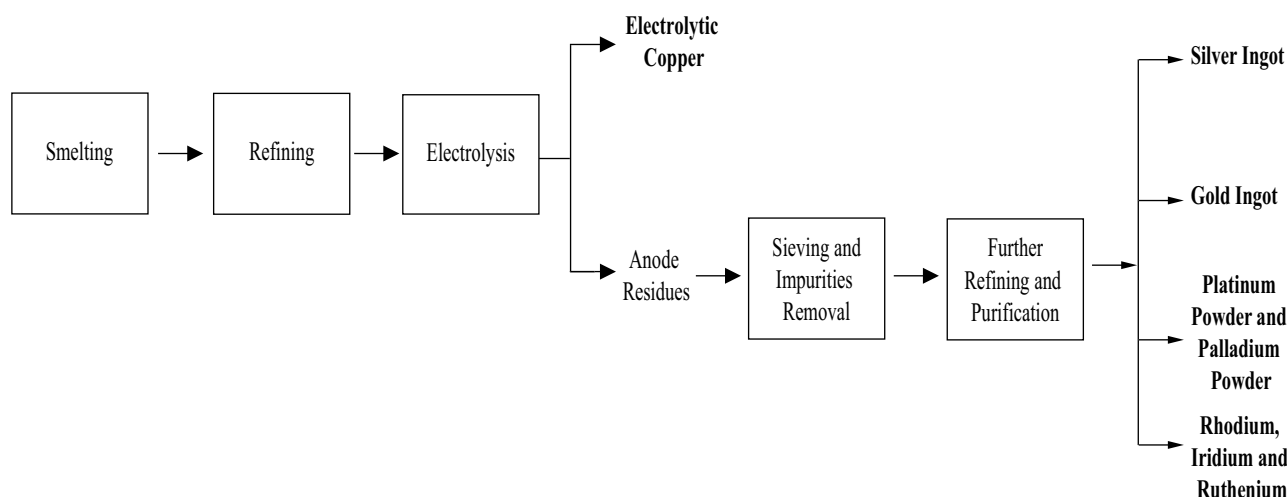
1. The production capacity is calculated with reference to the formulated production plan by type of the products. To maximize production efficiency, we adjust the production capacity of each type of products based on market conditions.
2. The utilization rate is calculated by dividing production volume by the planned capacity for the same year.
3. Platinum-group metals include platinum, palladium, rhodium, iridium and ruthenium.

BUSINESS

Production and Processing of Metal Resources

During the Track Record Period, we generated a majority of the revenue from sales of products derived from recycling of metal resources, representing 52.5%, 68.8% and 74.2% of our total revenue for the respective year. The following chart illustrates the production processing for each main metal product:

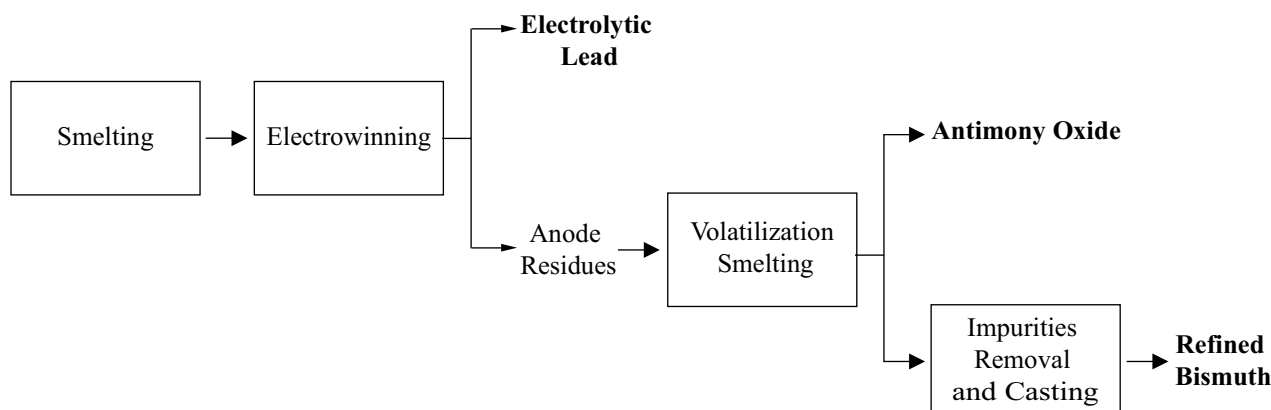
Production Process of Electrolytic Copper and Precious Metals



1. *Mixing:* Industrial waste containing copper and precious metals is mixed in accordance with our process requirements prior to being fed into the furnace.
2. *Smelting:* The mixed materials are smelted in an oxygen-enriched side-blown furnace to remove iron and certain impurities and to produce copper matte, which is then transferred to converters for blowing operations to further remove impurities and produce blister copper for subsequent refining.
3. *Refining:* The blister copper is subsequently refined in an anode furnace to further remove residual impurities and to produce anode plates with a copper content of approximately 98.5% suitable for electrolytic processing.
4. *Electrolysis:* Anode plates undergo an electrolytic process to produce electrolytic copper, while anode residues comprising residual copper, nickel and insoluble precious metals are collected for further treatment.
5. *Sieving and Impurities Removal:* Anode slime is processed through sieving, separation and impurity removal procedures to eliminate base metals and impurities, including copper, nickel, tin and lead.
6. *Further Refining and Purification:* Following impurity removal, precious metals, including silver, gold, platinum and palladium, are recovered through subsequent refining processes, either sequentially or in parallel, to produce silver ingots, gold ingots, platinum powder (or platinum ingots) and palladium powder (or palladium ingots). Precious metals, such as rhodium, iridium and ruthenium, are further recovered through stepwise separation and refining processes.

BUSINESS

Production Process of Electrolytic Lead, Antimony Oxide and Refined Bismuth



1. *Mixing and Drying:* Industrial waste containing lead, antimony and bismuth are mixed in accordance with our process requirements, compacted into briquettes and air-dried to reduce the moisture content prior to smelting.
2. *Smelting:* The dried briquettes, together with auxiliary materials, are charged into an oxygen-enriched side-blown furnace for smelting, producing the lead alloy. The lead alloy is subsequently refined to remove impurities (such as copper and tin) and cast into anode plates for further electrolytic processing.
3. *Electrowinning:* The anode plates are placed into electrolytic cells, where lead is deposited onto the cathodes to produce electrolytic lead, while insoluble residues (such as antimony and bismuth) remaining on the anodes are collected as anode slime for further processing.
4. *Volatilization Smelting:* Anode slime is mixed with auxiliary materials, including reducing coal and soda ash, and processed through volatilization smelting, during which volatile components are oxidized and recovered via dust collection systems to produce antimony oxide.
5. *Impurities Removal and Casting:* The remaining alloy is further purified to remove residual impurities and subsequently cast to produce refined bismuth.

Production Equipment and Maintenance

We are strategically committed to equipping our production lines with highly reliable equipment. We self-design our production process based on production requirements, and undertake customized technical modifications to optimize process flows to reduce manufacturing costs and enhance recovery rates. We conduct pilot production trials and drive innovation in our technology, which is fundamental to boosting automation, enhancing reliability, and maintaining crucial cost competitiveness in the market. This highly automated and digitalized setup allows us to significantly minimize manual operations and reduce labor costs, with on-site personnel primarily dedicated to essential equipment maintenance and inspection. Through bespoke design and customization, we seamlessly integrate a range of digital technologies throughout the entire manufacturing workflow. Furthermore, the average service life of our core production equipment is approximately 10 to 20 years.

BUSINESS

We maintain comprehensive equipment maintenance and repair protocols, implementing strict inspection and maintenance schedules that include both routine and periodic checks. Our production facilities are subject to rigorous inspections in accordance with our strict requirements, ensuring the stable and reliable operation of our core production equipment. Furthermore, for certain specialized components, we arrange third-party technical inspections as needed.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material or prolonged suspension of operations due to failures of our machinery, equipment or other facilities.

Quality Control

We implement integrated quality management across all operational stages from design and procurement through to production and sales of our products. Our comprehensive quality assurance system is anchored in proactive risk prevention and continuous improvement, and is validated by globally recognized certifications, including ISO 9001, ISO 14001, ISO 45001 and ISO 50001. The following are our key assurance measures.

- **Product Design and Development:** We maintain comprehensive quality control requirements for product design and development, ensuring all new projects adhere strictly to our internal standards. We conduct rigorous inspections at each stage, including polymerized raw materials, intermediate products and final metal products, to verify compliance with national and industry standards. For new products, we carry out performance testing and validation to ensure that product quality is consistent with current market applications and anticipated customer requirements. We also maintain close communication with our customers to promptly identify market trends and customer expectations, thereby enabling us to enhance customer satisfaction and establish a closed-loop quality feedback mechanism.
- **Supplier Qualification and Material Validation:** We have established a dedicated quality inspection center to conduct rigorous metal testing and analysis on incoming raw materials, in-process intermediates, and finished products. All raw materials undergo compositional analysis and impurity screening against our internal control standards. We typically procure raw materials from suppliers who have passed our quality and reliability assessment. Furthermore, we conduct periodic on-site inspections of critical suppliers to assess their production and supply operations.
- **Production Process Control:** We strictly follow our customers' quality requirements and specifications and all relevant industry standards for the production of our products, including national standards and our internal quality standards. At designated checkpoint stages on our product lines, our quality control team conducts periodic tests and inspections of semi-finished products in accordance with our internally designed quality control processes, ensuring that our products meet the quality standards and compliance requirements of both us and our customers. In terms of production safety, we have employed a safety inspection policy, where our respective production manager, facility manager and production department staff regularly inspect the processing workshops and production workshops to ensure production safety. We have taken several initiatives in recent years to improve our production efficiency, including developing new production technologies, installing advanced equipment and optimizing the production processes and techniques.
- **Pre-delivery Verification and Packaging:** Finished products are subject to rigorous, certification-based testing, including verification of metal impurity level in accordance with applicable national standards or customer-specified requirements. To prevent critical defects, samples are provided to customers for final approval prior to bulk shipment. We implement real-time delivery tracking to minimize the risk of damage during transit.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material product returns from customers due to quality issues.

Inventory Management and Logistics

- ***Inventory Management:*** Our inventory primarily comprises raw materials, work-in-progress, finished goods, goods in transit, materials for consigned processing and packaging materials, all of which are managed under a unified inventory system. With group-wide inventory management policies, we have established standardized procedures for the receipt, storage, transfer and counting of inventory. We monitor and update inventory levels on a routine basis based on production needs and order forecasts and arrange for procurement accordingly. We also conduct inventory aging analysis periodically to reduce the risk of inventory obsolescence. We proactively manage our inventory-related risks arising from fluctuations in market demand and commodity prices through precautionary hedging activities.
- ***Logistics:*** We maintain rigorous oversight of our logistics and outsource logistics services to qualified and experienced independent third-party suppliers selected through competitive bidding processes. We implement dynamic route planning and transport method selection to optimize efficiency and reduce expenses. To mitigate our transit risks, all shipments are covered by customary cargo and transit insurance and we conduct real-time monitoring throughout the entire delivery cycle. Our third-party logistics service providers are subject to regular performance evaluations through a graded assessment system taking into account both operational qualifications and historical KPIs.

During the Track Record Period and up to the Latest Practicable Date, there were no incidents of significant delay or inappropriate handling of goods that materially or adversely affected our business operations.

Environmental Services Projects Operation

Our environmental services projects primarily focus on waste-to-energy incineration. As of December 31, 2025, we operated 13 waste-to-energy plants across China with a total designed processing capacity of 11,800 tons per day. In addition, we have one waste-to-energy plant under construction in Hailar city, with a designed processing capacity of 600 tons per day. With advanced technologies, including AI-powered smart incineration systems, we are able to enhance combustion stability, increase efficiency and reduce emissions and consumables for our waste-to-energy incineration plants. As a testament to our operational efficiency, in 2024, all of our waste-to-energy incineration projects operated for more than 8,000 hours, and we were the only company in the waste-to-energy incineration market in China with such record in the same year, according to Frost & Sullivan. In addition to sales of electricity, our waste-to-energy projects also supply steam in response to the growing market demand for integrated energy services. We recover the thermal energy generated during the power generation process and utilize the same for supply of steam as our additional stream of income. In 2025, we generated over 1.52 billion kWh of green electricity and approximately 594,457.33 tons of steam in China. Moreover, under our waste-to-energy incineration projects, we also charge waste treatment fees and generate additional revenue from the treatment of sludge, achieving high utilization of our capacities. During the Track Record Period, we did not experience any material safety incidents within our operations.

In 2023, 2024 and 2025, the revenue generated from our waste-to-energy incineration projects accounted for 66.2%, 66.7% and 68.7% of total revenue from the operation of environmental services projects segment, respectively. In addition, we also generated revenue from harmless treatment of solid waste and hazardous waste projects as well as water treatment from the same segment.

BUSINESS

Our Projects

As of December 31, 2025, we had 13 waste-to-energy incineration projects, 12 harmless treatment of solid waste and hazardous waste projects and three water treatment projects. The following table sets forth the operating revenue from such projects for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Revenue from waste-to-energy incineration projects						
Yueyang Project	138,554	8.5	142,287	8.2	143,748	8.4
Tianjin Project	133,008	8.2	126,575	7.3	127,894	7.4
Hezhou Project	94,889	5.8	95,724	5.5	99,731	5.8
Jingmen Project	97,317	6.0	130,402	7.5	134,679	7.8
Puyang Project	104,083	6.4	106,184	6.1	110,472	6.4
Yining Project	92,532	5.7	113,595	6.6	105,724	6.1
Hetian Project	95,811	5.9	102,900	6.0	101,636	5.9
Neijiang Project – power plant ⁽¹⁾	78,641	4.8	85,163	4.9	87,389	5.1
Sihong Project	81,625	5.0	89,281	5.2	94,869	5.5
Xinyi Project	69,857	4.3	71,722	4.1	68,784	4.0
Other projects ⁽²⁾	91,040	5.6	89,575	5.2	106,725	6.2
Subtotal	1,077,358	66.2	1,153,409	66.7	1,181,651	68.7
Revenue from harmless treatment of solid waste and hazardous waste projects						
Ningbo Hazardous Waste Project	131,919	8.1	93,001	5.4	85,233	5.0
Yulin Project	62,843	3.9	79,992	4.6	72,561	4.2
Tengzhou Hazardous Waste Project	58,736	3.6	46,342	2.7	58,682	3.4
Leshan Hazardous Waste Project	37,075	2.3	18,567	1.1	32,120	1.9
Neijiang Project – organic waste treatment ⁽¹⁾	31,662	1.9	33,763	2.0	29,876	1.7
Other projects ⁽³⁾	89,916	5.5	105,839	6.1	113,556	6.6
Subtotal	412,151	25.3	377,504	21.8	392,028	22.8
Others⁽⁴⁾	138,075	8.5	198,471	11.5	147,219	8.6
Total revenue from environmental services projects operation	1,627,584	100.0	1,729,384	100.0	1,720,898	100.0

Notes:

1. Neijiang Project is an integrated solid waste treatment complex located in Neijiang city, Sichuan province. The project provides comprehensive waste management services for the local municipality and comprises multiple functions, including a waste-to-energy incineration power plant, a landfill site, multiple waste transfer stations and a organic waste treatment facility.
2. Including Linyi project, Taizhou project and Shunyi project, each of which contributed less than 5% of the total revenue from the segment of environmental services projects operation in each year during the Track Record Period.
3. Including Shaoyang sludge treatment project, Guilin Medical Waste Project, Hezhou medical waste project, Xinyi organic waste project, Changchun organic waste project, Erdos landfill project and Mingshui landfill project, each of which contributed less than 2% of the total revenue from the segment of our environmental services projects operation in each year during the Track Record Period.
4. Mainly including three water treatment projects, as well as services provided by the Neijiang Project other than waste-to-energy incineration and organic waste treatment. Our water treatment projects include Yunnan water treatment project, Xinjiang water treatment project and Wenxi water treatment project, each of which contributed less than 2% of the total revenue from operation of our environmental services projects in each year during the Track Record Period.

BUSINESS

Our Major Waste-to-energy Incineration Projects

I. Yueyang Project

The Yueyang Project stands as a flagship waste-to-energy incineration project developed under a BOT agreement, comprising Phase I with a concession period from 2018 to 2048 and Phase II with a concession period from 2022 to 2052. This project is located in Yunxi district, Yueyang city. The project was successfully connected to the grid in November 2019. The plant is equipped with three mechanical grate-furnace incinerators, three waste-heat boiler and two steam turbine generator units. As of the Latest Practicable Date, the Yueyang Project had a treatment capacity of 2,000 tons of household waste per day. Furthermore, our Yueyang Project also comprises a sludge treatment facility. This project was recognized as an AAA-Grade Municipal Solid Waste Incineration Plant (AAA級生活垃圾焚燒廠) in 2022, which represents the highest grade accreditation granted by the Ministry of Housing and Urban-Rural Development of the PRC to municipal solid waste incineration plants.

The following is a photo of this project:



BUSINESS

II. *Tianjin Project*

The Tianjin Project is a waste-to-energy incineration project developed under a BOT agreement with a concession period from 2018 to 2048. The project is located in Jinghai district, Tianjin city. The project incorporates advanced waste-to-energy technology and is equipped with two mechanical grate furnaces, two waste heat boilers and one steam turbine generator unit. The project was successfully connected to the grid in 2020. As of the Latest Practicable Date, this project had a treatment capacity of 1,000 tons of household waste per day.

The following is a photo of this project:



BUSINESS

III. Hezhou Project

The Hezhou Project is a waste-to-energy incineration project developed under a BOT agreement with a concession period from 2019 to 2048. The project is located in Hezhou city, Guangxi Zhuang autonomous region. The project is equipped with two mechanical grate furnaces, two waste heat boilers and two steam turbine generator units. The project was successfully connected to the grid in March 2019. As of the Latest Practicable Date, this project had a treatment capacity of 1,000 tons of household waste per day.

The following is a photo of this project:

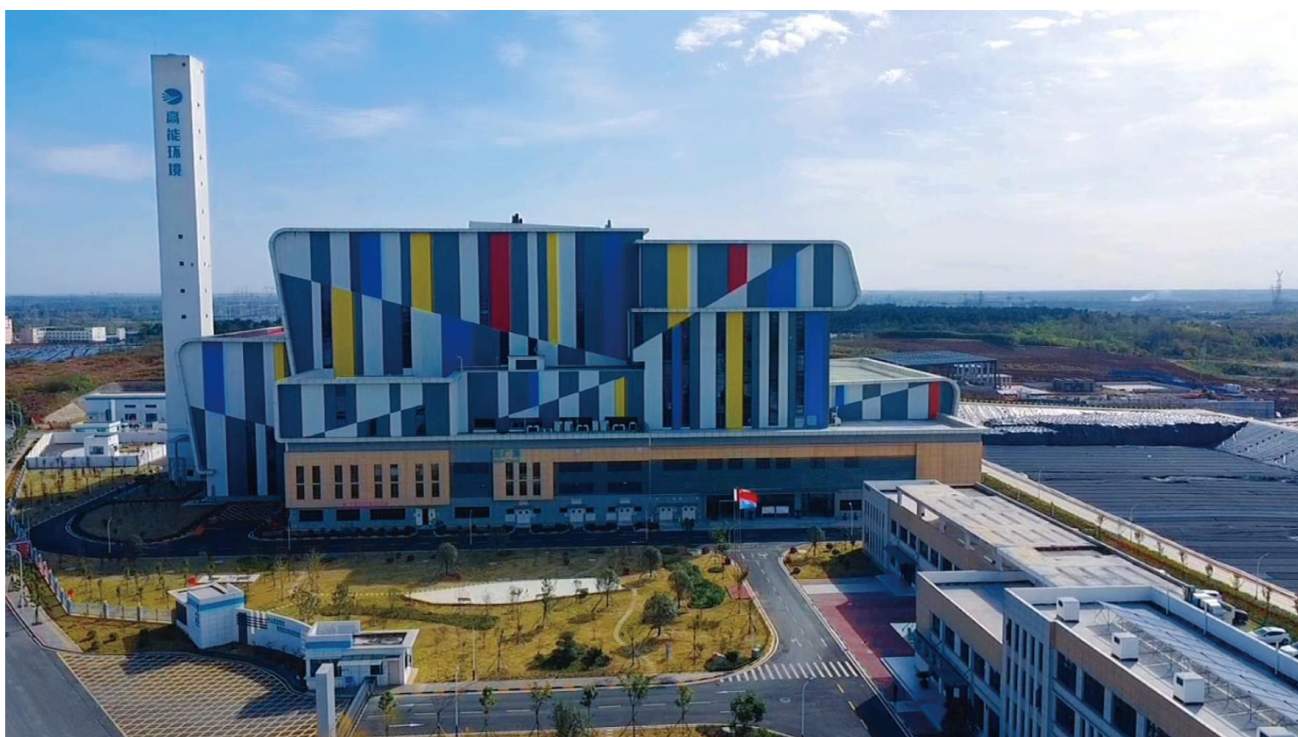


BUSINESS

IV. Jingmen Project

The Jingmen Project is a waste-to-energy incineration project developed under a BOT agreement, with a concession period running from 2018 to 2048. The project is located in the Jingmen Vein industrial park, Jingmen city. The project was successfully connected to the grid in 2020. The project is equipped with two mechanical grate incinerators, two waste heat boilers and one steam turbine generator unit. As of the Latest Practicable Date, the Jingmen Project had a treatment capacity of 700 tons of household waste per day. As a testament to our technological capabilities and operational expertise, we were recognized as a Hubei Provincial Smart Manufacturing Pilot Demonstration Enterprise (湖北省智慧製造試點示範企業) in 2023.

The following is a photo of this project:



BUSINESS

Our Major Harmless Treatment of Solid Waste and Hazardous Waste Projects

V. Ningbo Hazardous Waste Project

The Ningbo Hazardous Waste Project is located in Zhenhai district, Ningbo city. The project officially commenced operations in 2008, and we acquired a controlling interest in the project through an equity acquisition in 2017. Differentiating from most of our other environmental services projects which are operated under BOT or TOT model, the Ningbo Hazardous Waste Project is owned and operated by us. The project is equipped with two industrial hazardous waste incineration furnace, together with hazardous waste pre-treatment workshops and an automated guided vehicle (“AGV”) warehouse system, enabling the safe, efficient and standardized treatment of hazardous waste.

As of the Latest Practicable Date, the Ningbo Hazardous Waste Project had a waste treatment capacity of 46,800 tons of hazardous waste per year. As a testament to our technological capabilities and operational expertise, we were accredited as a High and New Technology Enterprise (高新技術企業) in 2024 and the Ningbo Hazardous Waste Project was recognized as a Ningbo Municipal Green Factory (寧波市綠色工廠) in 2023.

The following is a photo of this project:

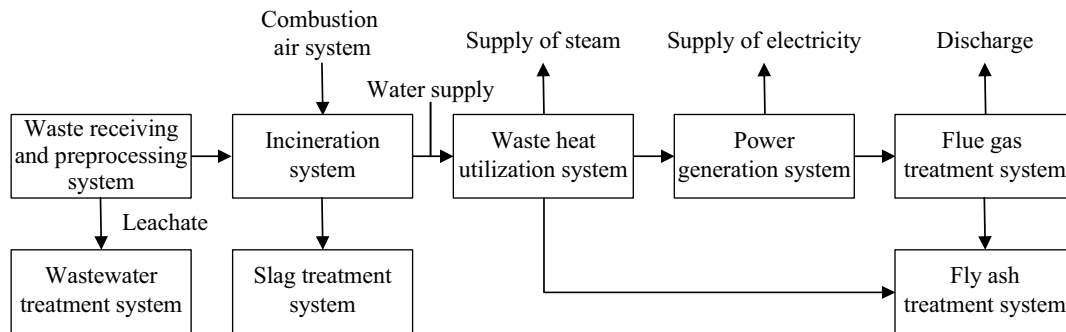


BUSINESS

Our Treatment Processes

I. Waste-to-energy Incineration

The following flowchart and summary illustrate the processes involved at our waste-to-energy incineration projects:



The process of waste-to-energy incineration engages multiple systems, each playing a critical role in turning solid waste into energy while minimizing environmental impact. These systems include:

1. *Waste receiving and preprocessing system:* For our waste-to-energy incineration project, vehicles transporting waste from collection points are directed to the designated receiving areas. This allocation is systematically managed based on real-time storage capacity, with necessary adjustments made proactively to accommodate any scheduled maintenance or repair activities affecting facility availability.

Upon arrival, waste is first weighed and deposited into a sealed storage pit, where it undergoes a controlled fermentation process lasting seven to ten days. This critical step facilitates leachate discharge, which in turn significantly improves subsequent combustion efficiency. To strictly prevent odor emissions, the unloading area is equipped with air curtains and negative pressure ventilation, ensuring that all exhaust gases are safely captured and directed into the incinerator for thermal combustion.

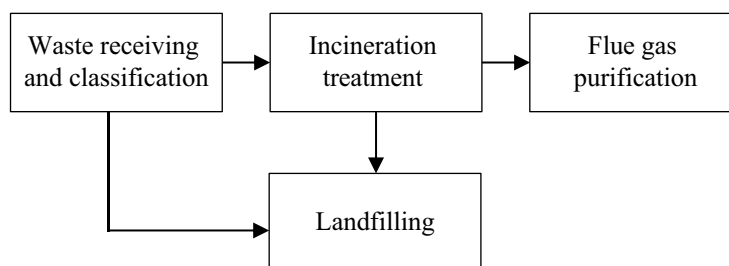
2. *Incineration system:* The actual incineration occurs on a mechanical grate system, engineered to ensure thorough and stable combustion of the material. The resulting residue, known as slag (or bottom ash), is efficiently discharged via a slag extractor and temporarily stored in a designated pit for subsequent specialized handling.
3. *Waste heat utilization system:* The high-temperature flue gases produced during incineration pass through a waste heat boiler, where they heat water to produce steam. A portion of the steam, after appropriate treatment, is supplied to customers through pipelines for heating.
4. *Power generation system:* The remaining portion of the steam generated from the waste heat boiler is used to drive a turbine generator, converting thermal energy into electrical energy. A portion of the electricity generated is used to power the facility, while the surplus is supplied to the public grid.

BUSINESS

5. *Flue gas purification system:* To ensure compliance with environmental standards, the flue gas undergoes a multi-stage purification process. This includes SNCR for nitrogen oxide removal, quenching and dry acid gas neutralization, activated carbon adsorption for dioxins and heavy metals, and baghouse filtration for particulate matter. The treated flue gas is then safely released into the atmosphere via a chimney.
6. *Slag treatment system:* After waste incineration, the resulting slag is safely transported to an off-site slag processing plant for comprehensive resources utilization.
7. *Fly ash treatment system:* Fly ash is subject to integrated solidification and stabilization treatment on-site, and once meeting the required standards, it is transported to designated landfill facilities for disposal.
8. *Wastewater treatment system:* The wastewater generated by the project is treated using a combined process that includes an anaerobic system, an external two-stage denitrification and nitrification system, nanofiltration membranes and reverse osmosis membranes, together with a dedicated treatment system for the volume reduction of nanofiltration and reverse osmosis concentrates. Once the treatment meets the required standards, all the water is reused. The concentrated liquid is re-injected into the incinerator as slurry.

II. Harmless Treatment of Solid Waste and Hazardous Waste

The following flowchart and summary illustrate the processes involved at our Leshan Hazardous Waste Project:



1. *Waste receiving and classification:* Upon arrival at the facility, hazardous waste undergoes laboratory testing and is classified based on its properties and characteristics before being directed to the appropriate core treatment line.
2. *Incineration treatment:* Following pretreatment and feeding, the waste is introduced into the rotary kiln and secondary combustion chamber for high-temperature destruction.
3. *Flue gas purification:* The resulting flue gas is treated through a purification system comprising SNCR denitrification, rapid quenching, acid gas neutralization, activated carbon adsorption and baghouse filtration, ensuring compliant emission.
4. *Landfilling:* Certain categories of hazardous waste are disposed of directly at designated hazardous waste landfill facilities. In addition, residues generated from the incineration process, including fly ash and slag, are collected, treated with required standards and subsequently disposed of at designated landfill facilities.

BUSINESS

Mode of Operation

We primarily enter into long-term and exclusive BOT or TOT concession agreements for our environmental services operation projects with municipal authorities and other project owners. This enables us to deliver large-scale, capital-intensive infrastructure projects with long-term revenue visibility and operational autonomy, and in the meantime align our business with national sustainability goals. We also entered into long-term exclusive cooperation agreements with the relevant municipal authorities, pursuant to which we are entitled to receive fees calculated based on the guaranteed household waste treatment volume, irrespective of the actual volumes processed. In addition, we entered into stable power purchase agreements with electricity off-takers, which ensure that electricity generated by our projects is fully offtaken. Our concession-based model, together with the minimum guaranteed household waste treatment volume, offers significant advantages. The long-term duration of our concession rights, combined with guaranteed baseline quantities, ensures predictable and stable cash flows, supporting long-term financial planning and investment returns. Concession agreements grant us full authority to design, build, operate, and maintain facilities, allowing us to implement advanced technologies and optimize performance. Meanwhile, minimum guaranteed treatment arrangements substantially mitigate demand-fluctuation risks and provide a more robust foundation for long-term operational and financial planning.

The following sets forth our major projects with concession agreements entered under the BOT or TOT model as of December 31, 2025:

Project name	Granting authority/company	Operation model	Concession term/contract term	Handover methods
Yueyang Project (phase I)	Yueyang Municipal Administration and Comprehensive Law Enforcement Bureau	BOT	2018 – 2048	Free transfer upon expiration
Yueyang Project (phase II)	Yueyang Municipal Administration and Comprehensive Law Enforcement Bureau	BOT	2022 – 2052	Free transfer upon expiration
Tianjin Project	Jinghai District Urban Appearance and Landscaping Administration Committee of Tianjin Municipality	BOT	2018 – 2048	Free transfer upon expiration
Hezhou Project	Hezhou Municipal Administration Bureau	BOT	2019 – 2048	Free transfer upon expiration
Jingmen Project	Jingmen Municipal Administration Bureau	BOT	2018 – 2048	Free transfer upon expiration
Neijiang Project	Neijiang Municipal City Management and Administrative Law Enforcement Bureau	BOT	2018 – 2046	Free transfer upon expiration
Puyang Project	Puyang Municipal City Management Bureau	BOT	2021 – 2051	Free transfer upon expiration
Yining Project	Yining Municipal Administration Bureau	BOT	2020 – 2050	Free transfer upon expiration
Hetian Project	Hetian Municipal Administration Bureau	BOT	2016 – 2046	Free transfer upon expiration
Guilin Medical Waste Project	A company principally engaged in the solid waste treatment	TOT	2014 – 2042	Free transfer upon expiration

BUSINESS

BOT

The BOT model refers to a project delivery method in which a government authority or original asset owner grants a private enterprise the concession rights to finance, design, construct, operate, and maintain infrastructure for a defined period. During the concession term, the enterprise recovers its investment and earns a reasonable return by charging service fees or user tariffs. Upon expiry of the concession period, the ownership and operational rights of the facility are transferred back to the government or original owner. This is the predominant model employed by us and is widely used across many of our projects. We believe that this BOT model allows us to combine public oversight with private sector efficiency, ensuring high-quality infrastructure delivery while maintaining alignment with public service objectives. It can also provide a structured framework for long-term investment recovery and performance accountability.

Below are certain key terms under our BOT contracts with our government customers:

<i>Duration:</i>	For BOT contracts, the concession period is about 22 to 30 years.
<i>Construction of facilities and land use right:</i>	These agreements would typically include a construction timeline. We would be responsible for financing, designing, and building the facilities, with actual construction timelines varying by location and project type. The government may assist in securing land use rights, construction permits, and other necessary approvals to facilitate project development.
<i>Government support:</i>	Certain agreements with local governments may outline the fee structure for our services. These agreements may also include commitments from the government to support the establishment of certain facilities, facilitate grid connection, assist in securing electricity offtake agreements with local power grid companies, and also support the construction of water supply infrastructure.
<i>Termination:</i>	The local government may terminate concession or investment agreements under certain conditions, which can vary by project. Throughout the Track Record Period and up to the Latest Practicable Date, we remained in compliance with all relevant terms of our concession and investment agreements in material aspects. As of the Latest Practicable Date, we have not received any notice from local government partners indicating any material breach that could lead to termination of these agreements.
<i>Arrangement at the end of the concession period:</i>	BOT concession agreements may impose on us an additional requirement to transfer ownership of the BOT facilities to the local government at the end of the concession period with nil consideration.

BUSINESS

TOT

The TOT model is a project structure in which the government, the state-owned enterprise or original asset owner transfers the operational rights or limited-term ownership of an already constructed facility to a private enterprise. The enterprise is responsible for operating and maintaining the facility during the concession period, during which it recoups its investment and earns a return. At the end of the term, the facility is returned to the government or original owner. We believe that this model is particularly effective for revitalizing underutilized or legacy infrastructure. It enables us to bring in operational expertise, upgrade systems where necessary, and optimize performance without the need for new construction. The TOT model also allows for rapid deployment of services and efficient use of existing public assets, while ensuring that long-term control remains with the public sector.

Below are certain key terms under our TOT contracts with our government customers:

<i>Duration:</i>	For TOT contracts, the concession period is about 28 years.
<i>Government support:</i>	The local government or the local state-owned enterprise would typically transfer the operational rights or limited-term ownership of an already constructed facility to a private enterprise.
<i>Termination:</i>	The local government or the local state-owned enterprise may terminate concession or investment agreements under certain conditions, which can vary by project. Throughout the Track Record Period and up to the Latest Practicable Date, we have remained in material compliance with all relevant terms of our concession and investment agreements. As of the Latest Practicable Date, we have not received any notice from local government or the local state-owned enterprise partners indicating any material breach that could lead to termination of these agreements.
<i>Arrangement at the end of the concession period:</i>	TOT concession agreements may impose on us an additional requirement to transfer ownership of the TOT facilities to the local government or the local state-owned enterprise at the end of the concession period.

Project Lifecycle

The following illustrates the typical lifecycle of our projects:

Stage 1	Stage 2	Stage 3	Stage 4
1. Initiative from government through negotiations or public tender 2. Budgeting and proposal review 3. Project acquisition and negotiation 4. Funding and capital structure	5. Obtain approval and proceed with construction (not applicable to TOT projects) 6. Trial operations and operational readiness	7. Project operations and maintenance 8. Facility-specific practices	9. Project transfer

BUSINESS

1. **Initiative from government through negotiations or public tender.** The starting point of a project, typically begins with a government initiative either through investment procedures, or via public tender. The government would conduct certain preliminary work, such as acquiring the land rights, conducting early stage feasibility studies, and devising the technical specifications of the new project in alignment with its goals. Should such information become available to us either via public tender, or through direct communications or invitation to tender, we will then conduct an internal assessment to evaluate a potential project’s economic viability and environmental impact. Key considerations include resource availability, applicable on-grid tariffs, transportation logistics, zoning and planning conditions, government and community relationships, construction costs, projected revenue, and overall profitability. For waste-to-energy and waste treatment projects, we prioritize regions with strong industrial activity or environmental challenges, where government support is typically more robust.
2. **Budgeting and proposal review.** Once a project is identified, we initiate a detailed budgeting process by studying project specifications, such as expected power output, waste treatment capacity, and site location, from the local government. Based on these inputs, we would prepare a technical plan and estimates on the total construction costs, including land, buildings, equipment, labor, and ancillary expenses. We would then adjust financial assumptions, such as interest rates, and forecasts project returns based on expected tariffs, treatment fees, and raw material costs. These projections are discounted to present value to calculate the internal rate of return.
3. **Project acquisition and negotiation.** As of the Latest Practicable Date, a majority of our projects were secured through local government procedures.
4. **Funding and capital structure.** We are responsible for securing financing for the development and construction of our BOT projects. During the Track Record Period, we financed our projects through a combination of internal resources and loans.
5. **Obtain approval and proceed with construction.** Before construction begins, each project must obtain a series of regulatory approvals, including feasibility assessments, environmental impact evaluations, land planning and use permits, construction planning approvals, and permits to commence construction. Local governments generally assist in securing these approvals. Prior to commercial operation, projects must pass completion inspections, obtain construction completion certificates, and complete environmental and fire safety acceptance procedures. Additional licenses, such as electricity generation and operation permits, must also be secured before operations can officially begin. We will oversee the entire construction process, ensuring safety, quality, progress, and cost control. We are responsible for selecting independent contractors and equipment suppliers, implementing centralized procurement policies, and managing the installation and testing of systems. We would engage third-party contractors for design, construction, and supervision, while equipment suppliers handle manufacturing, delivery, and commissioning. Government authorities may conduct inspections and audits throughout the construction phase to ensure compliance with regulatory and quality standards. It is important to note that the construction and commissioning stages described above do not apply to TOT projects. These facilities are already built and transferred to us in operational condition, allowing us to focus solely on operation and maintenance without the need for initial development or construction activities.

BUSINESS

6. **Trial operations and operational readiness.** Once construction and equipment installation are complete, we conduct trial operations to evaluate performance against environmental, technical, and capacity benchmarks outlined in the concession or investment agreements. During this phase, we also recruit and train operational staff, establish standard operating procedures, and prepare documentation. If the facility meets all performance and compliance requirements, commercial operations commence upon receipt of the final approvals and licenses. Revenue may be recorded during the trial operation period.
7. **Project operations and maintenance.** We operate and maintain our facilities in accordance with the technical specifications of the equipment and the operational requirements of each project. Our approach emphasizes safety, reliability, and compliance with regulatory standards. We engage third-party service providers to perform routine inspections, monitoring, and maintenance of critical systems. In addition to regular upkeep, we plan and execute major overhauls and technical upgrades as needed to ensure long-term operational stability. These activities are scheduled based on equipment condition and performance trends, and are funded directly by us as part of our ongoing commitment to asset integrity.
8. **Facility-specific practices.** For waste-to-energy incineration projects, we implement continuous monitoring systems and conduct regular maintenance on core components such as incinerators, boilers, turbines, and emission control units. Predictive overhauls may also be initiated when monitoring data indicates potential issues, and targeted repairs are carried out promptly in the event of unexpected failures or damage. Maintenance is typically performed on specific equipment components when faults occur or when they reach the end of their service life, allowing for continued operation with minimal disruption. Across all projects, we ensure that gas emissions and wastewater discharge remain within permitted limits through periodic inspections, system upgrades, and adherence to regulatory standards.
9. **Project transfer.** Under our BOT project agreements, we are contractually obligated to transfer the completed facilities to the local government at the end of the concession period. This transfer must occur with the facilities in proper working condition, and we are also required to provide operational manuals, technical documentation, and training to ensure a smooth handover. In the case of TOT projects, the facilities are already constructed and transferred to us at the outset. We are responsible for operating and maintaining them during the agreed period, after which they are returned to the government. While we do not build these facilities, we are still required to ensure they are returned in good condition, often with restoration, replacement and maintenance made during our operational tenure.

Environmental Engineering Services

We also provide environmental engineering services such as landfill construction, soil and groundwater remediation, wastewater treatment, organic waste treatment and flue gas treatment, which provides efficient and sustainable solutions to our customers with improved regulatory compliance and environmental quality. In 2023, 2024 and 2025, the revenue generated from our environmental engineering services accounted for 23.5%, 11.3% and 7.5% of our total revenue, respectively.

Our services are provided with highest national and international standards. Our Suzhou Qizishan project, for example, was recognized with the prestigious National Municipal Golden Cup Demonstration Engineering Award (全國市政金杯示範工程) in 2015 by the China Municipal Engineering Association (中國市政工程協會). Internationally, our Myanmar Letpadaung Copper Mine project was honored with the Luban Prize for China Construction Engineering (中國建設工程魯班獎) in 2021 by the China Construction Industry Association (中國建築業協會), which is the country’s premier construction award. Moreover, our projects such as the Tengger Desert Environmental Restoration project, the Xiawan Port Ecological Governance project underscored our excellence in high-quality construction, environmental compliance, and operational reliability.

BUSINESS

The following sets out the showcase projects of our environmental engineering services during the Track Record Period:

I. Liulitun Project

Liulitun Project is a landmark risk mitigation project implemented at the Liulitun solid waste sanitary landfill site in Beijing. We are responsible for the design and construction of an integrated vertical seepage prevention and risk control system, including the implementation of a vertical cut-off barrier system, demolition and reinstatement of perimeter fencing, river channel restoration, and landscaping and soil restoration works, to prevent the migration of contaminants from the Liulitun landfill site and mitigate adverse impacts on the surrounding environment.

Under this project, we adopted the flexible vertical pollution control barrier system, an advanced pollution prevention and control technology included in the 2020 National Catalogue of Advanced Pollution Prevention and Control Technologies (國家先進污染防治技術名錄) issued by the Ministry of Ecology and Environment of the PRC. The system has a total length of approximately 2,722 meters, an average depth of approximately 41 meters and a maximum depth of 54 meters, forming an integrated vertical seepage control plane to effectively prevent the migration of contaminants. We provide our services under an engineering and construction agreement with a total contract value of RMB267.9 million.

The Liulitun Project marks Beijing’s first flexible vertical pollution control project and represents the deepest isolation barrier implemented in a municipal solid waste landfill in China. The key technologies applied in the Liulitun Project were awarded the Second Prize Huaxia Construction Science and Technology Awards (華夏建設科學技術獎二等) in 2024.

II. Xinyi Project

Xinyi Project is a waste remediation and utilization project, which is located in Xinyi city, Guangdong province. The Xinyi Project serves as a demonstration of comprehensive engineering-services of stockpile landfill remediation, resource recovery and deep leachate treatment in the region. We provide design and construction services under this project. In particular, our principal design and construction work include the excavation and screening of approximately 400,000 m³ of stockpiled waste, the treatment and disposal of all screened fractions, the collection and treatment of approximately 40,000 tons of leachate and the subsequent restoration and reuse of the site.

The Xinyi Project is supported by a series of integrated remediation and advanced treatment technologies. For stockpiled waste, we adopt a “classified screening and resource utilization” process to separate and recover different fractions of stockpiled waste. For leachate, we apply a “pre-treatment plus dual-stage disk-tube-reverse-osmosis plus mechanical-vapor-recompression evaporation system plus residue solidification” process to achieve full-volume treatment and minimize secondary pollution.

RESEARCH AND DEVELOPMENT

We are dedicated to technological innovation and the continuous development of new products and services. In 2023 and 2024 and 2025, our R&D expenses amounted to RMB324.0 million, RMB509.1 million, and RMB458.5 million, representing 3.1%, 3.5%, and 3.1% of our total revenue, respectively, in the each year during the Track Record Period. We plan to maintain substantial investment in R&D to drive continuous innovation and strengthen our core competitiveness.

BUSINESS

R&D Collaboration

We collaborate with prestigious academic institutions and research academies to jointly develop core technologies that address critical industry challenges. We successfully led eight major national and provincial-level research projects covering key areas such as soil restoration, underground water treatment, and solid waste resource utilization.

Specifically, at the provincial level, our key projects include the “Key Technology Breakthrough and Industrialization for Collaborative Efficient Green Smelting of Lead-based Solid Waste Resources” (甘肅省科技重大專項計畫-鉛基固廢資源協同高效綠色冶煉關鍵技術攻關及產業化) in partnership with the Northwest Research Institute of Mining and Metallurgy; the “R&D and Demonstration of In-situ Microwave Thermal Desorption Technology and Equipment for Complex Organic Contaminated Sites” (天津市科技計畫-複合有機污染場地原位微波熱脫附技術與裝備研發及示範) with Nankai University; and the “Deep Processing of Fine Bismuth and Production of Ultra-pure Micron-level 4N Bismuth Trioxide Project” (精銻精深加工生產超純微米級4N三氧化二銻項目) with Lanzhou University of Technology.

Under the National Key R&D Program (國家重點研發計劃), we are conducting the “Full-scale Demonstration of Enhanced Multi-phase Extraction and Purification Technology for Typical Sites” (典型場地強化多相抽提與淨化技術全流程規模化示範) in collaboration with Shanghai University and Nanjing University. We are also undertaking the “Research on In-situ Collaborative Restoration Technologies for Heavily Polluted Areas in Large Complex Petrochemical Sites” (大型複雜石化場地重污染區原位協同修復技術研究) with the Chinese Research Academy of Environmental Sciences. We are also working on the “Optimization and Verification of Collaborative Restoration Mechanisms for Multi-media Soil-Water Pollution” (場地土壤-水污染多介質組合技術優化協同整治機制與驗證) with the CAS Nanjing Institute of Soil Science, Nanjing University, and China University of Geosciences; the “Engineering Demonstration of In-situ Synchronous Restoration of Underground Water in Organic Contaminated Sites” (有機污染場地地下水原位同步修復工程示範) with Chengdu University of Technology; as well as the “Application Demonstration and Safety Evaluation of Selective Detoxification using Nano-photocatalytic Materials” (納米光催化材料選擇性脫毒的應用示範與安全性評價) with the University of Science and Technology of China, East China University of Science and Technology, and Tongji University.

In addition, we have also established a recognized research base, which have been approved to operate our own Postdoctoral Research Station in Zhongguancun Science Park (中關村科技園區海澱園博士後工作站分站). We have a highly capable team with strong problem-solving abilities. We have also established a postdoctoral innovation and entrepreneurship base to promote the industrialization of advanced technologies. As of December 31, 2025, our Company and our major subsidiaries had 493 patents, 37 software copyrights, 55 trademarks and three domain names in China. Furthermore, we made significant contribution in formulating industry standards by either leading or participating in the drafting of 103 international, national, industry, and organizational standards and technical specifications. We led the development and application of new technologies in project construction, ensuring quality and timely delivery.

BUSINESS

Key Technologies

Through continuous research and technical breakthroughs, we have addressed complex challenges in resources recycling and utilization, environmental services projects and environmental engineering services, contributing significantly to technological progress in the industry. After years of continuous R&D investment, our key technologies are listed below:

Key Technologies	Achievements
In-situ Monitoring and Control Technology and Equipment for Gas-Liquid Induced Disasters in Solid Waste Landfills	We have achieved a significant breakthrough in the safety and long-term service of solid waste landfills. By developing core technologies such as “source regulation and long-term inhibition of gas-liquid induced disasters,” we have fundamentally shifted from passive remediation to active prevention and control. Through precise identification and systematic regulation of the generation, migration, and accumulation processes of gases and leachate within the landfill body, we suppress gas-liquid coupled disaster risks from the source. This technology possesses forward-looking regulation and long-term protection capabilities, which can reduce the probability of disasters such as leakage, landslides, and explosions, enhance structural stability, extend the safe service life of landfills, and provide reliable assurance for the long-term safe operation of large-scale and aged landfills. It meets the industry’s urgent demand for high-standard environmental safety. This technology was awarded the Second Prize of the National Technology Invention Award (國家技術發明獎二等獎) in 2024.
Key Technologies and Applications for Systematic Prevention, Control, and Enhanced Remediation of Groundwater Pollution in Landfills	We have achieved a significant breakthrough in the prevention, control, and remediation of groundwater pollution in landfills, successfully developing a vertical flexible composite barrier system and a precise source extraction and treatment technology for pollutants. This technology effectively addresses long-standing engineering challenges such as deep insertion of flexible membranes, sealed system connections, and pollutant bypass flow, thereby enhancing the overall performance and reliability of the anti-seepage system. While achieving the goal of “approaching zero infiltration,” it also reduces comprehensive engineering costs. This technology was awarded the Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎二等獎) in 2017.
Development and Application of Key Technologies for Synergistic Utilization of Multi-Source Solid Waste from Copper-Lead-Zinc Smelting	We have achieved major breakthroughs in key technologies such as precision sorting of precious metals and synergistic control of multi-media pollution, enabling the precise and coordinated smelting of multi-source solid waste. This technology has significantly increased the recovery rate of recycled metals and addresses critical industry challenges, including low metal recovery rates, difficulties in controlling hazardous components, and high costs of resource-based disposal. Leveraging this innovation, we have established a closed-loop operation for recycling copper-, lead-, and zinc-containing waste, which has been implemented across our production bases in Gansu, Hubei, Jiangxi, and other regions in China. This technology was awarded the First Prize of Gansu Provincial Science and Technology Progress Award (甘肅省科技進步一等獎) in 2022.

BUSINESS

Key Technologies

Achievements

Development and Engineering
Application of Resource
Recovery and Environmentally
Sound Treatment Technology for
Complex Zinc-Bearing Lead-
Based Solid Waste

We have made significant breakthroughs in the resource utilization of complex zinc-containing lead-based solid waste, successfully developing an integrated treatment process covering intensified smelting, efficient dust collection, and hydrometallurgical purification. This technology effectively addresses common industry challenges such as the complex composition of zinc-containing lead-based solid waste, high pollution risks, and difficulties in resource recovery. Through the synergistic application of specialized additives, precise kiln control, and an efficient flue gas purification system, it achieves the integration of high-efficiency extraction of valuable metals and environmentally harmless treatment throughout the entire process. Leveraging this technology, we have successfully constructed and stably operated an industrial production line, establishing a comprehensive technology and equipment system along with standardized protocols. This provides reliable technical support and a demonstration effect for the green transformation and upgrading of related industries. The technology was awarded the Second Prize of the China Non-ferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術二等獎) in 2023.

Optimization and Application of
Multimetallic Cascade Recovery
Process in Hydrometallurgical
Zinc Purification

To address the enrichment and recovery of rare and precious metals during the hydrometallurgical zinc process, we systematically investigated the occurrence states of these metals in smelting slag and flue dust, elucidated the physicochemical mechanisms governing their volatilization and enrichment, and developed a novel multi-stage high-efficiency enrichment process along with a complete set of technologies. This enables the efficient and synergistic recovery of multiple valuable metals during zinc hydrometallurgy. By integrating multi-stage directional separation and enrichment methods during the purification phase, the process significantly improves overall metal recovery efficiency and product purity, while effectively controlling pollutant emissions and reducing environmental risks. It also enhances the overall stability and adaptability of the system, providing viable technical support for the resource utilization of complex polymetallic materials. This technology was awarded the Third Prize of the Gansu Provincial Technology Invention Award (甘肅省技術發明獎三等獎) in 2023.

BUSINESS

Key Technologies

Achievements

Development and Application of Key Technologies for Low-Carbon Smelting and High-Efficiency Resource Recovery of Heavy Metal-Bearing Hazardous Waste

We have systematically investigated the physicochemical reactions involved in the oxygen-enriched smelting of heavy metal hazardous waste. Through innovations in the smelting system and process control, we have achieved low-carbon treatment and multi-component resource synergistic recovery of heavy metal hazardous waste. Focusing on energy consumption optimization and emission control during smelting, key breakthroughs have been made in pre-treatment, molten-state reduction, and flue gas purification, significantly improving the recovery rate of valuable metals while reducing the risk of secondary pollution. This technology effectively integrates resource recycling with carbon emission reduction, enhances the stability and environmental friendliness of the entire process, and provides critical technical support for the large-scale and clean resource utilization of heavy metal hazardous waste. The technology was honored with the Third Prize of the Hubei Provincial Science and Technology Progress Award (湖北省科學進步獎三等獎) in 2024.

Key Technologies and Demonstration Applications for Pollution Barrier and Ecological Remediation of Non-ferrous Metallurgical Solid Waste Dump Sites

We have successfully developed and scaled up the application of an integrated barrier technology system featuring “flexible vertical anti-seepage + horizontal barrier anti-seepage.” This system focuses on the environmental risk prevention and control of waste dumps. Through dump reshaping and stabilization, combined with flexible vertical barriers and surface horizontal sealing, and complemented by rainwater drainage and leachate collection and treatment systems, it constructs an integrated aboveground-underground barrier. This effectively blocks pollution sources and intercepts migration pathways, ultimately achieving ecological Remediation through soil covering and revegetation. This technology was awarded the First Prize of the China Non-ferrous Metals Industry Science and Technology Award (中國有色工業科學技術獎一等獎) in 2022.

Research and application of precise detection technologies for key risk sources of hazardous waste leakage and long-term remediation technologies for groundwater pollution

We have successfully developed “segmented slow-pressure in-situ reagent injection technology and equipment,” addressing industry challenges in deep groundwater pollution remediation such as low reagent transport efficiency, long cycles, and high costs. This technology targets complex conditions of low temperature, low oxygen levels, and significant variability in pollutant mobility in groundwater. Through innovative injection mechanisms, it enhances the uniform distribution of reagents in the stratum and their targeted removal capability, avoiding issues of remediation tailing and unstable effectiveness. The technology exhibits good deep adaptability and process controllability, achieving efficient remediation while reducing treatment costs and secondary risks. This technology was awarded the Second Prize of the Environmental Protection Science and Technology Award (環境保護科學技術獎二等獎) in 2023.

BUSINESS

Key Technologies

Key Technologies and Applications for Comprehensive Management and Control of Heavy Metal Pollution in Historically Accumulated Solid Waste from Electronic Waste Dismantling Areas

Combined Chemical Leaching and Chemical Reduction Technology for Remediating Contaminated Soil

Achievements

We have achieved a significant technological breakthrough in the remediation of historically accumulated heavy metal solid waste, successfully developing an “efficient risk management and control technology system.” This system systematically addresses multiple industry challenges in the containment, sealing, and stabilization treatment of solid waste from electronic dismantling and lead-zinc solid waste. The technology effectively overcomes issues such as poor in-situ injection performance of traditional barrier materials in rock fissures, the inability of cement to solidify in high-sulfate environments, and the high ecological toxicity of chemical grouts. It also resolves problems associated with conventional heavy metal stabilization technologies, including high costs, large volume increase ratios, complex processes, and insufficient long-term stability. This provides a reliable overall solution for the safe management and green remediation of historically heavy metal-contaminated sites. This technology was awarded the Second Prize of the Environmental Protection Science and Technology Award (環境保護科學技術獎二等獎) in 2022.

We have achieved a significant technological breakthrough in the remediation of heavily hexavalent chromium-contaminated soil, developing a combined chemical leaching-reduction remediation technology based on intelligent monitoring and stage switching. This technology, through precise control of the leaching and reduction processes, combined with low liquid-to-solid ratio spraying and reagent recycling, reduces water consumption, reagent dosage, and operational costs, while improving the removal and reduction efficiency of hexavalent chromium. It effectively addresses engineering challenges in traditional methods, such as incomplete reactions and difficulties in solid-liquid separation, providing an efficient solution for the rapid and safe redevelopment of contaminated sites. This technology has been included in the 2023 List of Practical Technologies and Demonstration Projects for Ecological and Environmental Protection (2023生態環境保護實用技術與示範工程名錄).

BUSINESS

SALES AND CUSTOMERS

Sales Network

We maintain a dedicated sales team, primarily based in the PRC, which is responsible for direct communication with our customers. Our sales personnel engage with customers to obtain their specific product or service requirements and negotiate the terms of sales. Our selling and marketing expenses amounted to RMB143.6 million, RMB97.7 million and RMB106.4 million in 2023, 2024 and 2025, respectively, accounting for 1.4%, 0.7%, and 0.7% of total revenue, respective, in each year during the Track Record Period.

Our Customers

During the Track Record Period, our customers primarily include companies engaging in non-ferrous metal smelting and advanced processing and sales of metal products as well as government agencies and state-owned electricity companies. The salient terms of standard sales agreements are set out as below.

Resources Recycling and Utilization

- **Quality of the products.** The quality of the products shall comply with the specific standards agreed between us and our customers.
- **Delivery.** We are usually responsible for delivering the goods to the location designated by the customers or, where agreed, the customers arrange for self-pickup. The allocation of risks during transportation is determined in accordance with the relevant contractual arrangements.
- **Price.** Prices of the product are usually determined by reference to SMM/SHFE prices.
- **Payment Terms.** Customers usually pay us by bank transfer with an advance payment before shipping, and the remaining balance after the goods are delivered and accepted.
- **Product Return/Exchange.** We offer return and exchange services in case of quality issues with our products.
- **Confidentiality.** We usually set confidentiality clauses with customers and such obligation shall continue to exist regardless of the termination of the agreement.

Environmental Services Projects Operation

- **Term.** Generally 22 to 30 years.
- **Scope of Service.** We are responsible for building the facilities, as well as operating and maintaining the project.
- **Price.** Prices of the project are usually comprise service fees for sales of electricity, sales of steam and treatment of waste.
- **Payment Method.** Customers usually pay us by bank transfer after we submit a valid invoice and upon acceptance of the service, as detailed in the payment schedule in the specific concession or service agreement.

BUSINESS

Environmental Engineering Services

- **Scope of Service.** We are responsible for providing full-process design, procurement and construction services, and assume overall responsibility for project quality, safety, progress and cost control.
- **Price.** Prices of the project usually comprise design fees, material and equipment procurement costs, construction and installation expenses, as well as other relevant charges.
- **Payment Method.** Customers generally pay us by bank transfer and payments are usually structured as an advance payment followed by periodic installment payments.
- **Performance Bond.** A performance bond is usually required from us, which generally does not exceed 3% of the total contract value.

Pricing

For the recycling of metal resources, we primarily price our products by referencing to the SMM/SHFE prices over an agreed period as the metal pricing benchmark, together with the applicable procurement coefficients; while for the recycling of non-metal resources, we primarily price our products by referencing to estimated production costs, our integrated competitive advantages, the prevailing competitive landscape, payment risks and settlement terms.

For the operation of environmental services projects, we primarily price our projects by referencing to expected project returns, the local population and waste-generation scale, potential incremental revenue beyond the BOT or TOT scope, the payment capacity and credit profile of the relevant municipal authorities or project owners, the likelihood of subsequent expansion phases and other project-specific conditions.

For the environmental engineering services, we primarily price our projects by referencing to the costs, profit margin, intensity of competition, tendering requirements and other project-specific conditions.

Furthermore, we periodically review our operating costs to ensure our prices are up-to-date and reflective of current market conditions. This allows us to adjust prices as necessary to meet our business needs and maintain our competitive edge. We do not consider ourselves to be heavily exposed to credit risks and payment collection risks from our customers. As our standard practice, we generally request advance payment from our customers, while also providing them with a credit period up to 90 days. This credit period is subject to various factors, including their background, reputation within the industry, payment history, creditworthiness, and the duration of our business relationship with them.

During the Track Record Period, most of our environmental services projects and environmental engineering projects were secured by tender or quotations. In 2023, 2024 and 2025, we submitted 117, 90 and 53 tenders and quotations and were awarded 59, 33 and 25 projects, respectively. Our overall success rate for the tenders and quotations submitted was approximately 50.4%, 36.7% and 47.2% in 2023, 2024 and 2025, respectively.

BUSINESS

After-sales

We value customer experience and are dedicated to offering attentive customer service to our customers. We employ a comprehensive system and our sales personnel are committed to ensuring that our customers receive prompt and effective assistance. We offer after-service support and operational assistance in case of quality issues with our products or services. During the Track Record Period, we have not received any material complaints or product returns from our customers. We believe that we have provided satisfying products and customer services to our customers.

Major Customers

Revenue from our five largest customers in each year during the Track Record Period accounted for approximately 33.8%, 30.8% and 26.1%, respectively, of our total revenue. Revenue from our largest customer in each year during the Track Record Period accounted for approximately 9.8%, 11.8% and 6.9% of our total revenue.

The tables below set out the basic information of our top five customers during the Track Record Period.

For the year ended December 31, 2025

Customer	Product sold provided by us	Customer background	Revenue (RMB'000)	% of total revenue %	Year of commencing business relationship
Customer A	Metal products	A company that is primarily engaged in the sale of metal products	1,011,281	6.9	2024
Customer B	Metal products	A state-owned enterprise that is primarily engaged in the processing of copper products, currently listed on the Shanghai Stock Exchange	877,409	6.0	2023
Customer C	Metal products	A company that is primarily engaged in the sale of metal products, currently listed on the Shanghai Stock Exchange	720,886	4.9	2023
Customer D	Metal products	A company that is primarily engaged in the sale of metal products	683,827	4.6	2018
Customer E	Electricity	A state electricity corporation that is primarily engaged in the generation and supply of electricity and heat	544,343	3.7	2018
Total			<u>3,837,746</u>	<u>26.1</u>	

BUSINESS

For the year ended December 31, 2024

Customer	Product sold provided by us	Customer background	Revenue (RMB'000)	% of total revenue %	Year of commencing business relationship
Customer B	Metal products	A state-owned enterprise that is primarily engaged in the processing of copper products, currently listed on the Shanghai Stock Exchange	1,714,816	11.8	2023
Customer F	Metal products	A company that is primarily engaged in the sale of metal products	941,646	6.5	2023
Customer D	Metal products	A company that is primarily engaged in the sale of metal products	728,080	5.0	2018
Customer I	Polymer materials, packaging materials and equipment	A company that is primarily engaged in the provision of construction materials and construction services, currently listed on the Shenzhen Stock Exchange	554,032	3.8	2016
Customer G	Metal products	A company that is primarily engaged in the sale of metal products	533,777	3.7	2024
Total			4,472,350	30.8	

For the year ended December 31, 2023

Customer	Product sold provided by us	Customer background	Revenue (RMB'000)	% of total revenue %	Year of commencing business relationship
Customer B	Metal products	A state-owned enterprise that is primarily engaged in the processing of copper products, currently listed on the Shanghai Stock Exchange	1,035,075	9.8	2023
Customer D	Metal products	A company that is primarily engaged in the sale of metal products	795,530	7.5	2018
Customer I	Polymer materials, packaging materials and equipment	A company that is primarily engaged in the provision of construction materials and construction services, currently listed on the Shenzhen Stock Exchange	632,132	6.0	2016
Customer E	Electricity	A state electricity corporation that is primarily engaged in the generation and supply of electricity and heat	558,255	5.3	2018
Customer H	Metal products	A company that is primarily engaged in the sale of metal products	551,204	5.2	2023
Total			3,572,196	33.8	

BUSINESS

As of the Latest Practicable Date, Mr. Li, chairman of the Board, our executive Director and our single largest Shareholder, held approximately 20.2% interest in Customer I. Save as disclosed, to the knowledge of our Directors, as of the Latest Practicable Date, none of our Directors and their respective associates or any Shareholders holds more than 5% of our issued share capital had any interests in any of our five largest customers in each year of the Track Record Period.

SUPPLY CHAIN MANAGEMENT

We place great importance on our supply chain management in enhancing our competitive edge. We aim to procure goods and services that meet production and operational needs in a timely, location-appropriate, quality-assured, and cost-effective manner. Our supply chain management ensures that product quality, delivery times and services consistently meet our requirements.

Our suppliers primarily consist of (i) companies in the metal production and smelting, electroplating, electronics and chemical industries; and (ii) independent contractors, equipment vendors, and service firms specializing in environmental testing, repair and maintenance.

Raw Materials

For the recycling of metal resources, we source a diverse range of raw materials from suppliers located primarily in regions with concentrated non-ferrous metals industries and abundant upstream and downstream resources, such as Gansu province and Jiangxi province. The key raw materials for our products include metal-bearing industrial waste and residues generated during industrial production. For the recycling of non-metal resources, the key raw materials for our products include discarded tires, airbag fabrics and textiles of end-of-life vehicles and used medical infusion containers.

For our environmental services projects, the primary feedstock comprises household waste collected through local government collection systems and delivered to our waste-to-energy facilities in accordance with the relevant concession or service agreements. For our environmental engineering services, the principal materials used include construction materials such as geomembrane, bentonite, waterproof blankets and other project-specific engineering supplies sourced from qualified suppliers.

Supplier Selection and Procurement Control

We select our suppliers based on various factors, including but not limited to product or service quality, pricing, delivery time and supply chain traceability, to ensure the quality of the goods and services. We have a list of approved suppliers, which is maintained and updated on a periodical basis by our procurement team. In addition, we also regularly review and evaluate our suppliers and their product quality to ensure they abide by our quality standard and will continue to satisfy our production and future development needs. We procure different raw materials and services from multiple suppliers in mitigating the risk of single supplier reliance and ensuring the timely delivery of our products, thereby enhancing customer satisfaction.

In addition, we also follow a structured process in selecting subcontractors, which typically involves competitive tendering, qualification review, and technical and safety assessments. Only subcontractors that meet our requirements in terms of experience, licensing, project track record, financial stability and quality assurance capabilities are shortlisted. We further monitor their performance through ongoing on-site supervision, periodic evaluations and strict quality-control measures to ensure that subcontracted works comply with our engineering, safety and environmental standards.

BUSINESS

To enhance the integrity of our supply chain network, we have established anti-kickback policies and procedures. These measures include a zero-tolerance policy, supply agreements strictly prohibiting bribery and kickbacks, and severe penalties including termination for any breaches. We have established a reporting mechanism involving a code of conduct with suppliers, allowing both suppliers and employees to report instances of bribery or kickbacks directly to management.

The goods and services are primarily determined by negotiation based on the market price and the quantity of our procurement. In the event of significant price fluctuations in the market, prices may be adjusted, subject to both parties’ mutual agreement, with reference to the market prices.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any quality and delivery issues, significant shortages or delays with the goods and services that materially affected our operations. The salient terms of standard procurement agreements are set out as below.

Resources Recycling and Utilization

- ***Quality assurance.*** The quality of products shall comply with the specific standards agreed between us and our suppliers.
- ***Delivery.*** Our suppliers are usually responsible for delivering the goods to the location designated by us.
- ***Price.*** Prices of the product are usually determined by reference to the SMM/SHFE prices.
- ***Payment Terms.*** We typically pay our suppliers by bank transfer, with an advance payment made before delivery. The remaining balance is settled after the goods are received, inspected, and quality is confirmed and upon receipt of the full-value VAT invoice.
- ***Return/Exchange.*** We are entitled to return and exchange services in case of quality issues with our products.

Operation of Environmental Services Projects

- ***Scope of Service.*** Our suppliers are engaged to provide environmental-related services and products, such as environmental testing and monitoring services and the supply, transportation and handling of waste-related materials, in accordance with the specifications, standards and requirements set out in the relevant contracts.
- ***Payment Method.*** We usually pay our suppliers by bank transfer on a quarterly basis, following the completion of the relevant services or delivery of products and acceptance by us, and subject to the receipt of valid invoices in accordance with the relevant contracts.
- ***Termination.*** Contract may terminate for force majeure, material breach or changes in laws governmental policies, with rights and obligations settled per contract.

BUSINESS

Environmental Engineering Services

- **Scope of Service.** Suppliers are responsible for providing full-process design, procurement and construction services, and assume overall responsibility for project quality, safety, progress and cost control.
- **Price.** Prices of the project usually comprise design fees, material and equipment procurement costs, construction and installation expenses, as well as other relevant charges.
- **Payment Method.** We usually settle payments to our suppliers by bank transfer in instalments.
- **Performance Bond.** A performance bond is usually withheld by us, which generally does not exceed 5% of the total contract value.

Major Suppliers

Purchases from our five largest suppliers for each year during the Track Record Period accounted for approximately 18.0%, 16.2% and 22.4% of our total purchases. Purchases from our largest supplier for each year during the Track Record Period accounted for approximately 7.2%, 5.0% and 7.2% of our total purchases.

For the year ended December 31, 2025

Supplier	Product procured by us	Supplier background	Purchase amount (RMB'000)	% of total purchase amount %	Year of commencing business relationship
Supplier A	Metal containing waste	A company that is primarily engaged in the production of non-ferrous metals	966,180	7.2	2022
Supplier B	Metal containing waste	A large state-owned enterprise that is primarily engaged in the production of non-ferrous metals	720,549	5.4	2017
Supplier C	Metal containing waste	A company that is primarily engaged in the production of non-ferrous metals	714,109	5.3	2023
Supplier D	Metal containing waste	A company that is primarily engaged in the production of non-ferrous metals	365,308	2.7	2022
Supplier E	Electricity	A state electricity corporation that is primarily engaged in the generation and supply of electricity and heat	243,791	1.8	2003
Total			<u>3,009,937</u>	<u>22.4</u>	

BUSINESS

For the year ended December 31, 2024

Supplier	Product procured by us	Supplier background	Purchase amount (RMB'000)	% of total purchase amount %	Year of commencing business relationship
Supplier A	Metal containing waste	A company that is primarily engaged in the production of non-ferrous metals	627,600	5.0	2022
Supplier B	Metal-containing materials	A large state-owned enterprise that is primarily engaged in the production of non-ferrous metals	548,250	4.3	2017
Supplier F	Metal-containing materials	A company that is primarily engaged in the production of non-ferrous metals	314,782	2.5	2023
Supplier C	Metal-containing materials	A company that is primarily engaged in the production of non-ferrous metals	292,268	2.3	2023
Supplier D	Metal-containing materials	A company that is primarily engaged in the production of non-ferrous metals	265,044	2.1	2022
Total			<u>2,047,944</u>	<u>16.2</u>	

For the year ended December 31, 2023

Supplier	Product procured by us	Supplier background	Purchase amount (RMB'000)	% of total purchase amount %	Year of commencing business relationship
Supplier B	Metal-containing materials	A large state-owned enterprise that is primarily engaged in the production of non-ferrous metal	779,248	7.2	2017
Supplier F	Metal-containing materials	A company that is primarily engaged in the production of non-ferrous metal	327,126	3.1	2023
Supplier G	Metal-containing materials	A company that is primarily engaged in the production of non-ferrous metal	310,725	2.9	2021
Supplier H	Metal-containing materials	A company that is primarily engaged in the production of non-ferrous metal	305,835	2.9	2022
Supplier E	Electricity	A state electricity corporation that is primarily engaged in the generation and supply of electricity and heat	207,875	1.9	2003
Total			<u>1,930,809</u>	<u>18.0</u>	

To the knowledge of our Directors, as of the Latest Practicable Date, none of our Directors and their respective associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest suppliers in each year of the Track Record Period.

BUSINESS

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Customer B was one of our five largest customers in 2023, 2024 and 2025. Meanwhile, Customer B was also a supplier of our Company in each year during the Track Record Period. Customer B is a company engaged in the processing of copper products in China. We primarily sold metal products to Customer B and primarily procured metal-containing materials from it. In 2023, 2024 and 2025, our sales to Customer B amounted to RMB1,035.1 million, RMB1,714.8 million and RMB877.4 million, respectively, accounting for 9.8%, 11.8% and 6.0% of our total revenue for the same years, respectively. In 2023, 2024 and 2025, our purchases from Customer B amounted to RMB19.2 million, RMB23.4 million and RMB27.4 million, accounting for 0.2%, 0.2% and 0.2% of our total purchases for the same years, respectively.

Customer E was one of our five largest customers in 2023 and 2025 and a customer of our Company in 2024. Meanwhile, Customer E was also one of our five largest suppliers, namely Supplier E in 2023 and 2025 and a supplier of our Company in 2024. Customer E is a state electricity corporation engaged in the generation and supply of electricity and heat in China. We primarily sold electricity generated by our waste-to-energy incineration projects to Customer E and primarily use electricity supplied by Customer E to support our operations. In 2023, 2024 and 2025, our sales to Customer E amounted to RMB558.3 million, RMB530.9 million and RMB544.3 million, respectively, accounting for 5.3%, 3.7% and 3.7% of our total revenue for the same years, respectively. In 2023, 2024 and 2025, our purchases from Customer E amounted to RMB207.9 million, RMB256.7 million and RMB243.8 million, accounting for 1.9%, 2.0% and 1.8% of our total purchases for the same years.

Supplier B was one of our five largest suppliers in 2023, 2024 and 2025 and a customer of our Company during the Track Record Period. Supplier B is a company engaged in the manufacturing of non-ferrous metals in China. We primarily sold copper matte and gold ingots to Supplier B and primarily procured metal-containing materials from it. In 2023, 2024 and 2025, our purchases from Supplier B amounted to RMB779.2 million, RMB548.3 million and RMB720.5 million, respectively, accounting for 7.2%, 4.3% and 5.4% of our total purchases for the same years, respectively. In 2023, 2024 and 2025, our sales to Supplier B amounted to RMB126.9 million, RMB155.7 million and RMB163.7 million, accounting for 1.2%, 1.1% and 1.1% of our total revenue for the same years, respectively.

Customer I was one of our top five customers in 2023 and 2024. Meanwhile, Customer I was also our supplier throughout the Track Record Period. Customer I is a company listed on the Shenzhen Stock Exchange and primarily engaged in the provision of construction materials and construction services. We primarily sold polymer materials, packaging materials and equipment to Customer I and primarily procured waterproofing engineering services from it. In 2023, 2024 and 2025, our sales to Customer I amounted to RMB632.1 million, RMB554.0 million and RMB541.6 million, respectively, accounting for 6.0%, 3.8% and 3.7% of our total revenue for the same years, respectively. In 2023, 2024 and 2025, our purchases from Customer I amounted to RMB38.0 million, RMB21.2 million and RMB6.9 million, accounting for 0.4%, 0.2% and 0.1% of our total purchases for the same years, respectively.

BUSINESS

As of the Latest Practicable Date, Mr. Li, chairman of the Board, our executive Director and our single largest Shareholder, held approximately 20.2% interest in Customer I. Save as disclosed above and save for the purchases and sales transactions, we do not have any other past or present relationships (including, without limitation, financing, family, employment, trust or otherwise) with each of Customer B, Customer E (also Supplier E), Customer I, Supplier A and Supplier B, its respective substantial shareholders, directors or senior management, or any of its respective associates.

Save as disclosed above, to the best of our knowledge, none of our five largest customers/suppliers in each year during the Track Record Period was a supplier/customer of us.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of December 31, 2025, our Company and our major subsidiaries had 493 patents, 37 software copyrights, 55 trademarks and three domain names in China. See “Appendix VI – Statutory and General Information – Further Information about our Business – Intellectual Property Rights.” We rely on a combination of intellectual property protections laws in the jurisdictions in which we operate and contractual arrangements (including confidentiality provisions) to establish and protect our proprietary technologies, know-how and other intellectual property rights.

We proactively manage and expand our intellectual property portfolio and use confidentiality and non-compete agreements to protect our intellectual properties and trade secrets. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. See “Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adequately protect our intellectual property rights, and uncertainty regarding the validity, enforceability or scope of our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.”

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we were not aware of any legal proceedings preventing us from exploiting our intellectual property rights in a manner that would materially and adversely affect our business, or legal proceedings brought against us for infringement of intellectual property rights that would have a material adverse effect on our business, financial condition or results of operations.

COMPETITION

In the metal resources recycling industry, we compete with a number of large-scale and well-established domestic participants in the metal resources recycling market in China. The metal resources recycling market in China increased at a CAGR of 7.2% from 2020 to 2024, primarily due to the implementation of national strategies for green development and strategic resource security. In the future, the landscape will be shaped by innovation-led high-quality development as well as supply-demand integration. The metal resource recycling market in China is expected to reach RMB2,653.9 billion in 2029, representing a CAGR of 10.6% from 2025 to 2029.

BUSINESS

According to Frost & Sullivan, the key barriers to enter into the metal resources recycling industry include licensing and regulatory, technical, capital, and supply chain obstacles. We ranked first among companies in the hazardous waste recycling market in China in the recycling of bismuth and antimony resources in terms of revenue in 2024. We ranked third among companies in the hazardous waste recycling market in China in the recycling of copper and platinum-group metals resources in terms of revenue in 2024. In addition, we are among the few companies in the industry that are able to recycle all key metals of the platinum-group metals. Our competitive strengths, such as robust R&D capabilities, our sustainable recycling solutions, and our integrated operations along the industry value chain, enable us to compete effectively with other market players.

In the environmental services operation industry, according to Frost & Sullivan, the waste-to-energy incineration in China has seen dramatic growth, supported by policy imperatives to eliminate urban waste landfills and build foundational disposal capacity. We are well positioned in the waste-to-energy environmental services market through our stable operational capabilities, proven project operation experience and technology-driven efficiency improvements.

EMPLOYEES

As of December 31, 2025, we had a total of 4,834 full-time employees. The following table sets out a breakdown of our employees by business function as of the same date:

Function/department	<i>Number of employees</i>	<i>% of total employees</i>
Sales	260	5.4
Technology and R&D	577	11.9
Project management	221	4.6
Administrative and support	1,041	21.5
Production and operations	2,735	56.6
Total	4,834	100.0

We believe that our employees contribute to the success of our Group and we are committed to providing competitive compensation and benefits. We recruit employees based on a number of factors such as their industry experience in the industries which we operate, their educational background and our business needs. Our employees would also undergo training to enhance their technical skills, knowledge of industry quality standards, occupational health and safety standards and applicable laws and regulations from time to time. We enter into standard employment contracts and confidentiality agreements with our employees. We also enter into non-competition agreements with our key employees.

We participate in social security plans, including pension, unemployment insurance, childbirth insurance and medical insurance and housing funds. In addition to traditional employee compensation plans and allowance scheme, we also adopt various share incentive plans to motivate and award the qualifying employees.

We invest heavily in our employees and have developed sophisticated and systematic training programs to improve their skills and knowledge. We provide a variety of professional training to our employees at various levels according to their career development stages. The topics of our training programs include R&D, engineering, sales and marketing and leadership.

As of the Latest Practicable Date, we have established our labor union. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major labor dispute or disturbance that had interfered with our operations and we believe we maintain good employee relations.

BUSINESS

PROPERTIES

We own and lease properties in the PRC for the use of manufacturing, R&D, office, and staff accommodation purposes. As of the Latest Practicable Date, our headquarters are located in Haidian district, Beijing, China.

Owned Properties

As of December 31, 2025, our Company and our major subsidiaries owned 15 parcels of land in China with a total site area of approximately 780.9 thousand sq.m., primarily located in Beijing, Hubei, Gansu and Jiangxi provinces. These parcels of land are primarily used for industrial purposes. As of December 31, 2025, our Company and our major subsidiaries owned 100 properties in China with a total gross floor area of approximately 300.2 thousand sq.m.. These properties are primarily used for production facilities, R&D centers, offices, and staff dormitories. See “History, Development and Corporate Structure – Our Major Subsidiaries” for details of our major subsidiaries. As of the Latest Practicable Date, we had obtained the relevant building ownership certificates for substantially all of our owned properties listed above. Our PRC Legal Advisor is of the view that we have legal title to these properties and the land use rights for the land occupied by these buildings. Certain properties located in Gansu province owned by our subsidiary, GeoEnviron Zhongse, were subject to mortgage.

Leased Properties

As of December 31, 2025, our Company and our major subsidiaries leased seven properties in the PRC from Independent Third Parties with a total gross floor area of approximately 6.9 thousand sq.m., which are used as staff housing and office spaces to support our operations. As of the Latest Practicable Date, the lease agreement for the aforementioned leased properties had not been registered with the relevant government authorities. Our Company and our major subsidiaries did not experience any material difficulties in negotiating a renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreements does not affect the validity of the lease contracts. However, we may be ordered by the relevant government authorities to rectify such non-compliance within a prescribed time limit. If we fail to do so, we may be subject to a fine ranging from RMB1,000 to RMB10,000 per lease agreement. During the Track Record Period and up to the Latest Practicable Date, neither our Company nor our major subsidiaries have been penalized or fined by the relevant authorities regarding the non-registration of lease agreements. Our PRC Legal Advisor is of the view that the failure to complete the registration of the lease agreement will not have a material adverse impact on our business operations.

Valuation Exemption

As of December 31, 2025, we did not have any single property with a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention. For further information, see “Risk Factors – Risks Relating to our Business and Industry – We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.” in this document. During the Track Record Period and up to the Latest Practicable Date, there was no material litigation or arbitration pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, or results of operations. For details of contingent liabilities arising from the claims and other legal procedures as of December 31, 2025, see Note 42 of the Accountants’ Report set out in Appendix I to this document.

Environmental Pollution Incident

Background and Reasons for Non-compliance

During the Track Record Period, one of our operating subsidiaries, Chongqing Yaohui, was involved in a non-compliance incident in relation to environmental protection laws and regulations in the PRC. Chongqing Yaohui has a production base in Chongqing City and is primarily engaged in the recycling and utilization of waste containing copper. According to a judgment issued by the People’s Court of Yubei District of Chongqing* (重慶市渝北區人民法院) (the “**Court**”) in December 2025 (the “**Judgment**”), Chongqing Yaohui was found to have discharged untreated arsenic-containing wastewater exceeding applicable pollutant discharge standards during certain periods, which constituted a violation of provisions of pollution of environment of the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》) (the “**Environmental Incident**”). On December 31, 2025, the Court imposed a fine of RMB4 million against Chongqing Yaohui, and eight personnels involved in this incident (including the former general manager of Chongqing Yaohui) were sentenced to imprisonment for periods ranging from one year and three months to four years.

As of the Latest Practicable Date, the fine imposed on Chongqing Yaohui had been fully settled. The Environmental Incident was mainly attributable to oversight of former management personnel in Chongqing Yaohui and their failure to comply with our Group’s relevant requirements regarding equipment maintenance, equipment failure handling, and factory management. The former management of Chongqing Yaohui were not familiar with our Group’s requirements at the material time and, thus, did not report the incident to our Company in a timely manner. In September 2024, Chongqing Yaohui’s operation was suspended for maintenance work. During the period, the investigation of Chongqing environmental authorities took place in October 2024. Such incident was then reported by the management of Chongqing Yaohui to our Company closer to end of October 2024. We suspended the operation of Chongqing Yaohui completely from November 2024 and resumed operation in August 2025.

The Directors confirm that the Environmental Incident was attributable to the individual misconduct and management failures of certain former managerial and operational personnel at the subsidiary level and occurred without the knowledge of the Directors or the involvement of our Company at the Group level. Upon becoming aware of the Environmental Incident, we promptly took corrective actions to address the issue.

BUSINESS

Latest Status and Remedial Measures

Following the identification of the Environmental Incident, we immediately suspended the relevant operations of Chongqing Yaohui, replaced its entire senior management team and cooperated fully with the competent authorities. We carried out constructions fixing parts that causes the pollution and leakage, installed security cameras monitoring certain areas to ensure compliance, completed risk assessment of sudden environmental incidents and revised corresponding emergency plan, and implemented a series of enhanced internal control measures, such as (i) review of subsidiaries’ environmental-related performance as led by management and environmental department personnel of the respective subsidiaries, (ii) enhanced reporting structure of the environment department in each subsidiary so that we can be informed of environmental risks immediately, (iii) replaced the management of Chongqing Yaohui (including the general manager who was involved in this Incident), (iv) provided training in relation to environmental issues to our management, (v) included environmental-related incidents as a performance review of subsidiaries, and (vi) unified the environmental management system among subsidiaries and enhanced relevant accountability mechanism, to prevent the recurrence of similar non-compliance incidents and we have not experienced any other incident similar to the abovementioned incident. The rectification of Chongqing Yaohui was led by its current general manager and his assistant. We assigned a supervising personnel stationed at the factory of Chongqing Yaohui since the resumption of operation of Chongqing Yaohui to monitor its discharge. A rectification report in relation to the above dated March 31, 2025 had been submitted to the relevant authority.

Based on internal control inspection conducted by our internal control consultant, namely Tianjian Management Consultation (Hangzhou) Company Limited* (天健管理諮詢(杭州)有限公司) (the “**IC Consultant**”), the IC Consultant is of the view that we had established the Standard (高能環境HSE管理制度), which includes corresponding management requirements and inspection measures for the implementation in the subsidiary’s safety and environmental protection domain. Meanwhile, during this sampling test, reports were obtained from our Safety and Environmental Supervision Department (總部安環監管部) on the safety and environmental supervision services for selected subsidiaries, including Chongqing Yaohui. Inspection revealed that we recorded issues found during safety and environmental inspections, proposed corrective measures, and supervised the implementation of these measures, no material deficiencies have been identified in our current internal control measures in relation to the said non-compliance. Based on the work performed, the IC Consultant confirmed that relevant rectification measures have been adopted by our Group and is also of the opinion that the internal control measures are adequate and effective. Considering the above, the Directors are of the view that the enhanced internal control measures are adequate and effective.

Having considered that (i) Chongqing Yaohui has completed rectifications and paid the fine, (ii) the Court has rendered its judgment and (iii) Chongqing Yaohui is not a major subsidiary of our Company, our PRC Legal Advisor is of the view that there will be no further possible consequences and such incident has no material adverse impact on our Company. Having considered the nature and reasons for the Environmental Incident and the enhanced internal control measures adopted by us, our Directors are of the view that the Environmental Incident is an isolated incident and would not have material adverse impact on our operations and financial performance. Based on the independent due diligence undertaken by the Sole Sponsor, and the views of our PRC Legal Advisor, nothing material has come to the attention of the Sole Sponsor that would reasonably cause them to disagree with the aforementioned view of our Directors.

Legal Compliance

Our Directors confirm that our Group has complied, in all material respects, with substantially all relevant laws and regulations in the PRC and overseas, and there was no non-compliance incident that had materially and adversely affected our business, financial position, or results of operations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

See “– Properties” in this section for a description of legal matters relating to our compliance with PRC real property related laws and regulations which we consider would not have a material adverse effect on our business, financial condition, or results of operations. We are of the view that we have in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

LICENSES, APPROVAL AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we have obtained all licenses, approvals, permits and certificates that are necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates are valid and subsisting.

We had not experienced any material difficulties in renewing our necessary licenses, permits or approvals during the Track Record Period and do not expect there to be any material difficulties in renewing them upon their expiry.

The following table sets forth details of our necessary licenses and permits:

License/Permit	Holder	Issuing Authority	Grant Date	Expiration Date
Safety Production License	The Company	Beijing Municipal Commission of Housing and Urban-Rural Development	July 17, 2015	July 16, 2028
Hazardous Waste Operation License	Jingyuan GeoEnviron	Department of Ecology and Environment of Gansu Province	September 6, 2012	May 13, 2027
	Jiangxi Xinke	Department of Ecology and Environment of Jiangxi Province	October 11, 2025	October 10, 2030
	GeoEnviron Pengfu	Department of Ecology and Environment of Hubei Province	November 18, 2021	November 17, 2026
	GeoEnviron Zhongse	Department of Ecology and Environment of Gansu Province	August 28, 2015	July 28, 2028
	Jinchang GeoEnviron	Department of Ecology and Environment of Gansu Provincial	September 12, 2023	October 28, 2029
Pollutant Discharge Permit	Jingyuan GeoEnviron	Baiyin Ecology and Environment Bureau	February 8, 2023	February 7, 2028
	Neijiang GeoEnviron	Neijiang Ecology and Environment Bureau	July 21, 2021 ⁽¹⁾	January 17, 2029 ⁽¹⁾
	Jiangxi Xinke	Fuzhou Ecology and Environment Bureau	June 15, 2023	June 14, 2028
	GeoEnviron Pengfu	Huangshi Ecology and Environment Bureau	March 10, 2022	March 09, 2027
	GeoEnviron Zhongse	Jinchang Municipal Ecology and Environment Bureau	April 30, 2024	April 29, 2029
Power Generation Business License	Jinchang GeoEnviron	Jinchang Municipal Ecology and Environment Bureau	April 30, 2025	April 29, 2030
	Neijiang GeoEnviron	National Energy Administration Sichuan Regulatory Office	September 29, 2021	September 28, 2041
	Jiangxi Xinke	Fuzhou Emergency Management Bureau	July 10, 2023	July 9, 2026
Hazardous Chemicals Operation License	Jinchang GeoEnviron	Jinchang Economic and Technological Development Zone Management Committee	May 12, 2025	May 11, 2028
Service License for Urban Domestic Waste Disposal	Neijiang GeoEnviron	Neijiang Urban Management Administration and Law Enforcement Bureau	August 15, 2024	August 14, 2026
Service License for Urban Domestic Waste Sweeping, Collecting and Transport	Neijiang GeoEnviron	Neijiang Urban Management Administration and Law Enforcement Bureau	August 15, 2024	August 14, 2026

Note:

- the earliest grant date and the latest expiration date of 13 pollutant permits held by Neijiang GeoEnviron.

BUSINESS

INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. During the Track Record Period, we had not been the subject of any project liability claims. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. See “Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not be sufficient to cover all the losses associated with our business operations.” As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business.

AWARDS AND RECOGNITION

The following table sets forth notable awards and recognition in respect of our business achievements, technology, and innovation:

Year	Award/Recognition	Awarding Institution/Authority
2025	Science and Technology Award (First Prize)	All-China Environment Federation
2025	Hebei Provincial Science and Technology Award (First Prize)	People’s Government of Hebei Province
2025	Environmental Protection Science and Technology Award (Second Prize)	Environmental Protection Science and Technology Award Committee
2024	National Technological Invention Award	Central Committee of the Communist Party of China State Council of the PRC
2024	2023 List of Practical Technology Equipment and Demonstration Projects for Ecological Environmental Protection	China Association of Environmental Protection Industry
2024	Typical Case of “Zero-Waste City” Construction	All-China Environment Federation
2023	Environmental Protection Science and Technology Award (Second Prize)	Chinese Society for Environmental Sciences
2022	China Non-ferrous Metals Industry Science and Technology Award (First Prize)	China Non-ferrous Metals Industry Association; The Non-ferrous Metals Society of China

BUSINESS

ENVIRONMENT, SOCIAL AND GOVERNANCE MATTERS

We have fully embedded ESG principles into our operations. We received an A rating in the Wind ESG Rating for three consecutive years from 2023 to 2025, were upgraded by SynTao Green Finance from B+ to A- and maintained an A rating from CCXI Green Finance. We were also included in the 2025 China Corporate ESG 100 Index and recognized by the Ministry of Ecology and Environment as an exemplary case in the 2025 Compilation of Typical Enterprise ESG Cases. In addition, we were named one of the Top 50 Chinese Environmental Enterprises for four consecutive years from 2022 to 2025 and received the Second Prize of the 2023 National Technological Invention Award.

Following the [REDACTED], we will comply with Appendix C2 to the Listing Rules and publish an ESG report annually to disclose material ESG issues, risk management measures and progress against performance targets.

ESG Governance

We believe that strong ESG governance is fundamental to achieving our sustainable development goals. We have embedded sustainability into our corporate strategy, established regular stakeholder engagement as a core mechanism and continuously improved our ESG management practices by benchmarking against leading domestic and international disclosure standards.

ESG Governance Structure

Governance level	Responsible body	Primary responsibilities
Decision-making level	Board ESG Committee	Review and approve ESG strategies and policies; oversee ESG risks and opportunities; review the annual ESG report
Management level	Sustainability management team	Assist with materiality assessments; formulate detailed ESG work plans; coordinate the preparation of the annual ESG report
Implementation level	Sustainability implementation teams	Implement ESG policies and action plans; collect and report ESG performance data; conduct day-to-day stakeholder engagement

BUSINESS

Stakeholder Concerns and Communication

We place great importance on the expectations and concerns of our stakeholders and established a structured, multi-channel communication mechanism to gather feedback extensively and incorporate the same effectively into our ESG strategy formulation and operational decision-making.

Stakeholder	Key concerns and expectations	Communication channels and response
Government and regulatory authorities	Compliance, anti-corruption, operational safety and environmental management	Government meetings, information disclosure and training activities
Shareholders and investors	Corporate governance, ESG governance and technological innovation	Shareholders’ meetings, results presentations and roadshows
Customers	Service quality, supply chain and technological innovation	Satisfaction surveys and telephone and email communication
Employees	Rights protection, training and development, and occupational health	Training, satisfaction surveys and operational meetings
Suppliers	Supply chain management	Tendering and bidding, and satisfaction surveys
Universities and research institutions	Technological innovation and industry collaboration	Scientific research cooperation and joint teaching bases
Communities and public welfare organizations	Environmental management and charitable activities	Community services and site visits

BUSINESS

Assessment of Material Issues

We adopt a “double materiality” approach to assess ESG issues from two perspectives, namely, the impact on our financial position (financial materiality) and the impact on stakeholders (impact materiality), to define our management and disclosure priorities comprehensively. Based on domestic and international sustainability-related disclosure standards and guidelines, benchmarking of peer disclosure practices and research on industry sustainability trends, we identified 22 sustainability issues that are closely relevant to our development, among which five are double material, five are financially material and 17 are impact material.

Dimension	Issue name
Environmental (8 issues)	Environmental compliance, climate change response, energy and resource utilization management, resources recycling and utilization, water resources management, pollutant management, waste management, and ecosystem and biodiversity conservation
Social (9 issues)	Compliant employment and employee rights protection, employee training and development, occupational health and safety in production, supply chain management, customer service and quality assurance, community development and philanthropy, technological innovation and patent management, industry development and collaboration, and data security and privacy protection
Governance (5 issues)	Corporate governance, ESG governance, risk management and compliance, anti-commercial bribery and anti-corruption, and anti-unfair competition

The financial material issues include climate change response, occupational health and safety in production, customer service and quality assurance, technological innovation and patent management, and anti-commercial bribery and anti-corruption. For these financial material issues, we conduct in-depth analysis of their potential impact on stakeholders, identify risks and opportunities comprehensively and formulate corresponding management measures and response strategies.

Integrity and Compliance

We regard integrity and compliance as fundamental to our business and strictly comply with the Company Law of the PRC, the Environmental Protection Law, the Securities Law and the regulatory requirements of our listing venue. With a focus on three objectives, namely driving cost efficiency through rigorous anti-fraud controls, ensuring the effective execution of performance management strategies and mitigating major systemic compliance risks, we have established an anti-corruption governance structure overseen directly by the Board and implemented by our audit and supervision department, integrating audit, supervision, internal control and compliance functions. From 2023 to 2025, we received a total of 73 reports, and the acceptance and closure rate for all reported cases was 100%.

We strictly prohibit any form of monopolistic conduct or unfair competition in compliance with laws and regulations, including the Anti-Monopoly Law of the PRC and the Anti-Unfair Competition Law of the PRC. From 2023 to 2025, we were not involved in any litigation relating to unfair competition.

BUSINESS

Strategy and Risk Management

We have deeply embedded sustainable development into our corporate strategy. Centering on resources recycling and utilization as our core development strategy, we combine technological innovation and operational excellence to create commercial value while addressing global challenges such as climate change and environmental pollution. We focus on the impact of climate-related risks and opportunities on our business model, value chain, financial position, financial performance and cash flows, and continue to manage such risks and opportunities through identification, assessment, response, review and improvement.

Category	Specific risk/opportunity	Time horizon ⁽¹⁾	Financial impact	Mitigation measures
Transition risk	Policy and legal risk	Short to medium term	Increase in operating costs and capital expenditure	Participate in carbon markets; plan environmental upgrades
Transition risk	Technology risk	Medium to long term	High technology upgrade costs	Increase R&D investment; strengthen industry-academia-research collaboration
Transition risk	Market risk	Short to medium term	Lower product profit margins; higher financing costs	Strengthen marketing of low-carbon products; enhance climate-related disclosures
Physical risk	Acute risk	Short term	Revenue loss due to business interruption	Improve climate resilience of facilities; establish emergency response plans
Physical risk	Chronic risk	Medium to long term	Higher energy and water costs	Improve energy and water efficiency
Opportunity	Resource efficiency and energy transition	Short to long term	Lower operating costs; growth in new energy business	Implement an energy management system; promote circular utilization
Opportunity	Product innovation and financing opportunities	Medium to long term	Premium pricing for low-carbon products; lower financing costs	Establish a low-carbon product R&D team; pursue green financing

Note:

(i) short term refers to one to three years, medium term refers to three to five years and long term is over 5 years.

Environment

We consistently place environmental protection at the core of our corporate development, strictly comply with the PRC Environmental Protection Law (《中華人民共和國環境保護法》) and other applicable laws and regulations, and actively respond to the national strategy set out in the 14th Five-Year Plan for the Development of the Circular Economy (《‘十四五’循環經濟發展規劃》) and other relevant policy initiatives. Guided by our mission to create a safe and sustainable environment for humanity and society, we integrate green and low-carbon principles into every aspect of our production and operations. As of 31 December 2025, a number of our branches and subsidiaries had obtained ISO 14001 and GB/T 24001 environmental management system certifications.

BUSINESS

Environmental Protection Investment

Item	Unit	2023	2024	2025
Total environmental protection investment	RMB'000	483,000.0	338,922.0	234,573.0

Note: Historical investments were mainly related to equipment procurement and were incurred on a phased basis. After such equipment was commissioned, our investment focus shifted to daily operation and maintenance, process optimization and compliance testing. The decline in total investment reflects a more appropriate structure aligned with operational needs, which continues to support compliance with environmental standards.

Greenhouse Gas Emission

Indicator	Unit	2023	2024	2025
Scope 1: Direct emissions	tons CO ₂ e	279,062.2	235,041.8	248,273.7
Scope 2: Indirect emissions	tons CO ₂ e	181,140.1	227,791.1	223,734.5
Total greenhouse gas emissions	tons CO ₂ e	460,202.2	462,832.9	472,008.2
Greenhouse gas emission intensity	tons CO ₂ e per million in revenue	43.5	31.9	32.0

Note: Scope 1 emissions arise from coal combustion, natural gas, liquefied petroleum gas and fuel consumption by transport vehicles. Scope 2 emissions arise from the consumption of purchased electricity and heat. We have not yet started Scope 3 carbon accounting because Scope 3 accounting would require substantial additional cost and we have not yet reached consensus with our customers and suppliers. We will advance our Scope 3 carbon disclosure at an appropriate time.

Air Pollutant Emissions

Indicator	Unit	2023	2024	2025
NO _x emissions	kg	2,184,800.0	2,214,000.0	2,530,050.0
NO _x emission intensity	kg per million in revenue	206.5	152.7	172.0
SO ₂ emissions	kg	677,060.0	647,400.0	726,350.0
Other SO _x emissions (excluding SO ₂)	kg	/	140.0	10.0
SO _x emission intensity	kg per million in revenue	64.0	45.0	49.0
Particulate matter emissions	kg	73,430.0	91,290.0	93,170.0
Suspended particles and particulate matter (PM) emission intensity	kg per million in revenue	7.0	6.0	6.0
Volatile organic compounds (VOCs) emissions	kg	13,550.0	15,520.0	17,140.0
Volatile organic compounds (VOCs) emission intensity	kg per million in revenue	1.3	1.1	1.2

BUSINESS

Wastewater Discharge

Indicator	Unit	2023	2024	2025
Total wastewater discharge	tons	772,077.0	721,547.6	772,628.0
Wastewater discharge intensity	tons per million in revenue	73.0	49.8	52.4
NH3-N in discharged wastewater	kg	2,660.0	1,650.0	2,250.0
NH3-N emission intensity	kg per million in revenue	0.3	0.1	0.2
COD in discharged wastewater	kg	65,790.0	53,070.0	49,050.0
Chemical oxygen demand emission intensity	kg per million in revenue	6.2	3.7	3.3

Waste Management

Indicator	Unit	2023	2024	2025
Total hazardous waste generated	tons	129,120.7	139,917.9	123,835.2
Hazardous waste generated intensity	tons per million in revenue	12.2	9.7	8.4
Total non-hazardous waste generated	tons	960,416.4	960,051.6	957,125.7
Non-hazardous waste generated intensity	tons per million in revenue	90.8	66.2	65.0

Energy Consumption

Indicator	Unit	2023	2024	2025
Total energy consumption	tons of standard coal equivalent	/	230,722.1	243,265.9
Total energy intensity	tons of standard coal equivalent per RMB10,000 of revenue	/	0.2	0.2
Coal usage	tons of standard coal equivalent	66,427.2	89,113.1	95,516.4
Gasoline consumption	litres	337,787.2	367,079.8	433,133.9
Diesel consumption	litres	3,459,038.7	4,378,673.2	3,427,102.2
Natural gas consumption	m ³	37,442,765.1	31,256,931.7	33,294,706.2
Liquefied petroleum gas consumption	tons	4.4	1.4	2.4
Total electricity consumption	kWh	526,550,200.0	634,269,678.1	645,253,265.7
Purchased electricity	kWh	316,828,200.0	413,059,266.3	409,489,972.8
Total purchased thermal energy	GJ	43,001.0	55,849.6	58,719.0

We have actively promoted distributed photovoltaic power generation projects. In 2025, electricity generated by our new energy facilities reached 9,384,987.0 kWh, and our use of renewable energy amounted to 2,399.1 tons of standard coal equivalent.

BUSINESS

Water Resource Utilization

We place high importance on water resources management and regard water conservation as a key priority. Our total water consumption decreased by 11.7% from 7.384 million tons in 2024 to 6.516 million tons in 2025, reflecting our ongoing efforts in water conservation.

Social

Guided by our core value of being people-oriented, we regard our employees, customers, supply chain partners and the communities in which we operate as a shared community and as our most valuable assets. We are committed to creating a safe, healthy and respectful working environment in which employees can fully realize their potential, and to building fair, transparent and mutually trusting partnerships with our supply chain partners.

Compliance Employment and Employee Rights

We adhere to the principles of fairness, impartiality and transparency in recruitment and are committed to fostering a diverse, equitable and inclusive working environment. As of December 31, 2025, we had 4,834 employees, 18.7% of whom were female. In terms of age profile, 17.9% of our employees were aged 30 or below, 66.1% were aged 31 to 50 and 16.0% were aged 50 or above. We also place particular emphasis on Board diversity. Our Board comprises ten Directors, including three female Directors.

Occupational Health and Safety

We strictly follow the safety principle of ‘safety first, prevention first and comprehensive control’ and have obtained ISO 45001 occupational health and safety management system certification covering 100% of our employees. During the year, we organized 1,847 safety training sessions with a total of 46,715 participants, representing an average of 12.6 training hours per employee. We also carried out 3,527 safety inspections, and the rectification rate for identified safety hazards was nearly 100%.

Talent Development and Training

We believe employee growth is the cornerstone of corporate development and are committed to building a leading learning organization by providing employees with a broad platform for career development and ample opportunities for systematic training. We have established a three-tier training management framework that clearly allocates responsibilities among senior management, the Human Resources Department and all business units. In 2025, we conducted 183 employee training sessions for 14,936 participants, with aggregate training hours of 96,247. Average training hours per employee were 24, and employee training coverage was 100%.

We have set employee training targets through 2030. Management personnel are required to complete at least one learning task per quarter, each lasting at least two hours, with a minimum of eight hours annually. Frontline employees are required to complete at least one learning task per month, each lasting at least one hour, with a minimum of 12 hours annually. These targets take into account employees’ actual training hours in previous years, our ESG development goals and our financial condition. This system is designed to improve employees’ professional skills, managers’ leadership capabilities and team compliance and collaboration.

BUSINESS

Labour Standards and Supply Chain Management

We strictly comply with the Labour Law of the PRC (《中華人民共和國勞動法》) and the core standards of the International Labour Organization, and strictly prohibit all forms of child labour and forced labour. From 2023 to 2025, no violations were identified in our internal reviews. In relation to supply chain management, we have adopted and strictly implemented the Procurement Management Policy (《採購管理制度》), the Tendering Management Policy (《招標管理制度》) and the Supplier Management Policy (《供應商管理制度》) to standardise supplier management on a full-process basis. We require all newly admitted and existing suppliers to sign an Integrity Agreement (《廉政協議書》). As of December 31, 2025, the signing rate of Integrity Agreements among our major suppliers was 100%.

Product Responsibility and Technological Innovation

We have established a quality management system covering the entire lifecycle of product design, raw material procurement, manufacturing, engineering construction and after-sales service, and have obtained ISO 9001 quality management system certification. In terms of information security and data privacy protection, we did not experience any material information security breach or customer data loss during the reporting year. Our technological innovation metrics from 2023 to 2025 are set out below:

Indicator	Unit	2023	2024	2025
R&D investment	'000	324,018.0	509,082.0	458,549.0
Number of R&D employees	persons	648	801	577

Community Investment

While pursuing commercial success, we actively fulfil our corporate citizenship responsibilities and view giving back to society and supporting community development as part of our mission. Through public welfare and charitable initiatives, community services, support for education and contributions to rural revitalization, among other efforts, we have created positive social impact. From 2023 to 2025, we donated more than RMB1.5 million in aggregate to community development and rural revitalization. By leveraging our professional expertise in the environmental protection sector, we promote environmental awareness among the public and generate positive social impact.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board of Directors and senior management of the Company shoulder the responsibility for devising and supervising the execution and efficacy of our internal control framework. This framework is meticulously structured to guarantee continuous adherence to pertinent legal and regulatory mandates that govern our business activities and corporate governance, thereby averting any reoccurrence of compliance failures. Our conviction stands firm that the existing internal control mechanisms and procedures epitomize adequacy in scope, feasibility, and operational effectiveness.

In the regular progression of our business activities, we are inherently subject to a spectrum of risks, encompassing operational, market, and financial risks. Recognizing these exposures, we hold the conviction that the implementation of robust and adaptable risk management strategies is essential to our enduring success. It is through this lens that we approach risk mitigation, ensuring that our operations are safeguarded against potential adversities, thereby securing our competitive edge and financial stability. For details of such risks, see “Risk Factors – Risks Relating to our Business and Industry.

BUSINESS

For the purpose of effective risk management, we will adopt or have put in place the following measures:

- Through the cultivation of strong, positive relationships with our established suppliers and customers, we aim to periodically broaden our customer and supplier base, thereby mitigating operational risks associated with dependency on a singular entity;
- In alignment with our Group’s interests and where it proves economically feasible, we proactively seek to forge diverse agreements that expand our supplier network;
- Our management team is committed to vigilantly observing market trends, including fluctuations in raw materials and components pricing, to consistently benchmark our procurement expenses against prevailing market rates, ensuring competitive access to raw materials;
- We uphold stringent IT controls to significantly reduce the likelihood of IT system failures, safeguarding our business continuity and data integrity;
- To attract and retain skilled professionals, we regularly evaluate and adjust our compensation structures for management and staff, ensuring they remain competitive and congruent with our strategic growth;
- Our Directors maintain diligent oversight of our Group’s liquidity and financial health, prepared to secure financing to support our business activities and expansion initiatives when deemed necessary and advantageous; and
- We have established an audit committee which is composed of a majority of our independent non-executive Directors to review and supervise our financial reporting process and internal control system.

Data Privacy and Information Security Risk Management

We maintain a commitment to data privacy and information security. Private information is not collected through public channels such as operational websites or apps and data collection is minimal. In conducting business operations, the only personal data collected relates to employee information, customer and supplier contact details and other necessary operational and management data. Adequate authorization and consent are obtained from employees, customers and suppliers prior to collecting and processing their private information.

Comprehensive protective measures have been implemented for all collected private data. This includes establishing internal control systems with data security management protocols. These systems define requirements for data confidentiality, approval authorities, classification and grading standards, backup and recovery procedures and encryption strategy management, all of which are consistently enforced. Access to and circulation of private information is strictly minimized, with system authorization required for any usage. Technical protections such as encryption and anti-leakage measures are employed to secure information. An information security management system further ensures ongoing data protection. Specifically regarding employee data, access to personal information databases is restricted to designated personnel only, preventing unauthorized internal access.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

OVERVIEW

As of the Latest Practicable Date, Mr. Li held approximately 16.33% of the issued share capital of our Company and was our single largest Shareholder.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Li will hold approximately [REDACTED]% of the enlarged issued share capital of our Company and will remain as our single largest Shareholder. Accordingly, our Company will not have any controlling Shareholder immediately after [REDACTED].

INTERESTS OF THE SINGLE LARGEST SHAREHOLDER IN OTHER BUSINESSES

Our single largest Shareholder, Mr. Li, confirmed that as of the Latest Practicable Date, he did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKINGS

In connection with the A-Shares listing, our single largest Shareholder, Mr. Li, provided a non-compete undertaking (the “**Non-compete Undertaking**”) to our Company on December 29, 2014 in order to avoid potential competition, pursuant to which, Mr. Li has undertaken that, among others:

- (1) as of the date of the Non-compete Undertaking, none of his other controlled enterprises had, in any way, directly or indirectly engaged in any business that competes or may compete with the business of our Group, nor did they invest in any other enterprises that compete or may compete with our Group;
- (2) he shall not, and shall procure his other controlled enterprises not, in any way, directly or indirectly engage in any business that competes or may compete with the business of our Group, nor invest in any other enterprises that compete or may compete with our Group;
- (3) if our Company further expands its scope of business or product, he or his other controlled enterprises shall not engage in any business that competes with the expanded business of our Group. If competition arises with the expanded business of our Group, they shall avoid such competition by forgoing the product or business that constitute competition, incorporating the competing business into our Group’s operations, or transferring the competing business to an Independent Third Party; and
- (4) he has agreed to, in the event that he breaches the above undertakings and causes loss to our Company, bear all corresponding losses suffered by our Company.

As confirmed by Mr. Li, he has complied with the Non-compete Undertaking since then.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our single largest Shareholder, Mr. Li, and his close associates upon [REDACTED].

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Management independence

Our business is managed and operated by our Board and senior management. Upon the [REDACTED], our Board will consist of 10 Directors, comprising 6 executive Directors and 4 independent non-executive Directors, and we also have 4 senior management members. Each of our Directors and senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors and senior management, see “Directors and Senior Management” in this document.

Our Directors are of the view that our Board and senior management team are able to manage our business independently from Mr. Li and his close associates for the following reasons:

- (a) among all our executive Directors and senior management, all other executive Directors and senior management have no other relationship with Mr. Li and his close associates. They have substantial experience in the industry and have been with our Group in management capacity for a number of years, which will enable them to discharge their duties independently from Mr. Li. The balance of power and authority is ensured by the operation of the senior management and our Board. Specifically, Mr. Li has a track record of devoting sufficient time and energy to discharge his duties as our Director and will continue to focus on our Group’s business and would bear the best interests of our Company and our Shareholders as a whole;
- (b) we have appointed 4 independent non-executive Directors to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and our Shareholders as a whole. The independent non-executive Directors are entitled to engage professional advisers at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates;
- (c) each of our Directors is aware of his or her fiduciary duties and responsibilities under the Listing Rules as a Director, which require that he or she acts in the best interests of our Company and our Shareholders as a whole;
- (d) as an A-share listed company, our Company has established internal control systems to identify and manage potential conflicts of interest between our Group and Mr. Li. According to the Articles of Association, in the event that there is potential conflict of interest arising out of any transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall not be counted towards the quorum for the voting. Where a Shareholders’ meeting is held to consider a proposed transaction in which Mr. Li has a material interest, Mr. Li shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and
- (e) our Company has appointed Lego Corporate Finance Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors’ duties and corporate governance.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Operational independence

Our Group holds all the relevant material licenses, qualifications, permits and intellectual property rights required for conducting our business. Our Group has sufficient capital, facilities and employees to operate our business independently from Mr. Li and his close associates. Our Group also has independent access to our customers. We have our own production and operations departments, finance and administrative departments, sales department and technology and R&D department. In addition, we have established our internal organizational and management structure which includes shareholders’ meetings, our Board and its committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities. Our Directors are of the view that our Group will be able to operate independently from Mr. Li and his close associates after the [REDACTED].

Financial independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither Mr. Li nor his close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with Mr. Li or his close associates. We have made tax filings and paid tax independently from Mr. Li and his close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

We have obtained certain bank loans which were secured by guarantees provided by Mr. Li and/or his spouse. As of December 31, 2025, we had an aggregate of approximately RMB2,368.1 million of bank borrowings guaranteed by Mr. Li and/or his spouse. We intend to repay or settle bank loan(s) to discharge the personal guarantees prior to the [REDACTED] with our internal resources. As of the Latest Practicable Date, (a) we have obtained consents from 12 banks for release of these personal guarantees upon our receipt of the [REDACTED] approval from the Stock Exchange; and (b) we were unable to obtain consent from 5 banks (the “Five Banks”) to discharge the remaining personal guarantees provided by Mr. Li and/or his spouse upon [REDACTED] as they need to assess our profile after the [REDACTED] before agreeing to the discharge. As of the Latest Practicable Date, the outstanding borrowings from the Five Banks had an aggregate amount of approximately RMB808.5 million. However, we have also obtained letters from 3 banks which have indicated that they were willing to provide our Group with an aggregate facility limit of RMB8,700 million without personal guarantees from Mr. Li and/or his close associates, subject to regulatory requirements, negotiation of detailed terms and credit policies of such banks. Taking into account the availability of the facilities pursuant to the offer letters which can be used to repay the outstanding loans from the Five Banks, our Directors consider that our Group will have sufficient financial resources even if the loans with the Five Banks are terminated. After the [REDACTED], we expect to carry our fundraising activities in onshore and offshore markets depending on, among other things, market conditions, our business needs and our financial conditions subject to compliance with applicable regulatory requirements. Based on the above, our Directors believe that we have the ability to obtain financing independently which can be used to finance our operation and development.

For further information, see “Financial Information – Indebtedness – Borrowings” and Note 28 of the Accountants’ Report set out in Appendix I.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

CORPORATE GOVERNANCE

Our Company and Directors recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. We have adopted and will continue to adopt the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our single largest Shareholder, Mr. Li:

- (a) where a Board meeting or Shareholders’ meeting is to be held for considering proposed transactions in which any of our Directors or Mr. Li or any of their respective close associates has a material interest, the relevant Director or Mr. Li will abstain from voting on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with Mr. Li or any of his close associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and Mr. Li (the “**Annual Review**”) and provide impartial and professional advice to protect the interest of our minority Shareholders;
- (d) Mr. Li will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements (as the case may be);
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- (g) we have appointed Lego Corporate Finance Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our single largest Shareholder, Mr. Li, and to protect our minority Shareholders’ interests after the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board would consist of ten Directors including six executive Directors and four independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. Our Directors are appointed for a term of three years and are eligible for re-election for successive re-appointments. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

The following table sets forth certain information relating to our Directors:

Name	Age	Date of joining our Group	Present position	Date of appointment as Director	Roles and responsibilities
Mr. Li Weiguo (李衛國)	60	December 2001	Chairman of our Board and executive Director	November 2009	Responsible for formulating the overall development strategies and planning, making major business decisions and leading the business direction and growth of our Group
Mr. Ling Jinming (凌錦明)	51	November 2009	Vice-chairman of our Board, executive Director and CEO	November 2009	Responsible for the overall management and operations of our Group
Mr. Zhang Huazhen (張華振)	49	June 2009	Executive Director and vice-CEO	August 2025	Responsible for the operational management of the environmental services project operation segment of our Group
Mr. Long Shaopeng (龍少鵬)	39	December 2011	Executive Director	August 2025	Responsible for the development and strategic expansion of the mining sector of our Group
Mr. Sun Min (孫敏)	44	February 2024	Executive Director, vice-CEO and chief financial officer	August 2025	Responsible for comprehensive financial management and overseeing financial accounting and auditing of our Group
Ms. Li Yewei (李燁煒)	39	March 2015	Executive Director	August 2025	Responsible for the business management within the resource utilization sector of subsidiaries of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Present position	Date of appointment as Director	Roles and responsibilities
Ms. Wang Jingda (王競達)	53	January 2022	Independent non-executive Director	January 2022	Responsible for supervising and providing independent judgment to our Board
Mr. Huang Changbo (黃常波)	53	May 2019 <i>(Note)</i>	Independent non-executive Director	August 2025	Responsible for supervising and providing independent judgment to our Board
Ms. Liu Li (劉力)	58	August 2023	Independent non-executive Director	August 2023	Responsible for supervising and providing independent judgment to our Board
Mr. Chow Chi Wing (周志榮)	47	[REDACTED]	Independent non-executive Director	[REDACTED]	Responsible for supervising and providing independent judgment to our Board

Note: Mr. Huang Changbo served as our independent Director from May 2019 to January 2022 and rejoined our Group in August 2025.

None of the Directors and senior management of our Company has relationship with any other Directors or senior management of our Company. The following sets forth the biographies of our Directors:

Executive Directors

Mr. Li Weiguo (李衛國), aged 60, is the chairman of our Board, and an executive Director. He is primarily responsible for formulating the overall development strategies and planning, making major business decisions and leading the business direction and growth of our Group. Mr. Li joined our Group in December 2001 and has been the chairman of our Board and Director since November 2009. He would be re-designated as an executive Director with effect from the [REDACTED]. Mr. Li also served as a chairman of the Strategy Committee and a member of the Nomination Committee of our Board.

Mr. Li has over 20 years of experience in business management. Since March 1998, Mr. Li has served as a chairman of the board of Oriental Yuhong, a company listed on the Shenzhen Stock Exchange (stock code: 002271) and primarily engaged in the provision of construction waterproofing systems, and was responsible for formulating the overall development strategies and planning, making major business decisions and leading the business direction and growth.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li obtained a bachelor’s degree in animal science from Hunan Agricultural University (湖南農學院) in June 1989. Mr. Li served/has served as (i) a member of the Beijing Municipal Committee (Shunyi District) of the Chinese People’s Political Consultative Conference (中國人民政治協商會議委員會北京順義區委員) and was awarded as an outstanding member in 2010; (ii) a member of the 11th Beijing Municipal Committee of the Chinese People’s Political Consultative Conference (北京市第十一屆政協委員) from January 2008 to January 2013; (iii) the vice president of China National Building Waterproof Association (中國建築防水材料工業協會副理事長) from December 2006 to December 2010; (iv) the president of the 7th Council of the China National Building Waterproof Association (中國建築防水協會第七屆理事會會長) from December 2015 to December 2020; (v) the vice president of the China Association of Environmental Protection Industry (中國環境保護產業協會副會長) on behalf of our Company since June 2016; (vi) the president of the 3rd and 4th Councils of the Beijing Hunan Chamber of Commerce (北京湖南企業商會第3屆和第4屆理事會) from November 2014 to December 2025; and (vii) the honorary president of the Beijing Hunan Chamber of Commerce (北京湖南企業商會名譽會長) since December 2025. Moreover, Mr. Li received various awards which recognized his contributions and success, including (i) the 4th “Top 10 Young Entrepreneurs in Beijing” Award (北京第四屆十佳進京創業青年) in July 2003; (ii) the Honorary Title of Beijing Model Worker (北京市勞動模範稱號) in 2005; (iii) the recognition as the Top Ten Annual Figures of Zhongguancun (中關村十大年度人物) in 2012; (iv) the recognition as one of the Top 100 CEOs of China (中國百佳CEO) by the Harvard Business Review in 2020; (v) the recognition as the best chairman of listed company (最佳上市公司董事長) at the 9th Summit Forum of China’s Listed Companies (第九屆中國上市公司高峰論壇) organized by National Business Daily (每日經濟新聞社) in 2020; (vi) the recognition as one of the best leaders on the List of Best Listed Companies in the 4th New Fortune NFLC Awards (NFLC第四屆新財富最佳上市公司(最佳領航人)名單) organized by the New Fortune Magazine (新財富雜誌) in 2022; and (vii) the award as EY Entrepreneur of the Year (安永企業家獎) by Ernst & Young Global Limited in 2023.

Mr. Ling Jinming (凌錦明), aged 51, is a vice-chairman of our Board, executive Director and the chief executive officer. He is primarily responsible for the overall management and operations of our Group. Mr. Ling joined our Group as a Director since November 2009. He would be re-designated as an executive Director with effect from the [REDACTED]. Mr. Ling also served as a member of the Strategy Committee and a member of the Remuneration and Appraisal Committee of our Board.

Mr. Ling has approximately 20 years of experience in business management, accounting and finance. Since Mr. Ling joined our Group, he also held several successive directorship and management positions in our Company. Since April 2021, he has served as the CEO of our Company and is responsible for the overall management and operations. From November 2009 to March 2017, Mr. Ling served as the board secretary of our Company, and was responsible for our Board related matters. From November 2009 to April 2015, Mr. Ling served as a chief financial officer, and was responsible for overseeing financial management of our Company. From May 2007 to October 2009, Mr. Ling served as the chief financial officer and the board secretary of Oriental Yuhong, and was responsible for overseeing financial operations. From August 2015 to July 2024, Mr. Ling served as a director of EIT Environmental Development Group Co., Ltd. (玉禾田環境發展集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300815) and primarily engaged in the provision of urban sanitation, environmental services and property cleaning and maintenance, and was responsible for business strategic development.

Mr. Ling obtained a master’s degree in EMBA, from Tsinghua University (清華大學) in January 2018. Mr. Ling possesses a qualification as a senior accountant (高級會計師) certified by Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2013.

Mr. Ling has served as the vice president of the China Association of Urban Environmental Sanitation (中國城市環境衛生協會) since March 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Huazhen (張華振), aged 49, is an executive Director and the vice-CEO. He is primarily responsible for the operational management of the environmental services project operation segment of our Group. Mr. Zhang joined our Group as finance manager in June 2009 and has been appointed as a Director since August 2025. He would be re-designated as an executive Director with effect from the [REDACTED].

Mr. Zhang has approximately 15 years of experience in finance and project management. Since Mr. Zhang joined our Group, he held several successive directorship and management positions in our Company. Since August 2025, he has served as a vice-CEO and the general manager of the environmental services and project operations sector and is responsible for business strategic planning and overseeing the environmental services and project operations sector. From December 2023 to July 2025, he served as a general manager of the environmental services and project operations sector and was responsible for overseeing the environmental services and project operations sector. From February 2023 to November 2023, he served as a general manager at Neijiang GeoEnviron and was responsible for strategic operations and overseeing project development. From September 2019 to January 2023, he served as a regional general manager and was responsible for business development and project management in assigned regions. From April 2013 to August 2019, he served as a deputy general manager of the investment sector, and was responsible for taking lead in project investment. From January 2013 to April 2013, he served as an assistant to general manager, and was responsible for audit supervision and risk management. From June 2009 to January 2013, he served as an finance manager, and was responsible for overseeing financial operations of our Company. From June 2008 to April 2009, he served as a chief financial officer of Beijing Galen Education Development Co., Ltd. (北京蓋倫教育發展有限公司), a company primarily engaged in the provision of education services, and was responsible overall financial strategy.

Mr. Zhang obtained a bachelor's degree in accounting from Xi'an University of Technology (西安理工大學) in July 2000. Mr. Zhang possesses a qualification as a senior accountant (高級會計師) certified by Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2013.

Mr. Long Shaopeng (龍少鵬), aged 39, is an executive Director. He is primarily responsible for development and strategic expansion of the mining sector of our Group. Mr. Long joined our Group in December 2011 as a marketing manager and has been appointed as a Director since August 2025. He would be re-designated as an executive Director with effect from the [REDACTED].

Mr. Long has approximately 10 years of experience in business management. Since Mr. Long joined our Group, he held several successive management positions in our Company. Since April 2025, Mr. Long has served as a general manager of the mining sector, and is responsible for overseeing the business in mining sector. From September 2019 to April 2025, Mr. Long served as a general manager of Tianjin GeoEnviron, and was responsible for strategic operations and overseeing project development. From December 2017 to September 2019, Mr. Long served as a general manager of northwest business sector, and was responsible for regional business expansion. From June 2012 to December 2017, Mr. Long served as a deputy general manager of solid waste business sector, and was responsible for business expansion. From December 2011 to June 2012, Mr. Long served as a marketing manager, and was responsible for marketing strategic planning.

Mr. Long obtained a master's degree in engineering from University of California, Berkeley in May 2009 and a bachelor's degree in engineering management from Tsinghua University (清華大學) in July 2008. Mr. Long possesses a qualification as an senior engineer (高級工程師) certified by the Tianjin Municipal Bureau of Human Resources and Social Security (天津市人力資源和社會保障局) in December 2021. He also possesses qualifications as a registered environmental protection engineer certified by the Bureau of Human Resources and Social Security (人力資源和社會保障部) in October 2018, and a first class constructor certified by the Bureau of Housing and Urban-Rural Development (住房和城鄉建設部) in April 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun Min (孫敏), aged 44, is an executive Director, the vice-CEO and the chief financial officer. He is primarily responsible for comprehensive financial management and overseeing financial accounting and auditing of our Group. Mr. Sun joined our Group in February 2024 and served as the vice-CEO and chief financial officer in June 2024. He has been appointed as a Director since August 2025. He would be re-designated as an executive Director with effect from the [REDACTED].

Mr. Sun has approximately 20 years of experience in finance and auditing. Since June 2024, he has served as a vice-CEO and chief financial officer of our Company and was responsible for comprehensive financial management and overseeing financial accounting and auditing of our Group. From December 2018 to January 2024, Mr. Sun served various roles, including senior vice president, chief financial officer and chief executive officer, at Chongqing Porton Pharma Solutions Ltd. (重慶博騰製藥科技股份有限公司) (“**Porton**”) and its subsidiary, and was responsible for overseeing financial accounting and auditing and business strategic planning. Porton is a company listed on the Shenzhen Stock Exchange ChiNext (stock code : 300363), and is primarily engaged in the provision of pharmaceutical development and manufacturing services. From March 2016 to November 2018, he served as a senior vice president and chief financial officer of Guangzhou 7LK Pharmaceutical Chain Co., Ltd. (廣州七樂康藥業連鎖有限公司), a company primarily engaged in the provision of pharmaceutical retail and distribution services, and was responsible for overseeing financial accounting and auditing. From January 2013 to February 2016, he served as a head of finance department of Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司), a company primarily engaged in the provision of insurance services, and was responsible for overseeing financial accounting and auditing. In July 2009, he joined as a head of finance department of Taiping General Insurance Co., Ltd. (太平財產保險有限公司), a company primarily engaged in the provision of insurance services, and was responsible for overseeing financial accounting and auditing. In September 2007, he joined as a senior auditor of Deloitte Hua Yong LLP (德勤華永會計師事務所), a company primarily engaged in the provision of professional accounting and auditing services, and was responsible for supervising the audit team. From February 2005 to August 2007, he served as a senior auditor of Ernst & Young Hua Ming LLP (安永華明會計師事務所), a company primarily engaged in the provision of professional accounting and auditing services, and was responsible for supervising the audit team.

Mr. Sun obtained a master’s degree in business administration from China Europe International Business School (中歐國際工商學院) in November 2018 and a bachelor’s degree in accounting from Xiangtan University (湘潭大學) in June 2004. Mr. Sun has been a certified member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since December 2006.

Ms. Li Yewei (李燁燁), aged 39, is an executive Director. She is responsible for the business management within the resource utilization sector of subsidiaries of our Group. Ms. Li joined our Group as training manager and operation manager in March 2015 and has been appointed as a Director since August 2025 as a representative from the employees of our Company. She would be re-designated as an executive Director with effect from the [REDACTED]. Ms. Li also served as the general manager of a subsidiary of our Company.

Ms. Li has approximately 10 years of experience in business management. Since Ms. Li joined our Group, she held several management positions in our Company. Since January 2023, Ms. Li served as a general manager of Jingyuan GeoEnviron and Jinchang GeoEnviron, and is responsible for strategic operations and overseeing project development. From December 2021 to December 2022, she served as a deputy general manager of Jingyuan GeoEnviron, and was responsible for and was responsible for assisting the general manager in strategic operations and overseeing project development. From March 2015 to November 2021, she served as training manager and operation manager and was responsible for organizing staff training program and managing daily business operations. From March 2014 to March 2015, she served as a training manager of Poten Environment Group Co., Ltd. (博天環境集團股份有限公司), a company primarily engaged in the provision of water environment solutions development and consulting and was responsible for organizing staff training program.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Li obtained a bachelor’s degree in human resources management from China Women’s University (中華女子學院) in July 2011.

Independent non-executive Directors

Ms. Wang Jingda (王競達), aged 53, is an independent non-executive Director. She is responsible for supervising and providing independent judgment to our Board. Ms. Wang joined our Group as an independent Director in January 2022. She would be re-designated as an independent non-executive Director with effect from the [REDACTED]. Ms. Wang also served as the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee of the Board.

Since January 2026, Ms. Wang served as a professor and doctoral supervisor of Central University of Finance and Economics (中央財經大學), an institution primarily engaged in the provision of higher education and research and innovation, and is responsible for advanced research in assets valuation, teaching and mentoring doctoral students to support their academic research pursuits. Ms. Wang has held several successive positions at Capital University of Economics and Business (首都經濟貿易大學), an institution primarily engaged in the provision of higher education and research and innovation. From December 2012 to January 2026, she served as a professor, and was responsible for advanced research in assets valuation, teaching and mentoring students to support their academic research pursuits. From September 2004 to December 2012, she served as an associate professor. From July 1997 to September 2004, she served as a lecturer. Since April 2022, Ms. Wang has served as an independent non-executive director of Beijing New Building Materials Public Limited Company (北新集團建材股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000786) and primarily engaged in the provision of manufacturing of new building materials, and is responsible for supervising and providing independent judgment to the company. From February 2022 to May 2025, Ms. Wang served as an independent non-executive director of Shenzhen Prince New Materials Co., Ltd. (深圳王子新材料股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002735) and primarily engaged in the provision of manufacturing of packaging materials, and was responsible for supervising and providing independent judgment to the company. From May 2021 to January 2024, Ms. Wang served as an independent non-executive director of Shengxing Group Co., Ltd. (昇興集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002752) and primarily engaged in the provision of packaging and containers design and sales, and was responsible for supervising and providing independent judgment to the company. From April 2021 to March 2024, she served as an independent non-executive director of Wells Advanced Materials (Shanghai) Co. Ltd. (惠柏新材料科技(上海)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 301555) and primarily engaged in the provision of research and development and manufacturing of advanced chemical products, and was responsible for supervising and providing independent judgment to the company. From November 2020 to February 2024, she served as an independent non-executive director of Hebei Jiheng Pharmaceutical Co., Ltd. (河北冀衡藥業股份有限公司), a company primarily engaged in the provision of pharmaceuticals development and production, and was responsible for supervising and providing independent judgment to the company.

Ms. Wang obtained a PhD degree in business management from Tsinghua University (清華大學) in July 2007. She obtained a master’s degree in economics from Changchun Taxation College (長春稅務學院), now known as Jilin University of Finance and Economics (吉林財經大學), in July 1997.

Mr. Huang Changbo (黃常波), aged 53, is an independent non-executive Director. He is responsible for supervising and providing independent judgment to our Board. Mr. Huang joined our Group as an independent Director in May 2019, he stepped down from the position and left our Group in January 2022 and subsequently rejoined our Group as an independent Director in August 2025. He would be re-designated as an independent non-executive Director with effect from the [REDACTED]. Mr. Huang also served as a member of the Strategy Committee, a member of the Audit Committee and the chairman of the Nomination Committee of the Board.

DIRECTORS AND SENIOR MANAGEMENT

From June 2015 to January 2026, Mr. Huang served as a chairman of the board of Ailvcheng Environmental Technology Co., Ltd. (愛綠城環保科技有限公司), a company primarily engaged in the provision of solid waste treatment and recycling, and was responsible for formulating the overall development strategies and planning, making major business decisions and leading the business direction and growth. From September 2014 to May 2015, he served as a deputy general manager of Beijing Huaming Times Investment Co., Ltd. (北京華銘時代投資公司), a company primarily engaged in the provision of project investment and management, and was responsible for assisting the general manager in strategic operations and overseeing project development.

Mr. Huang obtained a postdoctoral certificate in geological resource and geological engineering (地質資源與地質工程) from Central South University (中南大學) in July 2003. He also obtained a PhD degree in geological engineering, a master’s degree and a bachelor’s degree in mining exploration engineering (探礦工程), all from China University of Geosciences (中國地質大學) in June 1999, June 1996 and June 1994, respectively. Mr. Huang possesses a qualification as a professorate senior engineer (教授級高級工程師) certified by China State Construction Engineering Corporation (中國建築工程總公司) in May 2009. He also possesses a qualification as a senior engineer (高級工程師) certified by China Construction First Building (Group) Corporation Limited (中國建築一局集團公司) in May 2003.

Mr. Huang received the Central State-owned Enterprises Youth Innovation Award of the First China Aluminum Cup (中國鋁業杯首屆中央企業青年創新獎) from Working Committee of Central State-owned Enterprises (中央企業工作委員會) in May 2007, the 21st Beijing May-Fourth Medal (第二十一屆北京市五四獎章) from Beijing Municipal Committee of the Communist Youth League (共青團北京市委員會) in April 2007 and the Model of Economic and Technological Innovation Award (經濟技術創新標兵) from Beijing Federation of Trade Unions (北京市總工會) in April 2005.

Ms. Liu Li (劉力), aged 58, is an independent non-executive Director. She is responsible for supervising and providing independent judgment to our Board. Ms. Liu joined our Group as an independent Director in August 2023. She would be re-designated as an independent non-executive Director with effect from the [REDACTED]. Ms. Liu also served as a member of the Audit Committee, the chairman of the Remuneration and Appraisal Committee and a member of the Nomination Committee.

Since September 2013, Ms. Liu has served as a professor of China University of Political Science and Law (中國政法大學), an institution primarily engaged in the provision of higher education and research and innovation, and is responsible for advanced research in law, teaching and mentoring students to support their academic research pursuits. Since August 2025, Ms. Liu has served as an independent non-executive director of Guangdong Seneasy Intelligent Technology Co., Ltd. (廣東辰奕智能科技股份有限公司), a company listed on the Shenzhen Stock Exchange ChiNext (stock code: 301578) and primarily engaged in the provision of design and sales of smart home interaction terminal products, and is responsible for supervising and providing independent judgment to their company. Since April 2023, Ms. Liu has served as an independent non-executive director of Baiyin Non-ferrous Group Co., Ltd. (白銀有色集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601212) and primarily engaged in the provision of mining and processing of non-ferrous metals, and is responsible for supervising and providing independent judgment to their company.

Ms. Liu obtained a PhD degree, a master’s degree and a bachelor’s degree in law, all from China University of Political Science and Law in June 2003, April 1998 and July 1990, respectively. Ms. Liu has been a practicing lawyer certified by Beijing Municipal Bureau of Justice (北京市司法局) since June 1994. Since May 2024, Ms. Liu has served as an arbitrator of Beijing Arbitration Commission (北京仲裁委員會).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chow Chi Wing (周志榮), aged 47, is an independent non-executive Director. He is responsible for supervising and providing independent judgment to our Board. Mr. Chow would be appointed as an independent non-executive Director with effect from the [REDACTED].

Since November 2023, Mr. Chow has served as a chief financial officer and company secretary at Wisdom Wealth Resources Investment Holding Group Limited (智富資源投資控股集團有限公司), a company listed on the Stock Exchange (stock code: 7) and primarily engaged in the provision of investment holding and resource management services, and is responsible for overseeing financial operations and corporate secretarial duties. Since July 2021, Mr. Chow has also served as an independent non-executive director at Wan Leader International Limited (萬勵達國際有限公司), a company listed on the Stock Exchange (stock code: 8482) and primarily engaged in the provision of logistic service, and is responsible for supervising and providing independent judgment to their company. From December 2022 to August 2023, he served as a chief financial officer at RHT Industrial Limited (信山實業有限公司), a company primarily engaged in the provision of environmental protection and innovative technology, and was responsible for overseeing financial operations. From August 2022 to August 2023, he served as a company secretary at Tian Cheng Holdings Limited (天成控股有限公司), a company listed on the Stock Exchange (stock code: 2110) and primarily engaged in the provision of marine construction services, and was responsible for undertaking corporate secretarial duties. From April 2021 to August 2022, he served as a company secretary at Asia Television Holdings Limited (亞洲電視控股有限公司), a company listed on the Stock Exchange (stock code: 707) and primarily engaged in the provision of fabric processing and sales, and was responsible for undertaking corporate secretarial duties. From July 2015 to February 2023, he joined Fengyinhe Holdings Limited (豐銀禾控股有限公司), formerly known as Flying Financial Service Holdings Limited (匯聯金融服務控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 8030) and primarily engaged in the provision of property development investments and other financial services, his last position served as a consultant, company secretary and authorized representative and was responsible for overseeing financial operations and corporate secretarial duties. From May 2005 to July 2015, he served as a senior manager at BDO Limited (立信德豪會計師事務所有限公司), a company primarily engaged in the provision of audit, tax, financial consultation and business services, and was responsible for managing client's accounting activities and finances.

Mr. Chow obtained a bachelor's degree of business administration in accounting from Hong Kong Baptist University in December 2000. Mr. Chow was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants (HKICPA) in July 2011 and a fellow member of the Association of Chartered Certified Accountants (ACCA) in April 2010.

Save as disclosed in this document, each of our Directors confirmed that (i) he/she did not hold any other positions or short positions in the Shares, underlying Shares, debentures of our Company and/or any associated corporation (with the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) he/she had no other relationship with any Directors, senior management and/or substantial Shareholders of our Company as of the Latest Practicable Date; (iii) he/she did not hold any directorships within the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; (iv) he/she is not engaged in, or interested in any business (other than our Group business) which, directly or indirectly, competes or is likely to compete with our business, which would require disclosure pursuant to Rule 8.10 of the Listing Rules; and (v) there are no other matters concerning our Director's appointments that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Further information about our Directors

Warning letter and criticism related to Oriental Yuhong

Mr. Li served as the chairman of the board of directors of Oriental Yuhong since 1998 and held approximately 20.2% equity interest in Oriental Yuhong as at the Latest Practicable Date. In 2021, Oriental Yuhong adopted an Employee Stock Purchase Plan (the “**ESPP**”). To encourage employees’ participation, Mr. Li personally undertook to compensate the participating employees at the expiry of the ESPP term in June 2026 an amount equal to the shortfall if their investment fell below their principal, plus an 8% annual rate of return (the “**ESPP Compensation**”). Our PRC Legal Advisor advised that the terms and arrangements of the ESPP and the undertaking provided by Mr. Li complied with applicable PRC laws and regulations. In 2023 and 2024, certain participating employees of the ESPP (the “**Withdrawal Participants**”) requested early withdrawal from the ESPP, including early return of investment principal and early payment of the ESPP Compensation under Mr. Li’s personal undertaking. Mr. Li intended to satisfy these obligations using the proceeds from his planned disposal of shares in Oriental Yuhong. However, he was unable to dispose of sufficient shares at the relevant time, and the proceeds available were insufficient to settle the withdrawal requests in full. To address the requests of the Withdrawal Participants and to stabilise the workforce, the then management of Oriental Yuhong approved employee advances of approximately RMB69.5 million in aggregate (the “**Advanced Fund**”) during 2023 and 2024, which were eventually paid to the Withdrawal Participants as part of the ESPP Compensation. In May 2024, Mr. Li repaid the Advanced Fund to Oriental Yuhong in full.

In August 2024, the Beijing Supervisory Bureau of CSRC (中國證監會北京監管局) (the “**Beijing Supervisory Bureau**”) determined that the Advanced Fund constituted an occupancy of funds by Mr. Li, being a connected party of Oriental Yuhong, for non-operating purposes and that Oriental Yuhong should have disclosed such occupancy of fund in a timely manner in compliance with applicable PRC rules and regulations. On August 11, 2025, the Beijing Supervisory Bureau issued a warning letter, and the Shenzhen Stock Exchange issued a criticism, against Oriental Yuhong and the relevant personnel (including Mr. Li). Such incident was recorded under the Integrity Files of Listed Companies (the “**Integrity Files**”), which were established by the CSRC for the purposes of regulating and administering the securities and futures markets, maintaining the market order of the securities and futures markets, and recording the credibility information of the securities and futures markets in the PRC. It forms a database which may be used by the public, particularly participants of the securities and future markets, for routine regulatory supervision and information enquiries. The Integrity Files record a range of information, including (i) positive credibility information, such as commendations, awards and evaluations, (ii) regulatory authorization and commitments, such as administrative licensing decisions, fulfilment or non-fulfilment of commitments related to listed companies, (iii) regulatory violations and measures, such as administrative penalties and supervisory measures, disciplinary sanctions or management measures and (iv) other market misconduct and judicial information.

DIRECTORS AND SENIOR MANAGEMENT

Oriental Yuhong subsequently implemented rectification measures and enhanced its internal control and compliance systems. Our Company also implemented internal control measures to ensure full compliance with applicable laws and regulations, including enhancements to fund transfer policies. Our Company has established a group-wide internal control and compliance system, including the adoption and implementation of a compliance management manual which govern the entire organization. According to the Articles of Association of our Company, in the event that there is potential conflict of interest arising out of any transaction between our Company and another company or entity to which a Director holds office, such Director shall abstain from voting and shall not be counted towards the quorum for the voting. Where a Shareholders’ meeting is held to consider a proposed transaction in which Mr. Li has a material interest, Mr. Li shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting. Our Company has engaged Tianjian Management Consultation (Hangzhou) Company Limited (天健管理諮詢(杭州)有限公司) (the “**Internal Control Consultant**”) as internal control consultant to review the adequacy and effectiveness of our internal control system. The Internal Control Consultant is a professional firm specializing in providing corporate governance, internal audit and internal control review services to new listing applicants and listed companies. The Internal Control Consultant has conducted a review of our internal control system and provided findings and recommendations after the review and we have taken remedial actions in response to such findings and recommendations. The Internal Control Consultant has performed follow-up procedures with regard to the remedial actions taken by us. We confirmed that there were no material internal control findings outstanding and we will also further implement internal control measures to ensure full compliance with applicable laws and regulations, including but not limited to appointing the compliance advisor and enhancing our fund transfer policies. We will work closely with the Internal Control Consultant and other professional parties to establish a comprehensive management system to be effective upon the [REDACTED]. These systems will facilitate the identification, assessment and monitoring of fund transfers and transactions with our connected parties, thereby preventing non-compliances similar to this incident from happening to our Group. Based on the above, our Directors and the Sole Sponsor are of the view that the enhanced internal control measures adopted by us are sufficient and effective to prevent similar incidents.

Based on the following, our Directors are of the view, and the Sole Sponsor concurs, that this incident does not adversely affect the suitability of Mr. Li to act as a director and our Company’s suitability for [REDACTED]:

- (i) all Advanced Fund was ultimately paid to employees. Mr. Li had no personal gain, and he repaid the Advanced Fund in full. There were no fraud, deceit and dishonesty on the part of Mr. Li in this incident. No legal proceedings or any other actions other than the warning letter and the criticism has been initiated against Mr. Li, Oriental Yuhong or any person in connection with this incident;
- (ii) as advised by our PRC Legal Advisor, (a) the warning letter and the criticism did not constitute any administrative penalty against Mr. Li, and were minor in nature, and did not affect Mr. Li’s qualification for acting as a director of any PRC companies under the PRC laws and regulations; (b) it is a common practice for the Shenzhen Stock Exchange and the Shanghai Stock Exchange to record incidents arising from their enforcement actions in the Integrity Files, and the inclusion of an incident or information in the Integrity Files did not constitute any administrative punishment. The regulatory measures and disciplinary actions recorded in the Integrity Files remain effective for three years, after which the relevant information will no longer be publicly displayed or searchable; and (c) Mr. Li has not been subject to any administrative penalty or other disciplinary action by the CSRC, the Shenzhen Stock Exchange or other relevant authorities in connection with this incident; and

DIRECTORS AND SENIOR MANAGEMENT

- (iii) Mr. Li has participated in relevant trainings and updates of his knowledge and skills to keep abreast with the latest regulatory developments, including training and materials on topics such as corporate governance, directors’ responsibilities, and continuous obligations of listed companies. Further, Mr. Li has received training in respect of compliance requirements under the Listing Rules and the relevant Hong Kong laws, including directors’ duties, model code of securities transactions, continuing obligations, rules relating to notifiable and connected transactions and corporate governance.

Warning letters related to our Company

In May 2025, each of the Beijing Regulatory Bureau and the Shanghai Stock Exchange issued a warning letter (警示函) to our Company, Mr. Li and Mr. Ling Jinming in relation to our failure to comply with certain disclosure requirements pursuant to the applicable rules and regulations of the CSRC. The incident mainly relates to insufficient basis for goodwill impairment provision and incomplete scope of consolidated financial statements which resulted in an underreporting of revenue for the year ended December 31, 2023.

Our Company has taken rectification measures in our internal control procedures to address such non-compliances. No material deficiencies have been identified by the Internal Control Consultant in our internal control measures in relation to such non-compliances. Our Directors are of the view that our enhanced internal control measures are adequate and effective.

We believe that the incident did not affect the suitability of Mr. Li and Mr. Ling Jinming as Director, having considered that (i) the incident was not due to fraud or personal dishonesty on the part of the relevant Directors, nor did the regulatory decisions cast doubt on their qualifications for acting as Directors; (ii) as advised by our PRC Legal Advisor, the warning letter and the public criticism are not administrative penalties, but regulatory actions imposed by the relevant securities regulatory authorities which are minor in nature, and do not affect the suitability of Mr. Li and Mr. Ling Jinming to serve as a director of a listed company under the applicable laws and regulations in the PRC; (iii) the relevant Directors have not been disqualified from serving as a Director of our Company or a director of any other company as a result of the above incidents; and (iv) Mr. Li and Mr. Ling Jinming had not been subject to any other investigation or proceedings by the CSRC, the Shanghai Stock Exchange or any other regulatory authorities.

SUPERVISORY COMMITTEE

Pursuant to our special general meeting of our Company held on June 30, 2025, our Shareholders approved a resolution to amend the articles of association of our Company to the effect that our Company would no longer set up the supervisory committee from June 30, 2025, and the powers of the supervisory committee will be exercised by the Audit Committee. Our PRC Legal Advisor confirmed that such arrangements comply with the relevant PRC laws and regulations.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

Name	Age	Date of joining our Group	Present position	Date of appointment as a senior management	Roles and responsibilities
Mr. Ling Jinming (凌錦明)	51	November 2009	Vice-chairman of our Board, executive Director and chief executive officer	November 2009	Responsible for the overall management and operations of our Group
Mr. Zhang Huazhen (張華振)	49	June 2009	Executive Director and vice-CEO	August 2025	Responsible for the operational management of the environmental services project operation segment of our Group
Mr. Sun Min (孫敏)	44	February 2024	Executive Director, vice-CEO and chief financial officer	June 2024	Responsible for comprehensive financial management and overseeing financial accounting and auditing of our Group
Mr. Zhang Jiong (張炯)	47	March 2015	Vice-CEO, secretary to our Board and joint company secretary	March 2017	Responsible for securities related matters, external investment and mergers and acquisitions of our Group and our Board related matters

Mr. Ling Jinming (凌錦明), aged 51, is the vice-chairman of our Board, an executive Director and the CEO. For biography of Mr. Ling, see “Executive Directors” in this section.

Mr. Zhang Huazhen (張華振), aged 49, is an executive Director and the vice-CEO. For biography of Mr. Zhang, see “Executive Directors” in this section.

Mr. Sun Min (孫敏), aged 44, is an executive Director, the vice-CEO and the chief financial officer. For biography of Mr. Sun, see “Executive Directors” in this section.

Mr. Zhang Jiong (張炯), aged 47, is the vice-CEO and the secretary to our Board. He is primarily responsible for securities related matters, external investment and mergers and acquisitions of our Group and our Board related matters. He joined our Group in March 2015 and held several successive management positions as an assistant to general manager and a deputy general manager in our Company. Since January 2022, he has served as a vice-CEO.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang has approximately 15 years of experience in securities and investments related matters. After joining our Company in March 2015, Mr. Zhang has been responsible for securities related affairs and mergers and acquisitions related matters of our Group. From December 2011 to March 2015, Mr. Zhang served as a deputy general manager of investment banking department of China Lions Securities Co., Ltd. (華林證券股份有限公司), a company primarily engaged in the provision of securities brokerage and investment banking, and was responsible for overseeing and leading his team to undertake and implement investment banking projects. From May 2009 to December 2011, Mr. Zhang served as a senior manager of investment banking department of Ping An Securities Co., Ltd. (平安證券股份有限公司), a company primarily engaged in the provision of securities brokerage and investment banking, and was responsible for undertaking and implementing investment banking projects.

Mr. Zhang obtained a master’s degree in management science and engineering from Hunan University (湖南大學) in December 2005. He also obtained a bachelor’s degree in computer science and technology from Xiangtan University in June 2001.

JOINT COMPANY SECRETARIES

Mr. Zhang Jiong (張炯), aged 47, would serve as the joint company secretary of our Company with effect from the [REDACTED]. For biography of Mr. Zhang, see “Senior Management” in this section.

Mr. Lee Cheuk Wang (李卓宏), aged 52, would serve as the joint company secretary of our Company with effect from the [REDACTED]. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and a partner of Loeb & Loeb LLP, being the legal advisor to our Company as to Hong Kong law. Mr. Lee obtained a bachelor’s degree of Law in 1996 and a master’s degree in Chinese and Comparative Law in 1999, both from City University of Hong Kong. He has more than 26 years of experience in advising on regulatory compliance and corporate governance.

BOARD COMMITTEES

We have established the following committees under our Board: the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. The committees operate in accordance with their respective terms of reference established by our Board.

Strategy Committee

Our Company established the Strategy Committee with written terms of reference. The Strategy Committee consists of three members, namely Mr. Li, Mr. Ling Jinming and Mr. Huang Changbo. The chairman of the Strategy Committee is Mr. Li. The primary duties of the Strategy Committee are to analyze and make recommendations to our Board on the long-term development strategy and major investments of our Company.

Audit Committee

Our Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Ms. Wang Jingda, Mr. Huang Changbo and Ms. Liu Li, all of whom are our independent non-executive Directors. The chairwoman of the Audit Committee is Ms. Wang Jingda. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration and Appraisal Committee

Our Company established the Remuneration and Appraisal Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of three members, namely Mr. Ling Jinming, Ms. Wang Jingda and Ms. Liu Li. The chairwoman of the Remuneration and Appraisal Committee is Ms. Liu Li. The primary duties of the Remuneration and Appraisal Committee are to evaluate and make recommendations to our Board on the remuneration policy covering our Directors and senior management of our Company.

Nomination Committee

Our Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Li, Mr. Huang Changbo, Ms. Liu Li. The chairman of the Nomination Committee is Mr. Huang Changbo. The primary duties of the Nomination Committee are to identify, screen and recommend to our Board appropriate candidates to serve as directors of our Company and to oversee the process for evaluating the performance of Board.

BOARD DIVERSITY

We will adopt the board diversity policy (the “**Board Diversity Policy**”) which sets out the approach to achieve diversity on our Board in order to enhance the quality of its performance. Such policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. All Board appointments will be based on meritocracy, having due regard to the attributes that the new Director will bring to our Board to complement and enrich the competencies, experience and perspectives of our Board.

Our Board comprises of 10 members, including three female Directors. Our Directors have a balanced portfolio of knowledge and skills, including business management, accounting and finance, auditing, project management, etc. They obtained degrees in various fields such as business management, accounting, engineering and management, human resources management, geological resource and geological engineering, law and taxation. None of the Directors are related to one another. The age of our Directors ranges from 39 years old to 60 years old. Our Company will also continue to take steps to promote diversity in all aspects at all levels of our Company, including but without limitation at our Board and senior management levels.

Our Nomination Committee is responsible for reviewing the diversity of our Board. After [REDACTED], our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and monitor and report annually in our corporate governance report about the implementation of the Board Diversity Policy. Our Nomination Committee will report annually to shareholders in the corporate governance section of the annual report of our Company on the process adopted in relation to our Board appointments and the consideration given to the diversity on our Board, including the biographical details of each Director.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Company in the form of fees, salaries, allowances and benefits-in-kind, discretionary bonuses and pension scheme contributions.

The aggregate amount of remuneration of our Directors including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind incurred by our Group (excluding the share-based compensation) for the years ended December 31, 2023, 2024 and 2025 was approximately RMB7.8 million, RMB6.8 million and RMB7.7 million, respectively.

The aggregate amount of remuneration including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind which were paid by our Group (excluding the share-based compensation) to the five highest paid individuals (excluding our Directors) for the years ended December 31, 2023, 2024 and 2025 was approximately RMB6.5 million, RMB6.2 million and RMB4.8 million, respectively.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending December 31, 2026 is estimated to be approximately RMB7.6 million.

Save as disclosed in this document, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group; (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments during the same period.

For details of our Directors’ remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to Note 9 of the Accountants’ Report in Appendix I to this document.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors (other than our independent non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group’s business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in January 2026 (as the case may be) and (ii) understands the requirements under the Listing Rules that are applicable to him or her as a director of a [REDACTED] issuer under the Listing Rules and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

COMPLIANCE ADVISOR

We have appointed Lego Corporate Finance Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the [REDACTED] and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Shareholders	Nature of interests	Description of Shares	As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)	
			Number of Shares interested in under the SFO	Approximate % of the issued Shares of our Company	Approximate percentage of shareholding in our A Shares	Approximate percentage of shareholding in our Company
Mr. Li	Beneficial owner	A Shares	248,714,649	16.33%	[REDACTED]%	[REDACTED]%
Wang Rui (王銳) ^(Note)	Interest of spouse	A Shares	248,714,649	16.33%	[REDACTED]%	[REDACTED]%

Note: Ms. Wang is the spouse of Mr. Li. Under the SFO, Ms. Wang is deemed to be interested in 248,714,649 A Shares interested by Mr. Li.

Save as disclosed above and in “Statutory and General Information – Further information about Our Directors, Chief Executive and Substantial Shareholders – Interests of the Substantial Shareholders in Other Members of Our Group” in Appendix VI to this document, our Directors are not aware of any person who will, immediately following completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), have any interest and/or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE PLEDGES AND POTENTIAL DISPOSALS BY MR. LI

Mr. Li has from time to time pledged the A Shares he owned to a PRC financial institution as collateral in order to obtain financing for his personal needs. As of the Latest Practicable Date, Mr. Li had pledged approximately 5.9% of the total issued share capital of our Company.

As of the Latest Practicable Date, Mr. Li intended to dispose of not more than 45,697,034 A Shares, representing approximately 3.0% of the total issued share capital of our Company, during the period between March 24, 2026 and June 23, 2026 for the purpose of repayment of his own debts. To the best knowledge of our Directors having made all reasonable enquiries, there has not been any adverse credit records against Mr. Li in respect of any breach of repayment obligations under his indebtedness.

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued capital of our Company was 1,523,234,457 A Shares of nominal value of RMB1.00 each, all of which are listed on the Shanghai Stock Exchange.

UPON COMPLETION OF THE [REDACTED]

Immediately following the [REDACTED], assuming (i) the [REDACTED] is not exercised and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged share capital (%)
A Shares in issue*	[1,523,234,457]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u><u>[REDACTED]</u></u>	<u><u>100.0</u></u>

Immediately following the [REDACTED], assuming (i) the [REDACTED] is exercised in full and (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the enlarged share capital (%)
A Shares in issue*	[1,523,234,457]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u><u>[REDACTED]</u></u>	<u><u>100.0</u></u>

Note:

* Including 19,232,656 A Shares repurchased by our Company pursuant to the repurchase mandates approved by the Board.

SHARE CAPITAL

RANKING

Our H Shares and our A Shares are regarded as one class of Shares and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in RMB. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

OUR SHARES

Our H Shares in issue upon completion of the [REDACTED], and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in RMB. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. Our H Shares can be subscribed for or traded by Hong Kong and other overseas investors and qualified domestic institutional investors. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by mainland Chinese investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the [REDACTED] of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請“全流通”業務指引) announced by the CSRC are not applicable to companies dually listed in the PRC and on the Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [REDACTED] and [REDACTED] on the Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to [REDACTED] H Shares and seek the [REDACTED] of H Shares on the Stock Exchange. Such approval was obtained by us at the shareholders’ general meeting of our Company held on December 19, 2025 and is subject to the following conditions:

- (i) *Size of the offer.* The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the total issued share capital enlarged by the H Shares to be issued pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares which may be [REDACTED] pursuant to the full exercise of the [REDACTED] shall not exceed 15% of the total number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) *Method of [REDACTED].* The method of [REDACTED] shall be by way of an [REDACTED] to institutional investors and a [REDACTED] for [REDACTED] in Hong Kong.

SHARE CAPITAL

- (iii) *Target [REDACTED]*. The H Shares shall be [REDACTED] to [REDACTED] in Hong Kong under the [REDACTED] and international [REDACTED], qualified domestic institutional [REDACTED] in mainland China and other [REDACTED] who are approved by mainland Chinese regulatory bodies to [REDACTED] abroad in [REDACTED].
- (iv) *[REDACTED] basis*. The [REDACTED] of H Shares will be negotiated and determined among the Board and/or its authorized persons and [REDACTED], as authorized by the Shareholders’ general meeting, after due consideration of the interests of our Company’s existing Shareholders and foreign investors, by reference to the conditions of international capital markets and the Hong Kong stock market issuances, the general valuation levels of comparable companies in the industry and the market subscription conditions at the time of [REDACTED], as well as based on the demand for foreign orders and the results of book-building.
- (v) *Validity period*. The [REDACTED] of H Shares and [REDACTED] of H Shares on the Stock Exchange shall be completed within 24 months from the date of approval by the general meeting of the Company on December 19, 2025.

There are no other approved existing [REDACTED] plans for our Shares except for the [REDACTED].

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstance under which our shareholders’ general meeting is required, please see “Summary of Articles of Association of the Company” in Appendix V to this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants’ Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements as a result of various factors, including but not limited to those discussed in “Risk Factors” and elsewhere in this document.

OVERVIEW

We are a solid waste and hazardous waste recycling company in China with comprehensive product portfolios and broad service coverages. Our product portfolios include a wide range of metal products primarily comprising base metals, precious metals and critical metals. In 2025, we recycled 14 types of metal elements and sold more than 15 types of products. According to Frost & Sullivan, in terms of revenue of 2025, we ranked third in the hazardous waste recycling market in China for each copper and platinum-group metals, with a market share of 9.2% and 6.7%, respectively. According to the same source, in terms of revenue in 2024, we ranked first in the hazardous waste recycling market in China for each bismuth and antimony, with a market share of 33.9% and 18.4%, respectively.

Our origins could be traced back to the Institute of High Energy Physics of the Chinese Academy of Sciences (中科院高能物理研究所), making us one of the pioneers in China’s resources recycling and utilization sector with specialty in solid waste and hazardous waste pollution prevention technology research, commercialization of scientific achievements, and provision of integrated solutions. Established in 1992, we have driven industrial transformation and upgraded through technological innovation leveraging over three decades of industry immersion. We have established a comprehensive business portfolio anchored in three core segments, namely resources recycling and utilization, environmental services and environmental engineering.

Resources Recycling and Utilization segment focuses on metal resources recycling. This involves the extraction of valuable elemental resources from solid waste or hazardous waste through physical or chemical processes and processing them into marketable products to achieve resource circularity. Our key metal products include electrolytic copper, electrolytic lead, refined bismuth, antimony oxide, gold ingots, silver ingots, platinum-group metals and nickel-based products. Moreover, our resource recycling and utilization segment also involves non-metal resources recycling. Our non-metal products primarily generated from recycling and utilization of plastic wastes and rubber tire wastes.

Environmental Services Projects Operation segment primarily includes operation of waste-to-energy incineration projects, where we utilize incineration methods to convert primarily household waste into thermal energy and furnace slag as the by-products. The generated thermal energy can be used for electricity and steam generation and the furnace slag can be further used as construction materials, thereby achieving resource recycling. Moreover, this segment also involves harmless treatment of solid waste and hazardous waste, which refers to the process of reducing the volume and toxicity of waste through incineration and landfilling, ultimately eliminating its pollution attributes. We operate our environmental services projects primarily under concession models, namely, build-operate-transfer (BOT) or transfer-operate-transfer (TOT).

FINANCIAL INFORMATION

Environmental Engineering Services segment involves us undertaking environmental engineering projects including landfill construction, soil and groundwater remediation, wastewater treatment, organic waste treatment and flue gas treatment. We provide efficient and sustainable solutions for environmental management and pollution control, facilitating environmental compliance and enhancing environmental quality, thereby contributing to a green and sustainable future.

We continuously strengthen our competitive edge through technological innovation. We have cultivated long-term strategic partnerships with renowned domestic and international research institutes and environmental enterprises. Notably, we were approved to establish a post doctoral research station in Zhongguancun Science Park Haidian Park. Several of our subsidiaries have been recognized as National Green Factories and National Specialized and Sophisticated ‘Little Giant’ Enterprises. As of December 31, 2025, our Company and our major subsidiaries held 493 patents and 37 software copyrights. As of the same date, we have spearheaded or participated in the formulation of 103 international, national, industry, and group standards and technical specifications. Our commitment to excellence has garnered nearly 100 national and provincial-level honors, including the Second Prize of the State Scientific and Technological Progress Award and the Second Prize of the National Technological Invention Award.

In 2023, 2024 and 2025, our revenue reached RMB10,580.4 million, RMB14,499.5 million and RMB14,732.3 million, respectively. During the same years, our gross profit was RMB1,859.0 million, RMB1,989.8 million and RMB2,684.3 million, respectively, at gross profit margins of 17.6%, 13.7% and 18.2%, respectively.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable IFRS. Our historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value through profit or loss (“**FVPL**”) and financial assets measured at fair value through other comprehensive income (“**FVOCI**”).

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 4 to the Accountants’ Report in Appendix I to this document.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by our Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors including the following:

Market Condition and Strategic Positioning

Driven by robust policy support, including the nationwide expansion of “Waste-Free City” pilots and the stringent enforcement of Extended Producer Responsibility (EPR) regulations, China’s solid waste and hazardous waste recycling market has demonstrated substantial growth over the past five years. The market size expanded from RMB1,597.4 billion in 2020 to RMB2,147.9 billion in 2024, achieving a CAGR of 7.7%, according to Frost & Sullivan. Looking ahead, continued structural optimization and technological innovation are expected to catalyze a strategic shift within the sector, from pure capacity expansion toward enhanced quality and operational efficiency. China’s solid waste and hazardous waste recycling market is expected to grow from RMB2,414.6 billion in 2025 to RMB3,504.3 billion in 2029, sustaining a CAGR of 9.8%. According to the same source, driven by national green development and resource security strategies, the size of China’s metal resource recycling market grew from RMB1,168.9 billion in 2020 to RMB1,546.2 billion in 2024, at a CAGR of 7.2%, and expected to continue to grow at a CAGR of 10.6% reaching RMB2,653.9 billion in 2029, evolving toward innovation-led, high-quality growth and deeper supply-demand integration. Propelled by nationwide recycling infrastructure initiatives, supported by top-level policies such as the “Dual Carbon” goals and waste import bans, the market of non-metal resource recycling market expanded from RMB391.4 billion in 2020 to RMB546.1 billion in 2024, at a CAGR of 8.7%. The market is now transitioning toward technology-intensive and economically integrated development, thus is forecast to reach RMB762.7 billion in 2029 in market size, reflecting a CAGR of 7.3% from 2025 to 2029.

We, as a pioneer and leader in the solid waste and hazardous waste recycling industry in China, are expected to provide a robust platform for capturing a greater share of future growth in this market trend of consolidation towards enhanced quality and operation efficiency through technological innovation. In particular, our vertically integrated operations along the industry value chain strengthens our competitiveness in cost management, resilience to raw material price fluctuations and stable access to metal resources. We have three independent and synergistical closed-loop full cycle operations focusing on the recycling of industrial waste containing copper, lead and nickel. By using our proprietary technologies, we achieved the recovery rates of approximately 99% for platinum-group metals, gold and silver and attained a recovery rate of approximately 98.7% for copper and over 95% for bismuth, antimony, lead and nickel, respectively. In addition, through extended industrial chain collaboration and lean value-chain management, we are able to accelerate inventory turnover, strengthening both profitability and operational resilience.

Going forward, we also expect to realize a business growth through accelerating our global expansion. We are committed to building a diversified global ecosystem that integrates solid waste and hazardous waste resource utilization, waste-to-energy power generation, and environmental engineering. Our global expansion strategy target resource-abundant markets where evolving environmental standards create a compelling need for our services and solutions, specifically Southeast Asia, where we can address the shortfall in environmental infrastructure and target Central Asia and Africa markets for mining assets. See “Business – Our Competitive Strengths” and “Business – Our Strategies” in this document.

FINANCIAL INFORMATION

Prices of Raw Materials and Our Products

In 2023, 2024 and 2025, the cost of materials, fuel and power accounted for 67.5%, 79.0% and 81.5% of our total cost of sales, respectively. As a result, our financial performance is affected by the fluctuation of prices of raw materials, fuel and power. Particularly in recycling of metal business, where the prices of both raw materials and products are linked to bulk commodity benchmarks, primarily those published by the SMM and the SHFE. The price of our recycled metal products is normally priced by referencing these benchmarks over an agreed period, while our raw material costs are often determined by the same indices. This pricing structure creates exposure during the period between the purchase of raw materials and the subsequent sale of finished products. Fluctuations in the referenced indices during this interval can affect profitability. Specifically, a decline in metal prices before the sale is completed or a rise in metal prices after the sale is completed may limit our ability to recover the full cost of raw materials, thereby compressing margins. To manage this exposure, we enter into commodity futures contracts from time to time. The effectiveness of this hedging activity in mitigating price risk can vary and may not provide complete protection. Consequently, financial results remain susceptible to volatility in the market prices of relevant metals and price movements continue to constitute a significant factor influencing financial performance.

Product Portfolios

Our financial performance is influenced by the aggregated results of our business segments, namely (i) resources recycling and utilization, (ii) operation of environmental service projects and (iii) environmental engineering services, each of which operates with a different gross profit margin profile including the relative scale and individual gross margin performance of these segments. We achieved an overall gross profit margin of 17.6%, 13.7% and 18.2% in 2023, 2024 and 2025, respectively.

We enhanced the development of the resources recycling and utilization segment and realized a substantial increase in our gross profit in this segment from RMB480.3 million in 2023 to RMB945.8 million in 2024 and further to RMB1,704.3 million in 2025, leading to the contribution of this segment in our total gross profit from 25.8% in 2023 to 47.5% in 2024 and further to 63.5% in 2025. In the meantime, we actively adjust our product portfolios in this segment towards those with high profit margin, such as precious metals and critical metals. Leveraging our strong technological capabilities, we intend to continue to diversify and optimize our product portfolios to enhance profitability and economic returns. We will replicate and scale our core separation and purification technologies to extend further into downstream value chain activities, transforming basic recycled materials into higher-margin products. For example, in addition to extract bismuth from recycled streams, we deep-process it into high-purity bismuth oxide for the semiconductor industry thereby significantly elevating product value. Through our extraction technology advancement, the spectrum of our critical and precious metal products recovered from the same waste feedstock continues to broaden, increasing our profit margin per unit processed material. We aim to enhance our overall profitability as well as resilience of business by increasing resource utilization efficiency and diversifying our recoverable product portfolios. As a result, our gross profit margin of this segment also experienced an increase from 7.4% in 2023 to 8.5% in 2024, and further to 14.3% in 2025.

The revenue and profitability of our operation of environmental services projects depends on the aggregate power generation capacity of our waste-to-energy projects in operation, as well as the actual output efficiency. The operational efficiency in our electricity generation is primarily influenced by the availability and quality of raw materials, and the efficiency of our machinery and equipment. Utilization may also be affected by scheduled maintenance, unplanned outages, and the ramp-up period of newly commissioned facilities. In 2023, 2024 and 2025, the gross profit margin of our environmental services project operation were 45.8%, 48.2% and 45.5%, respectively.

FINANCIAL INFORMATION

During the Track Record Period, we strategically focus on projects with high quality by intentionally decreasing the number of environmental engineering projects we undertook. This decision was based on the segment’s operational characteristics, which included high capital intensity, long cash conversion cycles, and sustained margin pressure. As a result, our gross profit of this segment decreased from RMB633.7 million in 2023 to RMB210.5 million in 2024 and further to RMB197.7 million in 2025, leading to the contribution of this segment in our total gross profit decreasing from 34.1% in 2023 to 10.6% in 2024 and further to 7.4% in 2025.

R&D Capability

R&D is one of the key drivers for our business growth. We are dedicated to technological innovation and the continuous development of new products and services. We focus on reform and improvement of key skills and technologies in order to increase the recovery rate of metals and reduce manufacturing costs. We collaborate with prestigious academic institutions and research academies to jointly develop core technologies that address critical industry challenges. We have made substantial investments in talent, technology and R&D to strengthen our market leadership, improve our financial performance, and reinforce our market position. In 2023, 2024 and 2025, our R&D expenses amounted to RMB324.0 million, RMB509.1 million and RMB458.5 million, representing 3.1%, 3.5% and 3.1% of our total revenue, respectively in each year during the Track Record Period. As of December 31, 2025, we had a dedicated team of 577 technology and R&D personnel. As of the same date, our Company and our major subsidiaries had 493 patents and 37 software copyrights and led or participated in the formulation of 103 international, national, and industry standards and technical specifications. We plan to maintain substantial investment in R&D to drive continuous innovation and strengthen our core competitiveness. For details, please refer to the section headed “Business – Research and Development”.

Our Ability to Control Costs and Operating Expenses

Our ability to manage costs and enhance efficiency will impact on the results of our operations. Through management and process optimization, and technology upgrades, we have demonstrated strong execution capabilities and adaptability in managing costs and allocating resources effectively. In terms of cost control, we use centralized procurement, intelligent production scheduling, and energy efficiency initiatives to effectively manage production costs. Our cost of processing each ton of metal had been decreasing throughout the Track Record Period. These efforts have strengthened our resilience against raw material price fluctuations thereby supporting stable profitability. At the same time, we continue to advance automation and digital transformation across our production processes, improving efficiency and standardization while reducing non-essential expenditures and optimizing our cost structure. On the operational efficiency front, we have enhanced asset utilization, strengthened inventory management, and improved cash flow turnover, resulting in steady improvements in operational quality. During the Track Record Period, we maintained a stable and well-managed operating expense structure. In 2023, 2024 and 2025, our general and administrative expenses amounted to RMB572.1 million, RMB580.9 million and RMB620.7 million, respectively, representing 5.4%, 4.0% and 4.2% of our total revenue, respectively, in each year during the Track Record Period.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Some of our accounting policies require us to apply estimates and assumptions and complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. We continually evaluate the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

FINANCIAL INFORMATION

There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. When reviewing our consolidated financial statements, you should consider, amongst other things: (i) information about our material accounting policy; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Information about our material accounting policy, estimates and judgments, which are important for an understanding of our financial condition and results of operations, including any changes in accounting policy and disclosures, are set forth in detail in Note 4 to the Accountants’ Report in Appendix I to this document.

Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances.

Accounting Policies and Significant Judgments for Revenue Recognition

Our Group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers a good or service to the customer, our Group presents the contract liability when the payment is made. A contract liability is our Group’s obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Resources Recycling and Utilization

Resources recycling and utilization business primarily focuses on the recycling of metal resources and derives revenue from the production and sales of related metal products. These transactions constitute performance obligations satisfied at a point in time. Revenue is recognized when our Group delivers the products to the contracted delivery location, the customer confirms acceptance, the consideration has been received or the right to collect the consideration has been obtained, and the related economic benefits are highly probable to flow to our Group.

Environmental Services Projects Operation

Environmental services projects operation business mainly includes operation of waste-to-energy incineration projects and harmless treatment of solid waste and hazardous waste. For revenue from waste-to-energy incineration projects, our Group recognizes revenue when the State Grid confirms the on-grid electricity generation volume for the current month, based on such volume and the on-grid electricity tariff approved by the NDRC. With respect to revenue from the business of harmless treatment of solid waste and hazardous waste, our Group recognizes revenue when it confirms that the customer has accepted the relevant services.

FINANCIAL INFORMATION

We adopt the construction and operation transfer method to participate in the operation of infrastructure facilities. Our Group obtains the management right of the facility from the national administrative department (contract awarding party) and participates in the construction and operation of the facility. After the expiration of the management rights, our Group shall hand over the relevant project to the state administrative department. If the contract stipulates that our Group has the right to collect fees during a certain period of operation after the completion of the relevant infrastructure facility, but the amount of fees is uncertain, such right does not constitute an unconditional right to receive cash, and we recognize intangible assets when the relevant construction costs are incurred. These costs are amortized over the concession period on a straight-line basis or units-of-service basis.

Environmental engineering services

For engineering and construction contracts, our Group’s performance creates or enhances an asset or work-in progress that the customer controls as the asset is created or enhanced and thus our Group satisfies a performance obligation and recognizes revenue over time. The progress of performance for the services provided is determined based on the proportion of completed work volume to the estimated total work volume, and revenue is recognized in line with such performance progress. When the performance progress cannot be reliably determined, if the costs incurred by our Company are expected to be recoverable, revenue is recognized equal to the amount of costs incurred until the performance progress can be reliably determined.

Allowance for Expected Credit Loss of Receivables and Contract Assets

The loss allowances for receivables and contract assets are based on assumptions about the risk of default and expected loss rates to determine the expected loss. Our Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

Our Group takes into account different macroeconomic scenarios in considering forward-looking information in Chinese Mainland. Our Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. Our Group has identified GDP as the most relevant factor, utilizes macroeconomic forecasts under three distinct scenarios, and assigns weights to these forecasts to derive weighted macroeconomic forecasts. Accordingly, the historical loss rates are adjusted based on these weighted forecasts to make the best estimate of credit losses under varying economic conditions.

Estimated Net Realizable Value of Inventories

In accordance with our Group’s accounting policy, our Group estimated net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for direct sale, their net realizable value is determined as the amount equal to the estimated selling price of such inventories in the ordinary course of business, less the estimated selling expenses and relevant taxes and levies. For inventories requiring further processing, their net realizable value is determined as the amount equal to the estimated selling price of the finished goods to be produced therefrom in the ordinary course of business, less the estimated costs to complete, the estimated selling expenses and relevant taxes and levies. If certain portions of the same item of inventory are subject to contractual pricing while other portions are not, the net realizable value of each portion shall be determined separately.

It is reasonably possible that if there is a significant change in circumstances including our Group’s business and the external environment, outcomes would be significantly affected.

FINANCIAL INFORMATION

Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values

Our Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

Income Tax and Deferred Taxation

Our Group estimates its income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which it is entitled in each location or jurisdiction in which our Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, contract assets, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the unused tax losses and the deductible temporary differences can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on our Group’s results or financial position.

Impairment of Non-Financial Assets

Our Group tests at least annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, intangible assets, investments in associates and joint venture, investments in subsidiaries, as well as right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amounts are the higher of value-in-use (“VIU”) calculations or fair value less costs of disposal (“FVLCD”). These calculations require the use of judgements and estimates.

Judgement is required to identify any impairment indicators existing for any of our Group’s non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect our Group’s financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statements of profit or loss.

FINANCIAL INFORMATION

Fair Value Measurement of Financial Assets and Liabilities at Level 3 Fair Value Hierarchy

The fair value of financial instruments classified as level 3 is determined using valuation techniques. Our Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets and liabilities at level 3 fair value hierarchy, see Note 3.5 of the Accountants’ Report in Appendix I of this document.

RESULTS OF OPERATIONS

	For the Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	10,580,366	14,499,545	14,732,257
Cost of sales	<u>(8,721,412)</u>	<u>(12,509,746)</u>	<u>(12,047,999)</u>
Gross profit	1,858,954	1,989,799	2,684,258
General and administrative expenses	(572,058)	(580,871)	(620,655)
Selling and marketing expenses	(143,587)	(97,683)	(106,424)
Research and development expenses	(324,018)	(509,082)	(458,549)
Net impairment losses on financial assets	(69,700)	(74,881)	(40,611)
Other income	133,011	162,264	131,175
Other gains/(losses), net	<u>45,422</u>	<u>138,387</u>	<u>(204)</u>
Operating profit	<u>928,024</u>	<u>1,027,933</u>	<u>1,589,990</u>
Finance income	1,546	2,493	3,146
Finance costs	<u>(447,580)</u>	<u>(463,121)</u>	<u>(465,089)</u>
Finance costs, net	<u>(446,034)</u>	<u>(460,628)</u>	<u>(461,943)</u>
Share of profit or loss of investments accounted for using the equity method	<u>77,651</u>	<u>41,249</u>	<u>(6,536)</u>
Profit before income tax	559,641	608,554	1,120,511
Income tax expenses	<u>(51,477)</u>	<u>(65,336)</u>	<u>(80,879)</u>
Profit for the year	<u>508,164</u>	<u>543,218</u>	<u>1,039,632</u>
Other comprehensive income for the year, net of tax	<u>–</u>	<u>–</u>	<u>299</u>
Total comprehensive income for the year	<u>508,164</u>	<u>543,218</u>	<u>1,039,931</u>

FINANCIAL INFORMATION

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated a majority of the revenue from sales of products derived from recycling of metal resources. In addition, we also generated revenue from (i) environmental services projects operation, which primarily includes electricity and steam sales and waste treatment services from our waste-to-energy incineration projects; and (ii) environmental engineering services. The table below sets out the breakdown of our revenue by segment for the years indicated.

Revenue by segment

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Resources Recycling and Utilization						
Revenue from sales of products derived from recycling of metal resources	5,557,080	52.5	9,976,392	68.8	10,923,400	74.2
Revenue from sales of products derived from recycling of non-metal resources	<u>911,283</u>	<u>8.6</u>	<u>1,160,501</u>	<u>8.0</u>	<u>975,727</u>	<u>6.6</u>
Subtotal	6,468,363	61.1	11,136,893	76.8	11,899,127	80.8
Environmental Services Projects Operation						
Revenue from waste-to-energy incineration projects	1,077,358	10.2	1,153,409	8.0	1,181,651	8.0
Revenue from harmless treatment of solid waste and hazardous waste projects	412,151	3.9	377,504	2.6	392,028	2.7
Others ⁽¹⁾	<u>138,075</u>	<u>1.3</u>	<u>198,471</u>	<u>1.3</u>	<u>147,219</u>	<u>1.0</u>
Subtotal	1,627,584	15.4	1,729,384	11.9	1,720,898	11.7
Environmental Engineering Services	<u>2,484,419</u>	<u>23.5</u>	<u>1,633,268</u>	<u>11.3</u>	<u>1,112,232</u>	<u>7.5</u>
Total	<u>10,580,366</u>	<u>100.0</u>	<u>14,499,545</u>	<u>100.0</u>	<u>14,732,257</u>	<u>100.0</u>

Note:

1. Mainly including three water treatment projects, as well as services provided by the Neijiang Project other than waste-to-energy incineration. See “Business – Our Business – Operation of Environmental Services Projects – Our Projects” for details.

Our total revenue increased by 37.0% from RMB10,580.4 million in 2023 to RMB14,499.5 million in 2024, primarily due to the substantial increase in our revenue from resources recycling and utilization. Our revenue increased by 1.6% from RMB14,499.5 million in 2024 to RMB14,732.3 million in 2025, primarily due to the increase in our revenue from recycling of resources recycling and utilization as a result of the improved production capacity of Jinchang GeoEnviron and newly added production capacity of Zhuhai Xinhong.

FINANCIAL INFORMATION

Our revenue from resources recycling and utilization increased by 72.2% from RMB6,468.4 million in 2023 to RMB11,136.9 million in 2024, primarily attributable to the substantial increase in revenue from recycling of metal resource as a result of (i) the increase in production volume of our Jiangxi Xinke production base which commenced operation in March 2023 and (ii) the increase in production volume of our Jingyuan GeoEnviron. Our revenue from resources recycling and utilization increased by 6.8% from RMB11,136.9 million in 2024 to RMB11,899.1 million in 2025, primarily due to the improved production capacity of Jinchang GeoEnviron and newly added production capacity of Zhuhai Xinhong.

Our revenue from environmental services projects operation increased by 6.3% from RMB1,627.6 million for the year ended December 31, 2023 to RMB1,729.4 million for the year ended December 31, 2024, primarily attributable to the increase in revenue from waste-to-energy incineration projects as a result of the increase in waste treatment volume. Our revenue from environmental services projects operation remained relatively stable from RMB1,729.4 million in 2024 to RMB1,720.9 million in 2025.

Our revenue from environmental engineering services decreased by 34.3% from RMB2,484.4 million in 2023 to RMB1,633.3 million in 2024, and further decreased by 31.9% in 2025, primarily as a result of our strategy to focus on high-quality projects.

Cost of Sales

Our cost of sales primarily consist of materials, fuel and power costs, employee compensation expenses, civil engineering and subcontracting costs, depreciation and amortization, equipment and installation costs, equipment usage fees and manufacturing overheads. In 2023, 2024 and 2025, our cost of sales was RMB8,721.4 million, RMB12,509.7 million and RMB12,048.0 million, respectively.

The table below sets forth the breakdown of our cost of sales by nature for the years indicated:

	For the year ended December 31					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Materials, fuel and power costs	5,888,467	67.5	9,882,941	79.0	9,826,996	81.5
Employee compensation expenses	445,812	5.1	436,260	3.5	398,241	3.3
Civil engineering and subcontracting costs	865,807	9.9	669,284	5.4	418,926	3.5
Depreciation and amortization	497,651	5.7	550,924	4.4	572,885	4.8
Equipment and installation costs	336,970	3.9	330,143	2.6	198,646	1.6
Equipment usage fees	207,572	2.4	108,127	0.9	72,562	0.6
Manufacturing overheads	291,539	3.3	355,478	2.8	355,499	3.0
Others	187,594	2.2	176,589	1.4	204,244	1.7
Total	8,721,412	100.0	12,509,746	100.0	12,047,999	100.0

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

Our gross profit represents revenue less cost of sales. Our gross profit margin represents gross profit divided by revenue. In 2023, 2024 and 2025, our gross profit was RMB1,859.0 million, RMB1,989.8 million and RMB2,684.3 million, respectively. In 2023, 2024 and 2025, our gross profit margin was 17.6%, 13.7% and 18.2%, respectively.

The table below sets forth the breakdown of our gross profit and gross profit margin by business segments for the years indicated:

	For the year ended December 31					
	2023		2024		2025	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Resources Recycling and Utilization Environmental Services Projects	480,250	7.4	945,778	8.5	1,704,251	14.3
Operation	745,004	45.8	833,486	48.2	782,299	45.5
Environmental Engineering Services	<u>633,700</u>	25.5	<u>210,535</u>	12.9	<u>197,708</u>	17.8
Total	<u>1,858,954</u>	17.6	<u>1,989,799</u>	13.7	<u>2,684,258</u>	18.2

General and Administrative Expenses

Our general and administrative expenses mainly consist of employee compensation expenses, agency and consultancy fee, depreciation and amortization. In 2023, 2024, and 2025, our general and administrative expenses amounted to RMB572.1 million, RMB580.9 million and RMB620.7 million, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses mainly consist of employee compensation expenses, travelling expenses, business entertainment expenses, expenses for project tendering and bidding and other consulting fees. In 2023, 2024 and 2025, our selling and marketing expenses amounted to RMB143.6 million, RMB97.7 million and RMB106.4 million, respectively.

Research and Development Expenses

Our research and development expenses mainly consist of materials, fuel and power cost, employee compensation expenses and depreciation and amortization. In 2023, 2024, and 2025, our research and development expenses amounted to RMB324.0 million, RMB509.1 million and RMB458.5 million, respectively.

FINANCIAL INFORMATION

The table below sets forth the breakdown of our research and development expenses by nature for the years indicated:

	For the year ended December 31					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Materials, fuel and power costs	148,669	45.8	333,979	65.6	280,364	61.2
Employee compensation expenses	137,375	42.4	121,075	23.8	123,058	26.8
Depreciation and amortization	14,111	4.4	21,248	4.2	21,616	4.7
Other ⁽¹⁾	23,863	7.4	32,780	6.4	33,511	7.3
Total	324,018	100.0	509,082	100.0	458,549	100.0

Note:

⁽¹⁾ Include technology service fee, contracting costs, consultant fee and travelling expenses.

Net Impairment Losses on Financial Assets

Our Group has four types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted cash and term deposits;
- Trade receivable and contract assets;
- Notes receivables at amortized cost; and
- Other receivables.

In 2023, 2024 and 2025, our net impairment losses on financial assets amounted to RMB69.7 million, RMB74.9 million and RMB40.6 million, respectively.

Other Income

Our other income consists of government grants related to our assets and income, tax refund qualified as VAT refund-upon-levy policy and interest income from our term deposits classified as financial assets at amortized cost calculated using the effective interest method. In 2023, 2024 and 2025, our other income amounted to RMB133.0 million, RMB162.3 million and RMB131.2 million, respectively.

Other Gains/(losses), Net

Our other gains/(losses), net are primarily generated from disposal of financial instruments, property plant and equipment, associates and joint ventures. In 2023 and 2024, our other gains, net amounted to RMB45.4 million and RMB138.4 million, respectively. In 2025, our other losses, net amounted to RMB0.2 million.

FINANCIAL INFORMATION

Finance Costs, Net

Our finance costs, net mainly consist of (i) interest expenses on borrowings; (ii) financing handling fees and (iii) other financial expenses. In 2023, 2024 and 2025, our finance costs, net amounted to RMB446.0 million, RMB460.6 million and RMB461.9 million, respectively.

Income Tax Expenses

Our income tax expenses mainly consist of current tax and deferred tax. We recorded income tax expenses of RMB51.5 million, RMB65.3 million and RMB80.9 million in 2023, 2024 and 2025, respectively. The following set forth our principal applicable taxes and tax rates:

In accordance with the relevant regulations of the Enterprise Income Tax Laws (the “**EIT Law**”) of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

During the Track Record Period, our Company and 17 of our subsidiaries obtained High and New Technology Enterprises certification (“**HNTE**”) and were therefore entitled to a preferential corporate income tax rate of 15% for the Track Record Period. Among them, one of our subsidiaries newly obtained HNTE certification in 2024 and was therefore entitled to the 15% preferential corporate income tax rate for the year ended December 31, 2024, and two of our subsidiaries newly obtained HNTE certification in 2025 and were therefore entitled to the 15% preferential corporate income tax rate for the year ended December 31, 2025. The income tax provisions in respect of operations in Chinese Mainland are calculated at the applicable tax rates on the estimated assessable profits for the Track Record Period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Chinese Mainland, a number of the Company’s subsidiaries enjoy income tax exemptions and reductions because (i) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (ii) they have operations in the Western Regions of Chinese Mainland that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China’s Western Regions (Guo Fa [2020] No. 23) issued by the State Council of Chinese Mainland.

Tax exemptions and reductions from the subsidiaries of our Company in the operations of environmental protection, energy and water conservation mainly arise from (i) income derived by certain subsidiaries of our Company from the production of products that are not restricted or prohibited by the state and meet the relevant national and industrial standards, using resources specified in the Catalogue of Corporate Income Tax Preferential Policies for Comprehensive Utilization of Resources (資源綜合利用企業所得稅優惠目錄) as the main raw materials, 90% of such income shall be included in the total taxable income; and/or (ii) pursuant to the relevant provisions of “Notice on Issues Concerning the Corporate Income Tax Preferential Policies for Public Infrastructure Projects and Environmental Protection, Energy Conservation and Water Conservation Projects”(財政部國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知) (Caishui [2012] No.10) issued by the Ministry of Finance and the State Taxation Administration of the PRC, certain subsidiaries of our Company are entitled to the corporate income tax preferential policy of “three years of exemption and three years of half-rate reduction”.

In 2023, 2024 and 2025, our effective tax rate, calculated as income tax expenses over profit before income tax, was 9.2%, 10.7% and 7.2%, respectively.

FINANCIAL INFORMATION

Profit for the Year

Our profit for the year amounted to RMB508.2 million, RMB543.2 million and RMB1,039.6 million, respectively, at a net profit margin of 4.8%, 3.7% and 7.1% in 2023, 2024 and 2025, respectively.

Other Comprehensive Income

Our other comprehensive income mainly consist of items that may be reclassified to profit or loss in subsequent periods, net of tax, including exchange differences on translation of foreign operations. For the years ended December 31, 2023 and 2024, there was no record of other comprehensive income; while for the year ended December 31, 2025, we recorded other comprehensive income of RMB0.3 million for currency translation differences of foreign operations.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2025

Revenue

Our revenue increased by 1.6% from RMB14,499.5 million in 2024 to RMB14,732.3 million in 2025, primarily due to the increase in revenue from resources recycling and utilization, partially offset by the decrease in revenue from environmental engineering services as a result of our strategy to focus on high-quality projects.

Our revenue from resources recycling and utilization increased by 6.8% from RMB11,136.9 million in 2024 to RMB11,899.1 million in 2025, primarily as a result of the improved production capacity of Jinchang GeoEnviron and newly added production capacity of Zhuhai Xinhong.

Our revenue from environmental services projects operation remained stable at RMB1,729.4 million in 2024 and RMB1,720.9 million in 2025.

Our revenue from environmental engineering services decreased by 31.9% from RMB1,633.3 million in 2024 to RMB1,112.2 million in 2025, primarily as a result of our strategy to focus on high-quality projects.

Cost of Sales

Our cost of sales decreased by 3.7% from RMB12,509.7 million in 2024 to RMB12,048.0 million in 2025, which is primarily due to (i) the decrease in cost of sales incurred from environmental engineering services as a result of the decrease in revenue from the same segment and (ii) the decrease in unit costs as a result of capacity ramp-up and continued process optimization in our resources recycling and utilization segment.

Gross Profit and Gross Profit Margin

Our gross profit increased by 34.9% from RMB1,989.8 million in 2024 to RMB2,684.3 million in 2025, primarily attributable to (i) the increase in sales volume of platinum-group metals, which generally carry higher gross profit margins; and (ii) the continued rise in metal prices. Due to the same reasons, our gross profit margin increased from 13.7% in 2024 to 18.2% in 2025.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses increased by 6.8% from RMB580.9 million in 2024 to RMB620.7 million in 2025, primarily due to the increase in year-end bonuses and performance based bonus.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 8.9% from RMB97.7 million in 2024 to RMB106.4 million in 2025, primarily due to (i) the increased incentive for our sales and marketing personnel and (ii) the increased marketing expenses for development of Zhuhai market.

Research and Development Expenses

Our research and development expenses decreased by 9.9% from RMB509.1 million in 2024 to RMB458.5 million in 2025, primarily as a result of our production processes becoming more stable, resulting in a decrease in process-related research and development expenses in our resources recycling and utilization segment.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased by 45.8% from RMB74.9 million in 2024 to RMB40.6 million in 2025, primarily due to the recovery of long-term receivables from our environmental engineering services projects. This was mainly due to gains realized from disposal of partial interests in EIT Ltd. and Vortexinfo Technology, and positive change on fair value of our interests in these companies as a result of increase in share prices in 2024.

Other Income

Our other income decreased by 19.2% from RMB162.3 million in 2024 to RMB131.2 million in 2025, primarily due to the decrease in government grants related to income and tax refund qualified as VAT refund-upon-levy policy during the year.

Other Gains/(Losses), Net

Our other gains/(losses), net change from other gains, net amounted to RMB138.4 million in 2024 to other losses, net amounted to RMB0.2 million in 2025. This was mainly due to the gains realized from disposal of partial interests in EIT Ltd. and Vortexinfo Technology in 2024 and positive change on fair value of our interests in these companies as a result of increase in share prices in the same year.

Finance Costs, Net

Our finance costs, net remained stable at RMB460.6 million in 2024 and RMB461.9 million in 2025.

FINANCIAL INFORMATION

Income Tax Expense

Our income tax expense increased by 23.8% from RMB65.3 million in 2024 to RMB80.9 million in 2025, primarily a result of the increase in our profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 91.4% from RMB543.2 million in 2024 to RMB1,039.6 million in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased by 37.0% from RMB10,580.4 million in 2023 to RMB14,499.5 million in 2024 primarily as a result of substantial increase in our revenue from resources recycling and utilization.

Our revenue from resources recycling and utilization increased by 72.2% from RMB6,468.4 million in 2023 to RMB11,136.9 million in 2024, primarily attributable to the substantial increase in revenue from recycling of metal resource as a result of (i) the increase in production volume of our Jiangxi Xinke production base which commenced operation in March 2023 and (ii) the increase in production volume of our Jingyuan GeoEnviron.

Our revenue from environmental services projects operation increased by 6.3% from RMB1,627.6 million in 2023 to RMB1,729.4 million in 2024, primarily attributable to the increase in revenue from waste-to-energy incineration projects as a result of increase in waste treatment volume.

Our revenue from environmental engineering services decreased by 34.3% from RMB2,484.4 million in 2023 to RMB1,633.3 million in 2024, primarily as a result of our strategy to focus on high-value projects.

Cost of Sales

Our cost of sales increased by 43.4% from RMB8,721.4 million in 2023 to RMB12,509.7 million in 2024 due to substantial increase in material, fuel and power costs as a result of increase in sales from our resources recycling and utilization segment.

Gross Profit and Gross Profit Margin

Our gross profit increased by 7.0% from RMB1,859.0 million in 2023 to RMB1,989.8 million in 2024, primarily attributable to the increase in gross profit of resources recycling and utilization as a result of the increase in revenue from this segment causing by increase in production volume of our Jiangxi Xinke and Jingyuan GeoEnviron production bases, partially offset by the decrease in the gross profit of environmental engineering services as we strategically decreased the number of projects we undertook to focus on high-value projects leading to a decrease of revenue of this segment. Our gross profit margin decreased from 17.6% in 2023 to 13.7% in 2024, primarily due to the increase in revenue contribution from resource recycling and utilization as a percentage of total revenue whereby its gross profit margin remains relatively lower than that of the other two business segments.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses remained stable at RMB572.1 million in 2023 and RMB580.9 million in 2024.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 32.0% from RMB143.6 million in 2023 to RMB97.7 million in 2024, primarily due to (i) the decrease in expenses for project bidding as we undertook less new projects in 2024; and (ii) the decrease in salary and incentives for sales and marketing personnel.

Research and Development Expenses

Our research and development expenses increased by 57.1% from RMB324.0 million in 2023 to RMB509.1 million in 2024, primarily due to the increase in R&D related expenses as a result of technological development and testing of production process for Jiangxi Xinke and Jinchang GeoEnviron production bases in the resource recycling and utilization segment.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 7.4% from RMB69.7 million in 2023 to RMB74.9 million in 2024 due to the increase in trade receivables and note receivables.

Other Income

Our other income increased by 22.0% from RMB133.0 million in 2023 to RMB162.3 million in 2024. This increase was mainly due to the increase in the amount of tax refund as a result of the increase in procurement of raw materials which qualified for the VAT refund-upon-levy policy.

Other Gains/(Losses), Net

Our other gains/(losses), net increased by 204.7% from RMB45.4 million in 2023 to RMB138.4 million in 2024. This was mainly due to the gains realized from disposal of partial interests in EIT Ltd. and Vortexinfo Technology in 2024 and positive change on fair value of our interests in these companies as a result of increase in share prices.

Finance Costs, Net

Our finance costs, net increased by 3.3% from RMB446.0 million in 2023 to RMB460.6 million in 2024. Our finance cost increased by 3.5% from RMB447.6 million in 2023 to RMB463.1 million in 2024, primarily as a result of the increase in the balance of our bank loans.

Income Tax Expense

Our income tax expense increased by 26.9% from RMB51.5 million in 2023 to RMB65.3 million in 2024, primarily as a result of the increase in our profit before income tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 6.9% from RMB508.2 million in 2023 to RMB543.2 million in 2024.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

	As of December 31,			As of
	2023	2024	2025	February 28,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
				(unaudited)
Current assets				
Inventories	4,931,280	5,165,271	5,996,958	7,313,580
Prepayments and other receivables	544,849	860,601	910,007	1,272,009
Trade and notes receivables	1,820,629	2,183,498	2,489,740	2,362,912
Other financial assets at fair value through profit or loss	6,274	217,406	36,906	–
Derivative financial instruments	47,708	9,912	17,875	1,266
Note receivables at fair value through other comprehensive income	93,625	70,972	109,561	129,576
Restricted cash and term deposits	572,427	592,457	555,832	510,222
Cash and cash equivalents	1,293,451	1,430,529	1,545,741	1,590,859
Contract assets	2,863,555	2,688,952	2,049,666	2,096,231
Other current assets	935,613	878,381	827,232	738,904
Total current assets	<u>13,109,411</u>	<u>14,097,979</u>	<u>14,539,518</u>	<u>16,015,559</u>
Current liabilities				
Borrowings	6,923,200	7,526,700	7,428,785	8,258,722
Trade and notes payables	3,175,061	2,882,408	2,396,710	2,374,356
Contract liabilities	181,985	259,841	228,668	349,470
Lease liabilities	2,824	5,190	2,551	2,795
Current income tax liabilities	32,530	59,540	95,472	126,963
Accruals and other payables	845,956	571,631	660,711	610,083
Other current liabilities	5,036	18,820	14,861	27,619
Total current liabilities	<u>11,166,592</u>	<u>11,324,130</u>	<u>10,827,758</u>	<u>11,750,008</u>
Net current assets	<u>1,942,819</u>	<u>2,773,849</u>	<u>3,711,760</u>	<u>4,265,551</u>

Our net current assets increased by 42.8% from RMB1,942.8 million as of December 31, 2023, to RMB2,773.8 million as of December 31, 2024, primarily due to the increase in inventories, prepayments and other receivables, trade and notes receivables, cash and cash equivalent, which were attributable to our business growth, as well as the decrease in trade and notes payables, accruals and other payables as a result of settling the relevant liabilities, and was partially offset by the decrease in derivative financial instruments and the increase in borrowings and current income tax liabilities.

Our net current assets increased by 33.8% from RMB2,773.8 million as of December 31, 2024 to RMB3,711.8 million as of December 31, 2025, primarily due to the increases in inventories and trade and notes receivables attributable to our business growth, as well as the decreases in trade and notes payables and borrowings, and was partially offset by the decreases in contract assets and other financial assets at fair value through profit or loss and the increase in accruals and other payables.

FINANCIAL INFORMATION

Inventories

Our inventories primarily consist of raw materials, work-in-progress, finished goods, goods in transit, materials for consigned processing, packaging materials and contract fulfillment costs. The following table sets forth details of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw Materials	2,023,646	1,608,486	1,398,700
Work-in-progress	2,353,584	3,158,125	3,795,775
Finished Goods	507,828	376,362	769,503
Goods in Transit	48,566	19,578	31,768
Materials for Consigned Processing	6,344	1,678	–
Packaging Materials	20,122	38,069	34,034
Contract Fulfillment Costs	34,131	9,981	100
	<u> </u>	<u> </u>	<u> </u>
Less: provision for impairment	(62,941)	(47,008)	(32,922)
	<u> </u>	<u> </u>	<u> </u>
	<u>4,931,280</u>	<u>5,165,271</u>	<u>5,996,958</u>

Our inventories increased by 4.7% from RMB4,931.3 million as of December 31, 2023 to RMB5,165.3 million as of December 31, 2024, and further increased by 16.1% to RMB5,997.0 million as of December 31, 2025 due to the increase in work-in-progress primarily due to the expansion of our production capacity and the extension of our production processes.

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Inventory turnover days ⁽¹⁾	206.2	150.0	180.2

Note:

1. Calculated using the closing balances of the inventories for such year divided by cost of sales for the relevant year and multiplied by 360 days.

Our inventory turnover days decreased from 206.2 days in 2023 to 150.0 days in 2024, primarily due to the increase in utilization rate of our resources recycling and utilization segment, leading to shorter turnover days.

Our inventory turnover days increased from 150.0 days in 2024 to 180.2 days in 2025, primarily due to increase in work-in-progress as a result of adjustment of production technique and improvement of production process by one of our subsidiaries, thus leading to longer turnover days.

As of February 28, 2026, RMB1,279.3 million or 17.5% of our inventories as of December 31, 2025, had been sold or utilized.

FINANCIAL INFORMATION

Prepayments and Other Receivables

Our prepayments and other receivables increased by 58.0% from RMB544.8 million as of December 31, 2023 to RMB860.6 million as of December 31, 2024, primarily due to the increase in prepayment for raw materials as a result of the increased production capacity in the Company’s metal resources recycling segment.

Our prepayments and other receivables increased by 5.7% from RMB860.6 million as of December 31, 2024 to RMB910.0 million as of December 31, 2025 primarily due to the increase in receivables as a result of disposal of the equity interest in subsidiaries.

Trade and Notes Receivables

Our trade and notes receivables primarily consist of trade receivables and notes receivables. The following table sets forth details of our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	1,979,525	2,397,489	2,743,275
Notes receivables	2,578	10,745	6,460
Less: credit loss allowance	(161,474)	(224,736)	(259,995)
	<u>1,820,629</u>	<u>2,183,498</u>	<u>2,489,740</u>

Our trade and notes receivables increased by 19.9% from RMB1,820.6 million as of December 31, 2023 to RMB2,183.5 million as of December 31, 2024, and further increased by 14.0% to RMB2,489.7 million as of December 31, 2025, primarily due to the increase in receivables from our environmental engineering services segment.

We generally grant credit terms up to 90 days to our customers. During the Track Record Period, the majority of our trade receivables were outstanding for less than one year. The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within one year	1,359,274	1,598,099	1,809,268
One to three years	570,532	683,223	711,888
Three to five years	39,344	104,562	190,018
More than five years	<u>10,375</u>	<u>11,605</u>	<u>32,101</u>
Total	<u>1,979,525</u>	<u>2,397,489</u>	<u>2,743,275</u>

FINANCIAL INFORMATION

The following table sets forth our trade receivables turnover days for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Trade receivables turnover days ⁽¹⁾	67.4	59.5	67.0

Note:

1. Calculated using the closing balances of the trade receivables for such year divided by the total revenue for the relevant year and multiplied by 360 days, as applicable.

Our trade receivables turnover days remained relatively stable throughout the Track Record Period at 67.4 days, 59.5 days and 67.0 days in 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB587.2 million or 21.4% of our trade receivables as of December 31, 2025, had been settled.

Other Financial Assets at Fair Value through Profit or Loss

Our other financial assets at fair value through profit or loss that are classified as current assets significantly increased from RMB6.3 million as of December 31, 2023 to RMB217.4 million as of December 31, 2024, primarily due to the reclassification of the remaining equity interest in EIT Ltd. into other financial assets at fair value through profit or loss as a result of partial disposal of equity interests in the same entity. Our other financial assets at fair value through profit or loss decreased from RMB217.4 million as of December 31, 2024 to RMB36.9 million as of December 31, 2025, primarily due to the further disposal of our equity interest in EIT Ltd..

Derivative Financial Instruments

We primarily purchase commodity futures to hedge against the risks arising from significant fluctuations in the market prices of our metal products. Our derivative financial instruments changed from RMB47.7 million as of December 31, 2023 to RMB9.9 million as of December 31, 2024, and further to RMB17.9 million as of December 31, 2025, primarily due to our adjustments to futures positions based on trends in metal price fluctuations and our inventory levels.

Note Receivables at Fair Value through Other Comprehensive Income

Our note receivables at fair value through other comprehensive income consist of note receivables and digital receivables debentures. Our note receivables at fair value through other comprehensive income decreased by 24.2% from RMB93.6 million as of December 31, 2023 to RMB71.0 million as of December 31, 2024, and further increased by 54.4% from RMB71.0 million as of December 31, 2024 to RMB109.6 million as of December 31, 2025, primarily due to the increased amount settled by bank acceptance drafts by our customers in the recycling of non-metal resources sector.

FINANCIAL INFORMATION

Restricted Cash and Term Deposits

Our restricted cash and term deposits mainly consist of bill margin, pledged term deposits, letter of credit margin, cash deposits in the designated accounts for payment of wages of project labor, and frozen deposits. Our restricted cash and term deposits remained stable at RMB572.4 million as of December 31, 2023 and RMB592.5 million as of December 31, 2024. Our restricted cash and term deposits decreased by 6.2% from RMB592.5 million as of December 31, 2024 to RMB555.8 million as of December 31, 2025, primarily as a result of the decrease in pledged term deposits.

Contract Assets

Contract assets consist of the amount of our rights to consideration for works completed but unsettled resulting from environmental engineering services contracts and retention receivables held by contract customers. Our contract assets decreased by 6.1% from RMB2,863.6 million as of December 31, 2023 to RMB2,689.0 million as of December 31, 2024, and further decreased by 23.8% to RMB2,049.7 million as of December 31, 2025, primarily as a result of the decrease in newly recognized contracts assets as a result of our strategy to focus on high-quality environmental engineering services projects and the accelerated settlement with our existing customers of environmental engineering services segment.

Other Current Assets

Our other current assets mainly consist of deductible input VAT. Our other current assets remained stable at RMB935.6 million as of December 31, 2023, RMB878.4 million as of December 31, 2024, and RMB827.2 million as of December 31, 2025.

Trade and Notes Payables

Our trade payables mainly consist of subcontracting fee, raw material fee, equipment and construction fee. Our notes payable consist of commercial acceptance bill and banker’s acceptance notes. The following table sets forth details of our trade and notes payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and notes payables			
– Trade payables	2,793,206	2,774,972	2,302,385
– Notes payables	<u>381,855</u>	<u>107,436</u>	<u>94,325</u>
	<u>3,175,061</u>	<u>2,882,408</u>	<u>2,396,710</u>

Our trade and notes payables decreased by 9.2% from RMB3,175.1 million as of December 31, 2023 to RMB2,882.4 million as of December 31, 2024, and further decreased by 16.9% to RMB2,396.7 million as of December 31, 2025, primarily due to the decrease in procurement as a result of the decrease in the number of projects as we strategically focus on high-quality environmental engineering services projects.

FINANCIAL INFORMATION

Trade payables are normally settled within 90 days. The following table sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	2,144,162	1,623,310	1,143,097
One to three years	492,944	953,700	896,743
More than three years	156,100	197,962	262,545
Total	2,793,206	2,774,972	2,302,385

The following table sets forth our trade payables turnover days for the years indicated:

	For the year ended December 31,		
	2023	2024	2025
Trade payables turnover days ⁽¹⁾	115.3	79.9	68.8

Note:

1. Calculated using the closing balances of the trade payables for such year divided by the cost of sales for the relevant year and multiplied by 360 days.

Our trade payables turnover days decreased from 115.3 days in 2023 to 79.9 days in 2024 and further to 68.8 days in 2025, primarily due to the decrease in revenue contribution from our environmental engineering services segment, which generally has longer trade payables turnover days than the other two business segments.

As of February 28, 2026, RMB624.1 million or 27.1% of our trade payables as of December 31, 2025, had been settled.

Contract Liabilities

Our contract liabilities mainly consist of advance payment by our customers. Our contract liabilities increased by 42.8% from RMB182.0 million as of December 31, 2023 to RMB259.8 million as of December 31, 2024, primarily due to the increased advance payment by our customers as a business practice, which is in line with the increase in procurement as a result of increased sales in resources recycling and utilization.

Our contract liabilities remained relative stable at RMB259.8 million as of December 31, 2024 and RMB228.7 million as of December 31, 2025.

Lease Liabilities

Our lease liabilities increased by 83.8% from RMB2.8 million as of December 31, 2023 to RMB5.2 million as of December 31, 2024, primarily due to the increase in property leases.

FINANCIAL INFORMATION

Our lease liabilities decreased by 50.8% from RMB5.2 million as of December 31, 2024 to RMB2.6 million as of December 31, 2025, primarily due to no material newly entered lease agreements and payment of lease expenses during the period in 2025.

Current Income Tax Liabilities

Our current income tax liabilities increased by 83.0% from RMB32.5 million as of December 31, 2023 to RMB59.5 million as of December 31, 2024, and further increased by 60.3% to RMB95.5 million as of December 31, 2025, which was in line with the increase in profit before income tax.

Accruals and Other Payables

The following table sets forth details of our accruals and other payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Employee Benefits Payable	119,825	123,188	161,556
Amounts Due to Third Parties	112,521	58,157	76,626
Payable on Equity Acquisition	146,743	35,550	30,500
Obligation to Repurchase Restricted Shares	76,520	–	–
Deposits Payable	30,172	26,007	62,975
Amounts Due to Related Parties	5,729	9	–
Taxes other than Income Tax Payables	348,867	318,609	296,241
Payables dividend	–	–	14,350
Others	5,579	10,111	18,463
	<u>845,956</u>	<u>571,631</u>	<u>660,711</u>

Our accruals and other payables decreased by 32.4% from RMB846.0 million as of December 31, 2023 to RMB571.6 million as of December 31, 2024. This was mainly due to (i) refund of employees’ contribution of the 2023 Share Incentive and Share Option Plan terminated in 2024 and (ii) payment of partial consideration of equity interest in two subsidiaries in 2023.

Our accruals and other payables increased by 15.6% from RMB571.6 million as of December 31, 2024 to RMB660.7 million as of December 31, 2025, primarily due to (i) the increase in accrued employee bonuses and performance-based remuneration as of December 31, 2025 and (ii) the increase in deposits payable by our suppliers.

Other Current Liabilities

Our other current liabilities increased by 273.7% from RMB5.0 million as of December 31, 2023 to RMB18.8 million as of December 31, 2024, primarily due to the increased tax payments as a result of the increased advance payment by our customers as a business practice, which is in line with our business growth in resources recycling and utilization. Our other current liabilities remained relatively stable at RMB18.8 million as of December 31, 2024 and RMB14.9 million as of December 31, 2025.

FINANCIAL INFORMATION

Non-Current Assets and Non-Current Liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	3,956,192	4,269,047	3,967,059
Right-of-use assets	358,174	370,219	305,990
Deferred tax assets	108,058	161,303	194,803
Intangible assets	8,112,030	7,974,993	7,611,185
Investments accounted for using the equity method	843,147	216,844	180,643
Trade and notes receivables	64,836	36,642	–
Other financial assets at fair value through profit or loss	19,165	58,925	58,705
Investment properties	53,412	49,940	48,307
Other non-current assets	58,483	31,881	52,270
Total non-current assets	13,573,497	13,169,794	12,418,962
Non-current liabilities			
Borrowings	5,028,483	5,567,014	4,974,928
Lease liabilities	9,231	8,964	4,910
Deferred tax liabilities	3,537	24,659	10,603
Deferred income	142,770	195,200	178,167
Provisions	208,106	251,828	288,498
Total non-current liabilities	5,392,127	6,047,665	5,457,106

Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, machinery and equipment, transport vehicles, other equipment and construction in progress.

Our property, plant and equipment increased by 7.9% from RMB3,956.2 million as of December 31, 2023 to RMB4,269.0 million as of December 31, 2024. This was mainly due to the construction investment of Jiangxi Xinke production base and Zhuhai Xinhong production base.

Our property, plant and equipment decreased by 7.1% from RMB4,269.0 million as of December 31, 2024 to RMB3,967.1 million as of December 31, 2025 as a result of the provision of depreciation and amortization.

Right-of-Use Assets

Our right-of-use assets primarily include the lease contracts for (i) land use rights, (ii) buildings and (iii) machinery and equipment we use in respect of our business operations.

FINANCIAL INFORMATION

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Right-of-use assets			
Land use right	344,619	354,748	296,731
Buildings	8,691	12,327	7,830
Machinery and Equipment	4,864	3,144	1,429
	<u>358,174</u>	<u>370,219</u>	<u>305,990</u>
Lease liabilities			
Current	2,824	5,190	2,551
Non-current	9,231	8,964	4,910
	<u>12,055</u>	<u>14,154</u>	<u>7,461</u>

We leased properties for our own use, and these lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments.

Our right-of-use assets increased by 3.4% from RMB358.2 million as of December 31, 2023 to RMB370.2 million as of December 31, 2024, primarily due to increase in land use right in Guizhou province.

Our right-of-use assets decreased by 17.3% from RMB370.2 million as of December 31, 2024 to RMB306.0 million as of December 31, 2025, primarily due to the disposal of two land use rights in Guizhou province and Tianjin.

Deferred Tax Assets

Our deferred tax assets increased by 49.3% from RMB108.1 million as of December 31, 2023 to RMB161.3 million as of December 31, 2024, primarily due to (i) the increase in impairment provisions for trade and receivables and inventories as a result of the increase in our operation scale; and (ii) the recognition of deferred tax assets for deductible tax loss carryforwards.

Our deferred tax assets increased by 20.8% from RMB161.3 million as of December 31, 2024 to RMB194.8 million as of December 31, 2025, primarily due to the recognition of deferred tax assets for the expected improved performance of our Company.

Intangible Assets

Our intangible assets primarily consist of concession rights, software, patent right and goodwill. Our intangible assets remained relatively stable at RMB8,112.0 million as of December 31, 2023, RMB7,975.0 million as of December 31, 2024, and RMB7,611.2 million as of December 31, 2025.

FINANCIAL INFORMATION

Investments in Associates and Joint Ventures

Our investments in associates and joint ventures decreased by 74.3% from RMB843.1 million as of December 31, 2023 to RMB216.8 million as of December 31, 2024, primarily as a result of the disposal of equity interest in two associates.

Our investments in associates and joint ventures decreased by 16.7% from RMB216.8 million as of December 31, 2024 to RMB180.6 million as of December 31, 2025, primarily due to the impairment provision based on the actual performance of two associates.

Other Non-Current Assets

Our other non-current assets decreased by 45.5% from RMB58.5 million as of December 31, 2023 to RMB31.9 million as of December 31, 2024, primarily due to the transfer of our prepayments for land use rights made in 2023 from other non-current-assets to right-of-use-assets as we obtained such land use rights in 2024.

Our other non-current assets increased by 64.0% from RMB31.9 million as of December 31, 2024 to RMB52.3 million as of December 31, 2025, primarily due to the increase in prepayment for equipment procurement incurred as a result of technical upgrades in the resources recycling and utilization segment.

Other Financial Assets at Fair Value through Profit or Loss

Our other financial assets at fair value through profit or loss that are classified as non-current assets significantly increased from RMB19.2 million as of December 31, 2023 to RMB58.9 million as of December 31, 2024, primarily due to the reclassification of our investment in Vortexinfo Technology as a result of partial disposal of equity interests in Vortexinfo Technology.

Our other financial assets at fair value through profit or loss that are classified as non-current assets remained stable at RMB58.9 million as of December 31, 2024 and RMB58.7 million as of December 31, 2025.

We make investment decisions case-by-case after thoroughly considering a number of factors, including but not limited to the macroeconomic environment, general market conditions, the investment risk management, sources of investment, and the expected profit or potential loss of the investment.

To monitor and control the potential risks associated with our investment portfolio, we have adopted internal procedures to manage our investment. With the authorization of the Board and the supervision by our officer responsible for the supervision on our financial matters, our investment department is responsible for analyzing, evaluating and determining the investment plans in accordance with our cash management policies and internal approval process. Prior to modifying our existing investment portfolio, the proposal must be approved by our financial controller and general manager of our Company.

Investment Properties

Our investment properties remained stable at RMB53.4 million as of December 31, 2023, RMB49.9 million as of December 31, 2024 and RMB48.3 million as of December 31, 2025.

FINANCIAL INFORMATION

Deferred Tax Liabilities

Our deferred tax liabilities increased by 597.2% from RMB3.5 million as of December 31, 2023 to RMB24.7 million as of December 31, 2024, primarily due to the increase in unrealized gains of our equity interest in EIT Ltd. as a result of the increase in share prices.

Our deferred tax liabilities decreased by 57.0% from RMB24.7 million as of December 31, 2024 to RMB10.6 million as of December 31, 2025, primarily due to the decrease in unrealized gains on the remaining equity interests following the disposal of our equity interest in EIT Ltd..

Deferred Income

Our deferred income increased by interests of 36.7% from RMB142.8 million as of December 31, 2023 to RMB195.2 million as of December 31, 2024, primarily due to the government grants for our municipal waste-to-energy incinerator expansion projects and our food waste resource utilization projects.

Our deferred income decreased by 8.7% from RMB195.2 million as of December 31, 2024 to RMB178.2 million as of December 31, 2025, primarily due to the amortisation of deferred income and transfer the same to other income during the year.

Provisions

Our provisions increased by 21.0% from RMB208.1 million in 2023 to RMB251.8 million in 2024 and increased further by 14.6% to RMB288.5 million in 2025, primarily due to the increase in provisions to ensure the service quality of infrastructure related to operation of environmental services projects.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have historically funded our cash requirements principally from proceeds from our business operations, capital contributions from shareholders and bank borrowings. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations, bank borrowings and the [REDACTED] from the [REDACTED]. We do not anticipate any changes in the availability of financing to fund our operations in the future.

FINANCIAL INFORMATION

Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	<u>(1,001,481)</u>	<u>689,181</u>	<u>1,164,371</u>
Net cash (used in)/ generated from investing activities	<u>(1,174,029)</u>	<u>(437,652)</u>	<u>210,792</u>
Net cash generated from/(used in) financing activities	<u>2,267,371</u>	<u>(110,626)</u>	<u>(1,259,471)</u>
Net increase in cash and cash equivalents	<u>91,861</u>	<u>140,903</u>	<u>115,692</u>
Cash and cash equivalents at beginning of the year	<u>1,201,762</u>	<u>1,293,451</u>	<u>1,430,529</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(172)</u>	<u>(3,825)</u>	<u>(480)</u>
Cash and cash equivalents at the end of the year	<u>1,293,451</u>	<u>1,430,529</u>	<u>1,545,741</u>

Net Cash Used in/Generated from Operating Activities

Our net cash used in/generated from operating activities reflect our profit before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation or amortization of non-current assets and interests); (ii) the effects of movement in working capital (such as inventories, receivables and payables); and (iii) other cash items (such as income taxes paid).

In 2025, we had net cash generated from operating activities of RMB1,164.4 million, which primarily represents profit before income tax of RMB1,120.5 million, adjusted by (i) non-cash or non-operating items, which primarily consist of finance cost of RMB465.1 million and depreciation and amortization of non-current assets of RMB639.9 million, partially offset by gain on disposal of associates and joint venture and other financial assets at FVPL of RMB52.7 million and net gains on financial instruments of RMB35.6 million; and (ii) movements in working capital, mainly consisting of a decrease in payables of RMB273.9 million, an increase in inventories of RMB854.0 million and a decrease in receivables of RMB65.8 million.

FINANCIAL INFORMATION

In 2024, we had net cash generated from operating activities of RMB689.2 million, which primarily represents profit before income tax of RMB608.6 million, adjusted by (i) non-cash or non-operating items, which primarily consist of finance cost of RMB463.1 million, depreciation and amortization of non-current assets of RMB625.1 million, partially offset by share of profit of associates, net of RMB41.2 million and gain on disposal of associates and joint venture and other financial assets at FVPL of RMB123.6 million and (ii) movements in working capital, mainly consisting of an increase in receivables of RMB494.7 million, decrease in payables of RMB163.4 million and increase in inventories of RMB245.9 million. As Jiangxi Xinke production base commenced operation in March 2023 and Jinchang GeoEnviron production base resumed operation in June 2024, our cash generated from operating activities improved in 2024.

In 2023, we had net cash used in operating activities of RMB1,001.5 million, which primarily represents profit before income tax of RMB559.6 million, adjusted by (i) non-cash or non-operating items, which primarily consist of finance cost of RMB447.6 million, depreciation and amortization of non-current assets of RMB552.9 million, partially offset by share of profit of associates, net of RMB77.7 million and (ii) movements in working capital, mainly consisting of an increase in receivables of RMB371.9 million and an increase in inventories of RMB2,273.0 million, partially offset by an increase in payables of RMB195.6 million. We recorded net cash used in operating activities in 2023 because Jiangxi Xinke production base only began to generate revenue in April 2023.

Net Cash Generated from/Used in Investing Activities

In 2025, our net cash generated from investing activities was RMB210.8 million, which was primarily attributable to the proceeds from disposal of other financial assets at fair value through profit or loss in the amount of RMB277.4 million and the proceeds of RMB100.7 million from the disposal of subsidiaries, partially offset by the payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB340.3 million.

In 2024, our net cash used in investing activities was RMB437.7 million, which was primarily attributable to the payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB894.9 million, partially offset by the proceeds from disposal of associates (i.e. EIT Ltd. and Vortexinfo Technology) of RMB425.6 million.

In 2023, our net cash used in investing activities was RMB1,174.0 million, which was primarily attributable to the payments for purchase of property, plant and equipment, intangible assets and other non-current assets of RMB1,506.6 million, partially offset by the proceeds from disposal of other financial assets at fair value through profit or loss in the amount of RMB363.8 million and the proceeds of RMB151.4 million from the disposal of equity investments measured at fair value through profit or loss..

Net Cash Used in Financing Activities

In 2025, our net cash used in financing activities was RMB1,259.5 million, primarily attributable to the repayment of borrowings of RMB8,764.9 million and the interest payment of RMB440.3 million, partially offset by the proceeds from borrowings of RMB8,068.6 million.

In 2024, we had net cash used in financing activities of RMB110.6 million, primarily attributable to (i) the repayment of borrowings of RMB9,137.3 million; (ii) the payment of dividend of RMB656.4 million; and (iii) the interest payment of RMB412.3 million, partially offset by the proceeds from borrowings of RMB10,232.1 million.

FINANCIAL INFORMATION

In 2023, we had net cash generated from financing activities of RMB2,267.4 million, primarily attributable to the proceeds from borrowings of RMB7,633.0 million, partially offset by the repayment of borrowings of RMB4,814.9 million.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including cash and cash equivalents, available banking facilities, cash flows from operating activities and estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document.

INDEBTEDNESS

Indebtedness

As of December 31, 2023, 2024 and 2025, our indebtedness included bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	February 28,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
				(unaudited)
Current				
Borrowings	6,923,200	7,526,700	7,428,785	8,258,722
Lease liabilities	2,824	5,190	2,551	2,795
Non-current				
Borrowings	5,028,483	5,567,014	4,974,928	5,069,626
Lease liabilities	<u>9,231</u>	<u>8,964</u>	<u>4,910</u>	<u>4,701</u>
Total	<u>11,963,738</u>	<u>13,107,868</u>	<u>12,411,174</u>	<u>13,335,844</u>

Except for our indebtedness as disclosed above as of December 31, 2023, 2024 and 2025, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits which were either guaranteed or unguaranteed, secured or unsecured.

As of the Latest Practicable Date, there was no restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that there has not been any material change in our indebtedness since February 28, 2026 and up to the date of this document.

FINANCIAL INFORMATION

Borrowings

As of December 31, 2023, 2024 and 2025 and February 28, 2026, we had borrowings (including current and non-current portions) of RMB12.0 billion, RMB13.1 billion, RMB12.4 billion and RMB13.3 billion, respectively, mainly representing (i) secured bank borrowings, (ii) secured financial institution loans and (iii) unsecured bank loans, primarily to supplement our working capital. Our borrowings are primarily denominated in Renminbi. The annual interest rate on our bank loans ranged from 0.90% to 6.27% during the Track Record Period.

As of December 31, 2025, we had an aggregate of RMB2,368.1 million of bank borrowings guaranteed by Mr. Li and/or his spouse. We intend to repay or settle bank loan(s) to discharge the personal guarantees prior to the [REDACTED] with our internal resources. See “Relationship with Our Single Largest Shareholder – Independence from Our Single Largest Shareholder – Financial Independence” and Note 28 to the Accountants’ Report in Appendix I to this document.

As of February 28, 2026, our unutilized bank credit facilities amounted to RMB3.09 billion.

Lease Liabilities

As of December 31, 2023, 2024 and 2025 and February 28, 2026, our total lease liabilities (including current and non-current portion) amounted to RMB12.1 million, RMB14.2 million, RMB7.5 million, and RMB7.5 million, respectively, which mainly represented our leases for our production facilities, offices, warehouses, staff apartments and machinery and equipment.

Our total lease liabilities increased by 17.4% from RMB12.1 million as of December 31, 2023 to RMB14.2 million as of December 31, 2024, primarily due to the increase of new leases.

Our total lease liabilities decreased by 47.2% from RMB14.2 million as of December 31, 2024 to RMB7.5 million as of December 31, 2025, mainly due to no material newly entered lease agreements and payment of lease expenses in 2025.

Our total lease liabilities remained relatively stable at RMB7.5 million as of December 31, 2025 and RMB7.5 million as of February 28, 2026.

OFF-BALANCE SHEET TRANSACTIONS

We had not entered into any material off-balance sheet transactions or arrangements as of the Latest Practicable Date.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were used for purchase of property, plant and equipment, intangible assets and other non-current assets, which amounted to RMB1,506.6 million, RMB894.9 million and RMB340.3 million, in 2023, 2024 and 2025, respectively. We funded these expenditures mainly with bank borrowings and cash generated from our business operations.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. See Note 43 to the Accountants’ Report in Appendix I to this document. Our Directors believe that these transactions were conducted in the ordinary and usual course of business and they were conducted on an arm’s length basis, and did not distort our results of operations or make our historical results unreflective of our future performance.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

Except as disclosed in Note 42 to the Accountants’ Report in Appendix I to this document, we did not have any other contingent liabilities or guarantee as of February 28, 2026, being the latest practicable date for determining our indebtedness.

CAPITAL COMMITMENTS

The table below sets forth the major capital commitment as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Property, plant and equipment commitments			
– Contracted, but not provided for	4,462	22,849	–
Intangible assets commitments			
– Contracted, but not provided for	3,537	4,164	–
Investment commitments			
– Contracted, but not provided for	–	2,800	–
	<u>7,999</u>	<u>29,813</u>	<u>–</u>

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the date or for the years indicated:

	As of/for the year ended December 31,		
	2023	2024	2025
Return on equity ⁽¹⁾	5.4%	5.3%	8.7%
Return on assets ⁽²⁾	1.9%	1.8%	3.1%
Gearing ratio ⁽³⁾	118.2%	132.5%	116.3%
Gross profit margin ⁽⁴⁾	17.6%	13.7%	18.2%
Net profit margin ⁽⁵⁾	4.8%	3.7%	7.1%

Notes:

- (1) Return on equity is calculated based on the profit for the year attributable to owners of our Company divided by equity attributable to owners of our Company at of the relevant year end and multiplied by 100%.
- (2) Return on assets is calculated based on the profit for the year attributable to owners of our Company divided by total assets as of the relevant year end and multiplied by 100%.
- (3) Gearing ratio is calculated based on total indebtedness (including borrowings and lease liabilities) divided by total equity and multiplied by 100%.
- (4) Gross profit margin equals gross profit for the year divided by revenue for the year and multiplied by 100%.
- (5) Net profit margin equals net profit for the year divided by revenue for the year and multiplied by 100%.

FINANCIAL INFORMATION

Return on Equity and Return on Assets

Our return on equity remained relatively stable at 5.4% and 5.3% in 2023 and 2024, respectively. Our return on equity increased from 5.3% in 2024 to 8.7% in 2025, primarily due to the substantial improvement in the gross profit of our resources recycling and utilization segment.

Our return on assets remained relatively stable at 1.9% and 1.8% in 2023 and 2024, respectively. Our return on assets increased from 1.8% in 2024 to 3.1% in 2025, primarily due to the substantial improvement in the gross profit of our resources recycling and utilization segment.

Gearing Ratio

Our gearing ratio remained stable, which was 118.2%, 132.5% and 116.3% as of December 31, 2023, 2024 and 2025, respectively.

Gross Profit Margin and Net Profit Margin

See “Financial Information – Period-to-Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

FINANCIAL RISKS MANAGEMENT

Our Group’s activities expose it to a variety of financial risks, including market risk, credit risk, liquidity risk and price risk. Our Group’s overall risk management focuses on the unpredictability of financial markets, seeks a balance between risk and return, and minimizes the adverse impact of risk on our Group’s financial performance. Based on this risk management objective, the basic strategy of our Group’s risk management is to identify and analyze the various risks faced by our Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range. For details, see Note 3 to the Accountants’ Report in Appendix I to this document.

Foreign Exchange Risk

Our Group is primarily exposed to changes in USD, EUR and JPY exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD, EUR and JPY denominated financial instruments is stated in Note 3.1 of the Accountants’ Report in Appendix I to this document.

Interest Rate Risk

Our Group’s interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose our Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose our Group to fair value interest rate risk. Our Group determines the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

As of December 31, 2023, 2024 and 2025, total borrowings of our Group which were bearing at floating rates amounted to approximately RMB5,678.6 million, RMB5,687.4 million and RMB5,013.1 million, respectively.

FINANCIAL INFORMATION

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents our Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with state-owned or reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade and notes receivables as well as other receivables, our Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

Liquidity risk

Our Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of our Group is to regularly monitor our Group’s liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet our Group’s liquidity requirements.

DIVIDEND AND DIVIDEND POLICY

Pursuant to the PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號 – 上市公司現金分紅(2025年修訂)》) and Articles of Association, within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average net profits realized in the latest three years. The specific dividend pay-out ratios shall be determined by our Board according to relevant regulations and our operating conditions, and shall be considered and resolved at our general meeting.

Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of our Board and the approval at our Shareholders’ meetings. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders’ interests and any other conditions that our Board may deem relevant.

During the Track Record Period, we declared and paid dividends of RMB76.3 million, RMB656.4 million and RMB106.6 million, respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company had retained earnings of RMB4,054.9 million. Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II – Unaudited [REDACTED] Financial Information to this document for details of our unaudited [REDACTED] adjusted consolidated net tangible assets.

FINANCIAL INFORMATION

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] commission and other fees incurred in connection with the [REDACTED]. Assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], [REDACTED] are estimated to be approximately RMB[REDACTED] million (HK\$[REDACTED] million), comprising: (i) [REDACTED] fees of RMB[REDACTED] million (HK\$[REDACTED] million); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] million (HK\$[REDACTED] million), which are further categorized into: (a) fees and expenses of legal advisers and accountants of RMB[REDACTED] million (HK\$[REDACTED] million); and (b) other fees and expenses of RMB[REDACTED] million (HK\$[REDACTED] million), approximately RMB[REDACTED] million (HK\$[REDACTED] million) of which had been or is expected to be recognized in our consolidated statements of profit or loss, and approximately RMB[REDACTED] million (HK\$[REDACTED] million) of which is expected to be deducted from equity upon the completion of the [REDACTED]. The [REDACTED] expenses are expected to represent approximately [REDACTED]% of the [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] and that the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2025, which is the end date of the year reported in the Accountants’ Report set out in Appendix I to this document, and there is no event since December 31, 2025 which would materially affect the information in the Accountants’ Report as set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

Please see “Business – Our Strategies” for further details of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per H Share (the maximum [REDACTED]) and the [REDACTED] is not exercised, we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses paid and payable by us in connection with the [REDACTED]. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, in the next three years, will be used to strengthen our competitiveness in the resources recycling and utilization segment. To this end, we intend to use (i) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, for potential acquisition to further expand our production capacities and product portfolios and (ii) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, for upgrading equipment and public facilities in our existing production bases; and
- approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, in the next three years, will be used for our upstream integration strategy by establishing a new business segment in developing and supplying mineral resources such as gold and copper. To this end, we intend to use:
 - (i) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, for potential acquisition of mineral resources, such gold and copper resources in China or overseas by focusing on small or medium size exploration projects with high growth prospect;
 - (ii) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, for covering costs in relation to exploring the reserves of such projects;
 - (iii) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, for covering costs in relation to mining infrastructures, which may include mining operations, tailings storage facilities and public facilities of such projects; and
 - (iv) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, for covering costs in relation to mining equipment of such projects; and
- approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, in the next three years, will be used for our future waste-to-energy incineration projects overseas. Such overseas deployment will primarily be based in Southeast Asia in order to leverage potential high growth in the local markets. By doing so, we believe we can seize the growing demands for environmental protection services in the region. To this end, we intend to use:
 - (i) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, for covering costs in relation to establishing our overseas operation, which may include obtaining necessary licenses, permits and approvals, recruitment of local staff and rental of local offices;
 - (ii) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million for covering civil engineering costs in relation to future waste-to-energy incineration power generation facilities, which may include those in relation to factory buildings, public facilities, warehousing and waste landfills; and

FUTURE PLANS AND [REDACTED]

- (iii) approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million for covering costs in relation to purchasing and installing the necessary equipment in such facilities;
- Approximately [REDACTED]% of the [REDACTED], or HK\$[REDACTED] million, is expected to be used for the working capital and general corporate purposes.

To the extent that the [REDACTED] from the [REDACTED] (including the [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the [REDACTED] for the above purposes on a pro rata basis.

To the extent that the [REDACTED] from the [REDACTED] are not immediately applied to the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we will only deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions in Hong Kong SAR or China (as defined under the SFO or applicable laws and regulations in China) so long as it is deemed to be in the best interests of our Company. In this event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-2, received from the Company’s reporting accountants, Confucius International CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



香港莊士敦道 181 號大有大廈 15 樓 1501-1508 室
Rooms 1501-8, 15/F., Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
電話 Tel: (852) 3103 6980
傳真 Fax: (852) 3104 0170
電郵 Email: info@pccpa.hk

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING GEOENVIRON ENGINEERING & TECHNOLOGY, INC. AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Beijing GeoEnviron Engineering & Technology, Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-149, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-149 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANTS’ REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at December 31, 2023, 2024 and 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Confucius International CPA Limited

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Confucius International CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Revenue	5	10,580,366	14,499,545	14,732,257
Cost of sales	8	(8,721,412)	(12,509,746)	(12,047,999)
Gross profit		1,858,954	1,989,799	2,684,258
General and administrative expenses	8	(572,058)	(580,871)	(620,655)
Selling and marketing expenses	8	(143,587)	(97,683)	(106,424)
Research and development expenses	8	(324,018)	(509,082)	(458,549)
Net impairment losses on financial assets	3.2	(69,700)	(74,881)	(40,611)
Other income	6	133,011	162,264	131,175
Other gains/(losses), net	7	45,422	138,387	(204)
Operating profit		928,024	1,027,933	1,588,990
Finance income	10	1,546	2,493	3,146
Finance costs	10	(447,580)	(463,121)	(465,089)
Finance costs, net	10	(446,034)	(460,628)	(461,943)
Share of profit or loss of investments accounted for using the equity method	14	77,651	41,249	(6,536)
Profit before income tax		559,641	608,554	1,120,511
Income tax expenses	11	(51,477)	(65,336)	(80,879)
Profit for the year		508,164	543,218	1,039,632
Attributable to:				
– Owners of the Company		504,641	482,519	838,303
– Non-controlling interests		3,523	60,699	201,329
		508,164	543,218	1,039,632
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)				
• Basic	13	0.33	0.32	0.55
• Diluted	13	0.33	0.32	0.55

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit for the year	<u>508,164</u>	<u>543,218</u>	<u>1,039,632</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</i>			
– Exchange differences on translation of foreign operations	–	–	299
Other comprehensive income for the year, net of tax	<u>–</u>	<u>–</u>	<u>299</u>
Attributable to:			
– Owners of the Company	–	–	299
Total comprehensive income for the year	<u><u>508,164</u></u>	<u><u>543,218</u></u>	<u><u>1,039,931</u></u>
Attributable to:			
– Owners of the Company	504,641	482,519	838,602
– Non-controlling interests	<u>3,523</u>	<u>60,699</u>	<u>201,329</u>
	<u><u>508,164</u></u>	<u><u>543,218</u></u>	<u><u>1,039,931</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	3,956,192	4,269,047	3,967,059
Right-of-use assets	17	358,174	370,219	305,990
Deferred tax assets	21	108,058	161,303	194,803
Intangible assets	18	8,112,030	7,974,993	7,611,185
Investments accounted for using the equity method	14	843,147	216,844	180,643
Trade and notes receivables	22	64,836	36,642	—
Other financial assets at fair value through profit or loss	3.5	19,165	58,925	58,705
Investment properties	19	53,412	49,940	48,307
Other non-current assets	23	58,483	31,881	52,270
Total non-current assets		13,573,497	13,169,794	12,418,962
Current assets				
Inventories	26	4,931,280	5,165,271	5,996,958
Prepayments and other receivables	23	544,849	860,601	910,007
Trade and notes receivables	22	1,820,629	2,183,498	2,489,740
Other financial assets at fair value through profit or loss	3.5	6,274	217,406	36,906
Derivative financial instruments	3.5	47,708	9,912	17,875
Note receivables at fair value through other comprehensive income	3.5	93,625	70,972	109,561
Restricted cash and term deposits	27	572,427	592,457	555,832
Cash and cash equivalents	27	1,293,451	1,430,529	1,545,741
Contract assets	24	2,863,555	2,688,952	2,049,666
Other current assets	23	935,613	878,381	827,232
Total current assets		13,109,411	14,097,979	14,539,518
TOTAL ASSETS		26,682,908	27,267,773	26,958,480

APPENDIX I

ACCOUNTANTS’ REPORT

		As at December 31,		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	28	5,028,483	5,567,014	4,974,928
Lease liabilities	17	9,231	8,964	4,911
Deferred tax liabilities	21	3,537	24,659	10,603
Deferred income	29	142,770	195,200	178,167
Provisions	30	208,106	251,828	288,498
Total non-current liabilities		5,392,127	6,047,665	5,457,106
Current liabilities				
Borrowings	28	6,923,200	7,526,700	7,428,785
Trade and notes payables	31	3,175,061	2,882,408	2,396,710
Contract liabilities	5(e)	181,985	259,841	228,668
Lease liabilities	17	2,824	5,190	2,551
Current income tax liabilities		32,530	59,540	95,472
Accruals and other payables	32	845,956	571,631	660,711
Other current liabilities	33	5,036	18,820	14,861
Total current liabilities		11,166,592	11,324,130	10,827,758
Net current assets		1,942,819	2,773,849	3,711,760
TOTAL LIABILITIES		16,558,719	17,371,795	16,284,864
EQUITY				
Equity attributable to owner of the Company				
Share capital	34	1,537,359	1,523,234	1,523,234
Treasury shares	35	(76,520)	—	(147,980)
Other reserves	38	4,254,266	4,157,318	4,216,829
Retained earnings	37	3,584,782	3,365,560	4,054,921
Non-controlling interests	15	824,302	849,866	1,026,612
TOTAL EQUITY		10,124,189	9,895,978	10,673,616
TOTAL LIABILITIES AND EQUITY		26,682,908	27,267,773	26,958,480

APPENDIX I

ACCOUNTANTS’ REPORT

COMPANY’S STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	127,265	125,135	106,434
Right-of-use assets	17	48,665	45,297	45,116
Deferred tax assets	21	68,229	75,826	125,732
Intangible assets	18	20,350	18,043	32,253
Investments accounted for using the equity method	14	298,716	221,132	189,233
Investments in subsidiaries	15	5,463,783	6,395,764	6,126,071
Other financial assets at fair value through profit or loss	3.5	7,550	47,835	47,635
Trade and notes receivables	22	12,845	8,301	–
Investment properties	19	53,412	49,940	48,307
Other non-current assets	23	531	–	–
Total non-current assets		6,101,346	6,987,273	6,720,781
Current assets				
Inventories	26	73,888	42,494	25,919
Prepayments and other receivables	23	5,265,605	3,734,357	3,368,990
Trade and notes receivables	22	943,494	968,632	1,260,557
Other financial assets at fair value through profit or loss	3.5	6,274	7,026	35,156
Derivative financial instruments	3.5	–	4,142	10,403
Note receivables at fair value through other comprehensive income	3.5	14,810	17,667	8,167
Restricted cash and term deposits	27	182,497	171,324	222,566
Cash and cash equivalents	27	513,142	427,782	228,873
Contract assets	24	2,786,382	2,517,407	2,019,641
Other current assets	23	3,624	7,403	16,162
Total current assets		9,789,716	7,898,234	7,196,434
TOTAL ASSETS		15,891,062	14,885,507	13,917,215

APPENDIX I

ACCOUNTANTS’ REPORT

		As at December 31,		
	Notes	<u>2023</u>	<u>2024</u>	<u>2025</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	28	425,760	–	60,033
Deferred tax liabilities	21	–	3,146	8,274
Deferred income	29	9,546	5,454	1,951
Total non-current liabilities		<u>435,306</u>	<u>8,600</u>	<u>70,258</u>
Current liabilities				
Borrowings	28	3,552,569	3,342,052	1,979,168
Trade and notes payables	31	1,957,465	1,822,029	1,784,854
Contract liabilities		70,452	178,228	110,907
Lease liabilities	17	2,383	–	–
Accruals and other payables	32	1,642,432	1,525,555	1,803,098
Other current liabilities	33	1,396	16,458	9,378
Total current liabilities		<u>7,226,697</u>	<u>6,884,322</u>	<u>5,687,405</u>
Net current assets		<u>2,563,019</u>	<u>1,013,912</u>	<u>1,509,029</u>
TOTAL LIABILITIES		<u>7,662,003</u>	<u>6,892,922</u>	<u>5,757,663</u>
EQUITY				
Share capital	34	1,537,359	1,523,234	1,523,234
Treasury shares	35	(76,520)	–	(147,980)
Other reserves	38	4,503,733	4,459,236	4,501,841
Retained earnings	37	2,264,487	2,010,115	2,282,457
TOTAL EQUITY		<u>8,229,059</u>	<u>7,992,585</u>	<u>8,159,552</u>
TOTAL LIABILITIES AND EQUITY		<u>15,891,062</u>	<u>14,885,507</u>	<u>13,917,215</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total		
	RMB'000 (Note 34)	RMB'000 (Note 38)	RMB'000 (Note 35)	RMB'000 (Note 38)	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000
Balance at January 1, 2023	1,525,519	3,740,897	(31,990)	422,467	3,221,233	8,878,126	809,057	9,687,183
Profit for the year	–	–	–	–	504,641	504,641	3,523	508,164
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	504,641	504,641	3,523	508,164
Capital contributions by non-controlling interests	–	–	–	–	–	–	54,165	54,165
Appropriation to statutory reserve	–	–	–	43,403	(43,403)	–	–	–
Share-based payment:								
– Share-based compensation expenses	–	–	–	2,476	–	2,476	–	2,476
– Grant of restricted shares by way of private placement under share schemes	11,840	42,861	(54,701)	–	–	–	–	–
– Restricted shares vested	–	4,644	10,171	(4,644)	–	10,171	–	10,171
Declaration of dividends	–	–	–	–	(76,275)	(76,275)	(49,035)	(125,310)
Transactions with non-controlling interests	–	1,122	–	–	(21,414)	(20,292)	(101,751)	(122,043)
Acquisition of subsidiaries	–	–	–	–	–	–	109,559	109,559
Disposal of a subsidiary	–	–	–	–	–	–	(1,208)	(1,208)
Disposal of associates	–	–	–	(11,533)	–	(11,533)	–	(11,533)
Share of other changes in net assets of associates and joint venture	–	–	–	12,778	–	12,778	–	12,778
Others	–	–	–	(205)	–	(205)	(8)	(213)
Balance at December 31, 2023	1,537,359	3,789,524	(76,520)	464,742	3,584,782	9,299,887	824,302	10,124,189

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Sub-total		
	RMB'000 (Note 34)	RMB'000 (Note 38)	RMB'000 (Note 35)	RMB'000 (Note 38)	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000
Balance at January 1, 2024	1,537,359	3,789,524	(76,520)	464,742	3,584,782	9,299,887	824,302	10,124,189
Profit for the year	–	–	–	–	482,519	482,519	60,699	543,218
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	482,519	482,519	60,699	543,218
Capital contributions by non-controlling interests	–	–	–	–	–	–	68,150	68,150
Appropriation to statutory reserve	–	–	–	44,666	(44,666)	–	–	–
Share-based payment:								
– Share-based compensation expenses	–	–	–	(3,302)	–	(3,302)	–	(3,302)
– Restricted shares vested	–	4,519	11,093	(4,519)	–	11,093	–	11,093
– Repurchase and cancellation of restricted shares under share schemes	(14,125)	(51,302)	65,427	–	–	–	–	–
Declaration of dividends	–	–	–	–	(656,374)	(656,374)	(70,074)	(726,448)
Transactions with non-controlling interests	–	18,553	–	–	–	18,553	(33,211)	(14,658)
Appropriation of safety funds, net	–	–	–	701	(701)	–	–	–
Share of other changes in net assets of associates and joint venture	–	–	–	1,060	–	1,060	–	1,060
Disposal of associates and joint venture	–	–	–	(107,324)	–	(107,324)	–	(107,324)
Balance at December 31, 2024	<u>1,523,234</u>	<u>3,761,294</u>	<u>–</u>	<u>396,024</u>	<u>3,365,560</u>	<u>9,046,112</u>	<u>849,866</u>	<u>9,895,978</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company								
	Share capital	Share premium	Treasury shares	Other reserves	Translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000 (Note 34)	RMB'000 (Note 38)	RMB'000 (Note 35)	RMB'000 (Note 38)	RMB'000 (Note 38)	RMB'000 (Note 37)	RMB'000	RMB'000	RMB'000
Balance at January 1, 2025	1,523,234	3,761,294	–	396,024	–	3,365,560	9,046,112	849,866	9,895,978
Profit for the year	–	–	–	–	–	838,303	838,303	201,329	1,039,632
Other comprehensive income	–	–	–	–	299	–	299	–	299
Total comprehensive income for the year	–	–	–	–	299	838,303	838,602	201,329	1,039,931
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	3,444	3,444
Appropriation to statutory reserve	–	–	–	42,108	–	(42,108)	–	–	–
Share-based payment:									
– Share-based compensation expenses	–	–	–	139	–	–	139	13	152
Repurchase of ordinary shares	–	–	(147,980)	–	–	–	(147,980)	–	(147,980)
Declaration of dividends	–	–	–	–	–	(106,626)	(106,626)	(66,440)	(173,066)
Transactions with non-controlling interests	–	16,530	–	–	–	–	16,530	110,305	126,835
Appropriation of safety funds, net	–	–	–	208	–	(208)	–	2	2
Share of other changes in net assets of associates and joint venture	–	–	–	227	–	–	227	–	227
Disposal of subsidiaries	–	–	–	–	–	–	–	(71,907)	(71,907)
Balance at December 31, 2025	1,523,234	3,777,824	(147,980)	438,706	299	4,054,921	9,647,004	1,026,612	10,673,616

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Cash flows from operating activities				
Cash (used in)/generated from operations	39(a)	(898,516)	747,462	1,252,905
Interest received		10,758	17,053	14,694
Income tax paid		(113,723)	(75,334)	(103,228)
Net cash (used in)/generated from operating activities		(1,001,481)	689,181	1,164,371
Cash flows from investing activities				
Proceeds from investment income		26,025	17,361	11,483
Proceeds from disposal of derivative		363,849	105,926	56,361
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		5,272	11,450	80,489
Proceeds from disposal of other financial assets at fair value through profit or loss		151,391	2,204	277,359
Proceeds from disposal of associates		93,124	425,560	52,816
Receive loans principal and interest from external entities		5,422	15,392	11
Government grants received in relation to assets		48,897	70,329	15,333
Proceeds from contingent considerations		–	–	4,318
Loans advanced to related parties		–	–	(6,420)
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		(1,506,648)	(894,919)	(340,302)
Payments for purchase of investments in associates and joint venture		(9,200)	(1,000)	–
Net cash outflow from disposal of subsidiaries		(1,174)	–	100,700
Net cash outflow from the acquisition of subsidiaries		(33,330)	(90,800)	(9,000)
Payments for other financial assets at fair value through profit or loss		(5,052)	–	–
Payments for purchase of derivative financial instruments		(312,605)	(99,155)	(32,356)
Net cash (used in)/generated from investing activities		(1,174,029)	(437,652)	210,792

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Year ended December 31,		
		<u>2023</u>	<u>2024</u>	<u>2025</u>
		RMB’000	RMB’000	RMB’000
Cash flows from financing activities				
Capital contributions from non-controlling interests, net		53,365	70,100	2,668
Proceeds from share schemes		54,701	–	–
Proceeds from borrowings		7,632,977	10,232,084	8,068,632
Recovery of bill discount margin deposits		144,650	358,989	177,100
Proceeds from loans from third parties		–	7,000	–
Dividends paid to non-controlling interests		(50,995)	(70,074)	(52,090)
Dividends paid to the Company’s shareholders		(76,275)	(656,374)	(106,626)
Payments for bill discount margin deposits		(186,239)	(397,100)	(177,320)
Payments for financing-related taxes and fees		(688)	–	–
Repayments of loans from third parties		–	(7,000)	–
Repayments of borrowings		(4,814,889)	(9,137,318)	(8,764,920)
Principal elements of lease payments		(2,482)	(3,537)	(6,278)
Payments for the repurchase of shares under share schemes		–	(65,427)	(147,980)
Transaction with non-controlling interests		(6,732)	(14,658)	26,884
Interests paid		(438,021)	(412,307)	(440,277)
Payments of [REDACTED] to be capitalized		–	–	[REDACTED]
Movement of restricted term deposits		(42,001)	(15,004)	167,004
Net cash generated from/(used in) financing activities		<u>2,267,371</u>	<u>(110,626)</u>	<u>(1,259,471)</u>
Net increase in cash and cash equivalents		<u>91,861</u>	<u>140,903</u>	<u>115,692</u>
Cash and cash equivalents at beginning of the year		1,201,762	1,293,451	1,430,529
Effects of exchange rate changes on cash and cash equivalents		(172)	(3,825)	(480)
Cash and cash equivalents at the end of the year	27	<u>1,293,451</u>	<u>1,430,529</u>	<u>1,545,741</u>

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Beijing GeoEnviron Engineering & Technology, Inc. (北京高能時代環境技術股份有限公司) (hereinafter referred to as “**the Company**”), is a joint stock company with limited liability incorporated in the People’s Republic of China (the “**PRC**”) on August 28, 1992, formerly known as Beijing High-Energy Liner Engineering Office (北京高能墊襯工程處). The Company was listed on the Main Board of the Shanghai Stock Exchange on December 29, 2014, with the stock code: 603588. The registered address of the Company is Unit 101, Level 1-4 Building No. 1, Courtyard 36, Qiufeng Road, Haidian District, Beijing, PRC, and its principal place of business is GeoEnviron Building, Building No. 1, Courtyard 36, Qiufeng Road, Haidian District, Beijing, PRC. The ultimate controlling party of the Company is Mr. Li Weiguo (“**Mr. Li**”), who is an executive director of the Company.

The Company and its subsidiaries (hereinafter collectively referred to as “**the Group**”) are primarily engaged in comprehensive environmental protection service with resources recycling and utilization, environmental services projects operation, and environmental engineering services.

The Historical Financial Information are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands (RMB’000) except when otherwise indicated.

The statutory financial statements of the Company for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.

2. BASIS OF PREPARATION

The Historical Financial Information of the Group have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“**IASB**”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets measured at fair value through profit or loss (“**FVPL**”) and financial assets measured at fair value through other comprehensive income (“**FVOCI**”).

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

New standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the years presented, unless prohibited by the relevant standard to apply retrospectively.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 45 to this Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

2.1 New Standards and Amendments to Standards Not Yet Adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards and amendments	Effective for accounting periods beginning on or after
Amendments to IFRS 10 and IAS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’	To be determined
Amendments to IFRS 9 and IFRS 7 ‘Amendments to the Classification and Measurement of Financial Instruments’	January 1, 2026
Amendments to IFRS 9 and IFRS 7 ‘Contracts Referencing Nature-dependent Electricity’	January 1, 2026
Amendments to IFRS Accounting Standards – Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18 ‘Presentation and Disclosure in Financial Statements’	January 1, 2027
Amendments to IAS 21 Translation to a Hyperinflationary Presentation Currency	January 1, 2027

Except for the impact of IFRS 18 mentioned below, other amended standards are either not relevant to the Group or not expected to have a material impact on the Group’s Historical Financial Information when they become effective.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 “**Presentation and Disclosure in Financial Statements**”, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 “**Presentation of Financial Statements**”. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 “**Accounting Policies, Changes in Accounting Estimates and Errors**” and IFRS 7 “**Financial Instruments: Disclosures**”. Minor amendments to IAS 7 “**Statement of Cash Flows**” and IAS 33 “**Earnings per Share**” are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 is not expected to have significant impact on the Group’s financial position and performance, but may affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

APPENDIX I

ACCOUNTANTS’ REPORT

3. FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, price risk and liquidity risk. The Group’s overall risk management focuses on the unpredictability of financial markets, seeks a balance between risk and return, and minimizes the adverse impact of risk on the Group’s financial performance. Based on this risk management objective, the basic strategy of the Group’s risk management is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range.

3.1 Market Risk

(a) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of the Group’s subsidiaries. The functional currencies of the subsidiaries outside Chinese Mainland are mainly United States Dollar (“USD”), whereas functional currency of the subsidiaries operate in Chinese Mainland is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

As at December 31, 2023, 2024 and 2025, the Group’s major financial assets/liabilities exposed to foreign exchange risk, representing those financial assets/liabilities denominated in USD, Euro (“EUR”) and Japanese Yen (“JPY”):

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets denominated in:			
USD	2,436	12,291	21,354
EUR	2,320	79	86
	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial liabilities denominated in:			
USD	6,804	310	1,545
EUR	204,339	195,668	214,123
JPY	–	28,896	–

APPENDIX I

ACCOUNTANTS’ REPORT

As shown in the table above, the Group is primarily exposed to changes in USD, EUR and JPY exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD, EUR and JPY denominated financial instruments is as below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
USD exchange rate –			
Increase 5%	(218)	599	990
Decrease 5%	218	(599)	(990)
EUR exchange rate –			
Increase 5%	(10,101)	(9,779)	(10,702)
Decrease 5%	10,101	9,779	10,702
JPY exchange rate –			
Increase 5%	N/A	(1,445)	N/A
Decrease 5%	N/A	1,445	N/A

(b) Interest Rate Risk

The Group’s interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings issued at floating rates and fixed rates based on the market environment.

As at December 31, 2023, 2024 and 2025, total borrowings of the Group which were bearing at floating rates amounted to approximately RMB5,678,616,000, RMB5,687,373,000 and RMB5,013,094,000 respectively.

If interest rate had been 50 basis points higher or lower with all other variables held constant, the profit before tax would decrease/increase approximately RMB28,393,000, RMB28,437,000 and RMB25,065,000 for the years ended December 31, 2023, 2024 and 2025, respectively.

Considering the repricing or maturity date, the fair value interest rate risk arises from borrowings and bank balances carried at fixed rates is not significant for the Group.

(c) Price Risk

The Group is mainly exposed to equity price risk through its investments in equity securities and future contracts. The investments are mainly made for strategic purposes. Each investment is managed by the management on a case-by-case basis.

APPENDIX I

ACCOUNTANTS’ REPORT

Sensitivity analysis is performed by the management to assess the exposure of the Group’s financial results to equity price risk of FVTPL at the end of each Track Record Period. If the derivative financial assets’ settlement prices of futures exchange had been 5% increased/decreased, the profit before tax for the years ended December 31, 2023, 2024 and 2025 would have been approximately RMB2,385,000, RMB496,000 and RMB894,000 higher/lower, respectively. If the listed entity’s closing price of stock exchange had been 5% increased/decreased, the profit before tax for the years ended December 31, 2023, 2024 and 2025 would have been approximately RMB5,000, RMB10,519,000 and RMB88,000 higher/lower.

3.2 Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash and term deposits, as well as trade receivables, contract assets, notes receivables at amortized cost, and other receivables. The carrying amount of each class of the above financial assets represents the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

(a) Risk Management

To manage this risk, cash and cash equivalents as well as restricted cash and term deposits are mainly placed with state-owned or reputable financial institutions which are all high-credit-quality financial institutions.

To manage risks from trade and notes receivables, contract assets and other receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the counterparties. It also has continuous monitoring procedures to ensure the collection of the receivables as scheduled and follow up action is taken to recover overdue debts, if any.

(b) Impairment of Financial Assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- * Cash and cash equivalents, restricted cash and term deposits;
- * Trade receivable and contract assets;
- * Notes receivables at amortized cost; and
- * Other receivables.

(i) Credit risk of cash and cash equivalents, restricted cash and term deposits

Cash and cash equivalents, restricted cash and term deposits are determined to have low credit risk as at December 31, 2023, 2024 and 2025. The credit risk on cash and cash equivalents, and restricted cash and term deposits is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Trade Receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit loss (“**ECL**”) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and aging. The Group also made individual assessment on the recoverability of its trade receivables and contract assets for certain customers based on historical settlement record.

The historical loss rates are calculated based on the historical payment profiles of customers and the corresponding historical incurred credit losses. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Group has determined that Gross Domestic Product (“**GDP**”) is the most relevant factor. GDP refers to the total market value of all final goods and services produced within a country (or region) using production factors during a specific period.

In forecasting credit losses, the Group adopts macroeconomic factor forecasts issued by securities firms to ensure the credibility and reliability of the data. Like other economic forecasts, the assessment of projected economic indicators and their probability of occurrence inherently involve significant uncertainty. Therefore, actual results may differ materially from the forecasts.

To address this, the Group employs macroeconomic forecasts under three different scenarios (pessimistic, optimistic, and base case) and assigns weights to these forecasts to calculate weighted macroeconomic forecasts. These weighted forecasts are then used to make the best estimate of credit losses under varying economic conditions.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and other indicators of severe financial difficulties.

APPENDIX I

ACCOUNTANTS’ REPORT

On that basis, the loss allowance as at December 31, 2023, 2024 and 2025 was determined as follows for trade receivables:

Trade Receivables

Current

As at December 31, 2023, the loss allowance of individually impaired trade receivables are determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	<i>RMB’000</i>		<i>RMB’000</i>	
Trade receivables	<u>21,008</u>	<u>100.00%</u>	<u>21,008</u>	Financial difficulty

As at December 31, 2024, the loss allowance of individually impaired trade receivables are determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	<i>RMB’000</i>		<i>RMB’000</i>	
Trade receivables	<u>29,806</u>	<u>90.51%</u>	<u>26,978</u>	Financial difficulty

As at December 31, 2025, the loss allowance of individually impaired trade receivables are determined as follows:

Assess individually:

	Gross carrying amount	ECL rate	Loss allowance	Reason
	<i>RMB’000</i>		<i>RMB’000</i>	
Trade receivables	<u>38,601</u>	<u>92.88%</u>	<u>35,851</u>	Financial difficulty

APPENDIX I

ACCOUNTANTS’ REPORT

Non-current

As at December 31, 2025, the loss allowance of individually impaired trade receivables are determined as follows:

Assess individually:

	Gross carrying amount	Expected loss rate	Loss allowance	Reason
	<i>RMB’000</i>		<i>RMB’000</i>	
Trade receivables	<u>22,719</u>	<u>100%</u>	<u>22,719</u>	Financial difficulty

As at December 31, 2023, 2024 and 2025, the loss allowance of grouped impaired trade receivables are determined as follows:

Assessed based on grouping:

Current

	As at December 31, 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
		<i>RMB’000</i>	<i>RMB’000</i>
Not yet due	0.00%	353,251	–
Within 1 year	5.00%	1,101,661	55,083
1 to 2 years	10.00%	365,768	36,577
2 to 3 years	30.00%	104,812	31,443
3 to 4 years	50.00%	31,463	15,731
4 to 5 years	80.00%	296	237
Over 5 years	<u>100.00%</u>	<u>1,266</u>	<u>1,266</u>
Total	7.17%	<u>1,958,517</u>	<u>140,337</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31, 2024		
	Expected	Gross	Loss
	loss rate	carrying	allowance
		amount	
		<i>RMB’000</i>	<i>RMB’000</i>
Not yet due	0.00%	457,273	–
Within 1 year	5.00%	1,428,695	71,435
1 to 2 years	10.00%	207,168	20,717
2 to 3 years	30.00%	200,402	60,121
3 to 4 years	50.00%	48,778	24,389
4 to 5 years	80.00%	24,038	19,230
Over 5 years	100.00%	1,329	1,329
Total	8.33%	<u>2,367,683</u>	<u>197,221</u>

	As at December 31, 2025		
	Expected	Gross	Loss
	loss rate	carrying	allowance
		amount	
		<i>RMB’000</i>	<i>RMB’000</i>
Not yet due	0.00%	535,427	–
Within 1 year	5.00%	1,588,631	79,432
1 to 2 years	10.00%	377,479	37,748
2 to 3 years	30.00%	71,623	21,487
3 to 4 years	50.00%	81,322	40,661
4 to 5 years	80.00%	28,493	22,794
Over 5 years	100.00%	21,699	21,699
Total	8.28%	<u>2,704,674</u>	<u>223,821</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Non-current

	As at December 31, 2023		
	Expected	Gross	Loss
	loss rate	carrying amount	allowance
		RMB’000	RMB’000
2 to 3 years	30.00%	69,923	20,977
3 to 4 years	50.00%	8,401	4,201
4 to 5 years	80.00%	58,447	46,757
Over 5 years	—	—	—
Total	52.60%	136,771	71,935

	As at December 31, 2024		
	Expected	Gross	Loss
	loss rate	carrying amount	allowance
		RMB’000	RMB’000
2 to 3 years	—	—	—
3 to 4 years	50.00%	69,923	34,961
4 to 5 years	80.00%	8,401	6,721
Over 5 years	100.00%	8,177	8,177
Total	57.64%	86,501	49,859

The management of the Group determined the ECL rates for portfolio of trade receivables and contract assets with reference to past-due status of such balances by estimating their default rates taking into account historical information and forward-looking information.

As at the end of each Track Record Period, the Group assessed the historical observed default rates and the forward-looking estimates, respectively. The management of the Group reviewed the portfolio of customers contributing the trade receivables and contract assets balances for the respective past-due time band throughout the Track Record Period and noted that the majority of the balances of the respective past-due time band were due from similar portfolio of customers. Furthermore, the Group assessed these customers’ financial condition, past settlement history, business relationship with the Group and other factors such as current market conditions and industry information, and considered that the credit risk for the same portfolio of customers remains approximately the same throughout the Track Record Period. Accordingly, the same ECL rates were adopted for the same past-due time band throughout the Track Record Period.

Based on the above calculation results and with reference to the provision ratios of other companies in the same industry, the Group conducts a comprehensive analysis and the outcome closely aligns with the fixed ratio currently adopted. Therefore, it has been decided that the fixed ratio will remain unchanged during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

Based on the above calculation results and with reference to the provision ratios of other companies in the same industry, the Group conducts a comprehensive analysis and the outcome closely aligns with the fixed ratio currently adopted. Therefore, it has been decided that the fixed ratio will remain unchanged during the Track Record Period.

Movements on the provision of ECL for trade receivables and contract assets are as follows:

Trade receivables

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Opening loss allowance	122,087	161,345	224,199
Loss allowance recognized, net	35,451	65,224	46,755
Loss allowance written off, net	(2,131)	(2,370)	(7,858)
Acquisition of subsidiaries	5,938	–	–
Disposal of subsidiaries	–	–	(3,424)
Closing loss allowance	161,345	224,199	259,672

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000

Non-current

Opening loss allowance	58,977	71,935	49,859
Loss allowance recognized/(reversed), net	12,958	(22,076)	(27,140)
Closing loss allowance	71,935	49,859	22,719

Contract assets

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Assessed based on grouping:			
Expected loss rate	1.00%	1.75%	2.12%
Gross carrying amount	2,892,425	2,736,882	2,094,002
Loss allowance provision	28,870	47,930	44,336
Opening loss allowance	20,225	28,870	47,930
Loss allowance recognized/(reversed), net	8,645	19,060	(3,594)
Closing loss allowance	28,870	47,930	44,336

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Notes receivables at amortized cost

The Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that there was no significant credit risk associated with its bank acceptance notes as the Group did not expect that there would be any significant losses from non-performance by these reputable banks. For the commercial acceptance notes which are usually settled within 1 year from the respective issuance date, the Group provided the expected credit loss as at December 31, 2023, 2024 and 2025 amounting to RMB129,000, RMB537,000 and RMB323,000, respectively.

Movements on the provision of ECL for notes receivables at amortized cost are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Opening loss allowance	192	129	537
Loss allowance (reversed)/recognized, net	(63)	408	(214)
Closing loss allowance	129	537	323

(iv) Other Receivables

Other receivables at the end of each of the periods are mainly comprised of deposits and others. The Group considers the probability of default upon initial recognition of the assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each of the periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor’s ability to meet its obligations;
- external credit rating of the counterparty;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 365 days past due in making a contractual payment.

APPENDIX I

ACCOUNTANTS’ REPORT

If the credit risk of the asset is in line with original expectations, the Group categorizes the asset as performing and recognizes 12 months expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognized (Stages 2 and 3):

Assessed based on grouping:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
December 31, 2023				
Expected loss rate	5.00%	10.00%	64.41%	35.81%
Gross carrying amount	90,443	72,200	162,587	325,230
Loss allowance	<u>4,522</u>	<u>7,220</u>	<u>104,725</u>	<u>116,467</u>
December 31, 2024				
Expected loss rate	5.00%	10.00%	66.60%	33.41%
Gross carrying amount	177,766	32,538	175,052	385,356
Loss allowance	<u>8,888</u>	<u>3,254</u>	<u>116,588</u>	<u>128,730</u>
December 31, 2025				
Expected loss rate	5.00%	10.00%	74.17%	29.14%
Gross carrying amount	284,759	60,977	178,538	524,274
Loss allowance	<u>14,238</u>	<u>6,098</u>	<u>132,427</u>	<u>152,763</u>

The loss allowances for other receivables subject to credit risks for the years ended December 31, 2023, 2024 and 2025 reconcile to the opening loss allowances are as follows:

	<u>Year ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Opening loss allowance	104,750	116,467	128,730
Loss allowance recognized, net	12,709	12,265	24,804
Receivables written off	(992)	(2)	(194)
Disposal of subsidiaries	<u>—</u>	<u>—</u>	<u>(577)</u>
Closing loss allowance	<u>116,467</u>	<u>128,730</u>	<u>152,763</u>

3.3 Liquidity Risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet the Group’s liquidity requirements.

APPENDIX I

ACCOUNTANTS’ REPORT

The tables below analyze the Group’s financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2023					
Trade and notes payables	3,175,061	–	–	–	3,175,061
Accruals and other payables (excluding non-financial liabilities)	377,264	–	–	–	377,264
Lease liabilities	3,248	2,369	5,988	3,167	14,772
Borrowings	<u>7,218,964</u>	<u>1,121,815</u>	<u>1,924,482</u>	<u>3,226,436</u>	<u>13,491,697</u>
	<u>10,774,537</u>	<u>1,124,184</u>	<u>1,930,470</u>	<u>3,229,603</u>	<u>17,058,794</u>
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2024					
Trade and notes payables	2,882,408	–	–	–	2,882,408
Accruals and other payables (excluding non-financial liabilities)	129,834	–	–	–	129,834
Lease liabilities	5,646	3,717	3,900	2,187	15,450
Other current liabilities	204	–	–	–	204
Borrowings	<u>7,853,762</u>	<u>1,292,879</u>	<u>2,336,476</u>	<u>3,028,529</u>	<u>14,511,646</u>
	<u>10,871,854</u>	<u>1,296,596</u>	<u>2,340,376</u>	<u>3,030,716</u>	<u>17,539,542</u>
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2025					
Trade and notes payables	2,396,710	–	–	–	2,396,710
Accruals and other payables (excluding non-financial liabilities)	202,914	–	–	–	202,914
Lease liabilities	2,954	1,434	3,900	–	8,288
Borrowings	<u>7,702,194</u>	<u>1,375,757</u>	<u>1,979,878</u>	<u>2,383,683</u>	<u>13,441,512</u>
	<u>10,304,772</u>	<u>1,377,191</u>	<u>1,983,778</u>	<u>2,383,683</u>	<u>16,049,424</u>

APPENDIX I

ACCOUNTANTS’ REPORT

3.4 Capital Management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders’ value.

The Group manages its capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023, 2024 and 2025.

The Group monitors capital on the basis of the debt to asset ratio as at December 31, 2023, 2024 and 2025 are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Total assets	26,682,908	27,267,773	26,958,480
Total liabilities	16,558,719	17,371,795	16,284,864
Debt to asset ratio	62.06%	63.71%	60.41%

3.5 Fair Value Estimation

(a) Determination of Fair Value and the Fair Value Hierarchy of Financial Instruments

This note provides information on how the Group determines the fair values of various financial assets and liabilities.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

<u>As at December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss				
Current				
– Derivative financial assets (i)	47,708	–	–	47,708
– Investments on funds products (ii)	–	6,165	–	6,165
– Investments on listed entity (iii)	109	–	–	109
Non-current				
– Investments on unlisted entities	–	–	19,165	19,165
Financial assets at fair value through other comprehensive income				
Current				
– Notes receivables at FVOCI (iv)	–	–	93,625	93,625
	<u>47,817</u>	<u>6,165</u>	<u>112,790</u>	<u>166,772</u>
<u>As at December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss				
Current				
– Derivative financial assets (i)	9,912	–	–	9,912
– Investments on funds products (ii)	–	7,026	–	7,026
– Investments on listed entity (iii)	210,380	–	–	210,380
Non-current				
– Investments on unlisted entities	–	–	58,925	58,925
Financial assets at fair value through other comprehensive income				
Current				
– Notes receivables at FVOCI (iv)	–	–	70,972	70,972
	<u>220,292</u>	<u>7,026</u>	<u>129,897</u>	<u>357,215</u>

APPENDIX I

ACCOUNTANTS’ REPORT

<u>As at December 31, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss				
Current				
– Derivative financial assets (i)	17,875	–	–	17,875
– Investments on listed entity (iii)	1,750	–	–	1,750
– Other financial assets at fair value through profit or loss (vi)	–	–	35,156	35,156
Non-current				
– Investments on unlisted entities	–	–	58,705	58,705
Financial assets at fair value through other comprehensive income				
Current				
– Notes receivables at FVOCI (iv)	–	–	109,561	109,561
	<u>19,625</u>	<u>–</u>	<u>203,422</u>	<u>223,047</u>
The Company				
<u>As at December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss				
Current				
– Investments on funds products (ii)	–	6,165	–	6,165
– Investments on listed entity (iii)	109	–	–	109
Non-current				
– Investments on unlisted entities	–	–	7,550	7,550
Financial assets at fair value through other comprehensive income				
Current				
– Notes receivables at FVOCI (iv)	–	–	14,810	14,810
	<u>109</u>	<u>6,165</u>	<u>22,360</u>	<u>28,634</u>

APPENDIX I

ACCOUNTANTS’ REPORT

<u>As at December 31, 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss				
Current				
– Derivative financial assets (i)	4,142	–	–	4,142
– Investments on funds products (ii)	–	7,026	–	7,026
Non-current				
– Investments on unlisted entities	–	–	47,835	47,835
Financial assets at fair value through other comprehensive income				
Current				
– Notes receivables at FVOCI (iv)	–	–	17,667	17,667
	<u>4,142</u>	<u>7,026</u>	<u>65,502</u>	<u>76,670</u>
As at December 31, 2025	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss				
Current				
– Derivative financial assets (i)	10,403	–	–	10,403
– Other financial assets at fair value through profit or loss (vi)	–	–	35,156	35,156
Non-current				
– Investments on unlisted entities	–	–	47,635	47,635
Financial assets at fair value through other comprehensive income				
Current				
– Notes receivables at FVOCI (iv)	–	–	8,167	8,167
	<u>10,403</u>	<u>–</u>	<u>90,958</u>	<u>101,361</u>

Notes:

- (i) The fair values of derivative financial instruments are based on the settlement prices of the futures exchange on December 31, 2023, 2024 and 2025.
- (ii) The fair values of investments on funds products are based on the net value report of the relative fund products provided by financial institutions.

APPENDIX I

ACCOUNTANTS’ REPORT

- (iii) The fair values of investments on listed entities are based on the closing price of stock exchange on December 31, 2023, 2024 and 2025.
- (iv) These notes receivables were classified and measured at FVOCI as they are held within a business model with the objective of both collecting contractual cash flows and selling.

The fair value of bank acceptance notes receivables measured at FVOCI have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. Given that the maturities are of a short-term nature, the impact of fair value changes is immaterial.

As at December 31, 2023, 2024 and 2025, the amounts of note receivables at FVOCI restricted by pledge for the issuance of notes payable were nil, RMB25,915,000 and RMB3,028,000, respectively.

- (v) The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the Track Record Period, there was no transfer among Level 1 and Level 2.
- (vi) These other financial assets at fair value through profit or loss are performance compensation receivables, which arised from business combinations under non-common control.

(b) The Group’s Valuation Process

For the financial assets and financial liabilities, including Level 3 fair values, the Group’s finance department was assisted by Beijing KYSIN Assets Appraisal Co., Ltd. (the “**Independent Valuer**”) valuer to perform the valuations for financial reporting purpose. The finance department reports the valuation results to the management.

(c) The changes in Level 3 assets are analyzed below:

	Investments on unlisted entities	Notes receivables at FVOCI	Other financial assets at FVPL	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Opening balance as at				
1 January 2023	19,365	61,464	–	80,829
(Disposals)/additions	(200)	32,161	–	31,961
Closing balance as at				
31 December 2023	19,165	93,625	–	112,790
Additions/(disposals)	39,760	(22,653)	–	17,107
Closing balance as at				
31 December 2024	58,925	70,972	–	129,897
(Disposals)/additions	(220)	38,589	35,156	73,525
Closing balance as at				
31 December 2025	58,705	109,561	35,156	203,422

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Valuation Inputs and Relationships to Fair Value

Description	Fair value			Valuation techniques	Significant unobservable input(s)	Range of inputs	Relationship of unobservable input(s) to fair value
	As at December 31,						
	2023	2024	2025				
	RMB'000	RMB'000	RMB'000				
Notes receivables at FVOCI (i)	93,625	70,972	109,561	Discounted cash flow	Discount rate	1.00% to 3.00%	An increase in discount rate would result in a decrease in fair value, and vice versa.
Investments on unlisted entities (ii)	19,165	58,925	58,705	Guideline public company method	P/B	0.24 to 0.34	An increase in P/B used would result in an increase in the fair value measurement of the unlisted equity instruments, and vice versa.
				Guideline public company method	P/S	2.77 to 3.44	An increase in P/S used would result in an increase in the fair value measurement of the unlisted equity instruments, and vice versa.
				Guideline public company method	P/E	19.55 to 20.67	An increase in P/E used would result in an increase in the fair value measurement of the unlisted equity instruments, and vice versa.
Other financial assets at fair value through profit or loss	–	–	35,156	Net profit value	Net profit value	N/A	An increase in net profit value would result in an increase in fair value, and vice versa.

- (i) If the discount rate used had been increased/decreased by 5% of notes receivables at FVOCI, the profit before tax for the years ended December 31, 2023, 2024 and 2025 would have been approximately RMB21,000, RMB17,000 and RMB37,000 lower/higher, respectively.
- (ii) If the P/B, P/S and P/E used had been 5% increased/decreased of the investments on unlisted entities, the profit before tax for the years ended December 31, 2023, 2024 and 2025 would have been approximately RMB1,318,000, RMB4,112,300 and RMB4,141,100 higher/lower, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

(a) Allowance for Expected Credit Loss of Receivables and Contract Assets

The loss allowances for receivables and contract assets are based on assumptions about the risk of default and expected loss rates to determine the expected loss. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation. The historical loss rates are adjusted to reflect the forward-looking information on macroeconomic factors as well as the credit rating analysis of respective customers and other external data which have impacts to the ability of the customers to settle the receivables.

The Group takes into account different macroeconomic scenarios in considering forward-looking information in Chinese Mainland. The Group regularly monitors and reviews the key macroeconomic assumptions and parameters related to the calculation of expected credit losses. The Group has identified GDP as the most relevant factor, utilizes macroeconomic forecasts under three distinct scenarios, and assigns weights to these forecasts to derive weighted macroeconomic forecasts. Accordingly, loss rates are adjusted based on these weighted forecasts to make the best estimate of credit losses under varying economic conditions.

(b) Estimated Net Realizable Value of Inventories

In accordance with the Group’s accounting policy, the Group estimated net realizable value of inventories based on specific facts and circumstances. For different types of inventories, it requires the estimation on selling prices, costs of conversion, selling expenses and the related tax expense to calculate the net realizable amount of inventories. For inventories held for direct sale, their net realizable value is determined as the amount equal to the estimated selling price of such inventories in the ordinary course of business, less the estimated selling expenses and relevant taxes and levies. For inventories requiring further processing, their net realizable value is determined as the amount equal to the estimated selling price of the finished goods to be produced therefrom in the ordinary course of business, less the estimated costs to complete, the estimated selling expenses and relevant taxes and levies. If certain portions of the same item of inventory are subject to contractual pricing while other portions are not, the net realizable value of each portion shall be determined separately.

It is reasonably possible that if there is a significant change in circumstances including the Group’s business and the external environment, outcomes would be significantly affected.

(c) Property, Plant and Equipment and Intangible Assets – Estimated Useful Lives and Residual Values

The Group determines the estimated useful lives and residual values (if applicable) and consequently the related depreciation/amortization charges for its property, plant and equipment and intangible assets (excluding freehold land and goodwill). These estimates are based on the historical experience, anticipated change of technology, market condition and the actual consumptions of related assets. The depreciation/amortization charge will increase when useful lives are less than previously estimated. In addition, technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

APPENDIX I

ACCOUNTANTS’ REPORT

Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in change in useful lives and residual values and therefore change in depreciation/amortization expense in future periods.

(d) Income Tax and Deferred Taxation

The Group estimates its income tax provision and deferred taxation in accordance with the prevailing tax rules and regulations, taking into account any special approvals obtained from the relevant tax authorities and any preferential tax treatment to which it is entitled in each location or jurisdiction in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provisions in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences, such as the provision for impairment of receivables, contract assets, inventories and property, plant and equipment and accruals of expenses not yet deductible for tax purposes, to the extent that it is probable that taxable profits will be available against which the unused tax losses and the deductible temporary differences can be utilized. Significant estimation is required in determining the recoverability of deferred tax assets.

In the event that future tax rules and regulations or related circumstances change, adjustments to current and deferred taxation may be necessary which would impact on the Group’s results or financial position.

(e) Impairment of Non-Financial Assets

The Group tests at least annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, intangible assets, investments in associates and joint venture, investments in subsidiaries, as well as right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amounts are the higher of value-in-use (“VIU”) calculations or fair value less costs of disposal (“FVLCD”). These calculations require the use of judgements and estimates.

Judgement is required to identify any impairment indicators existing for any of the Group’s non-financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group’s financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statements of profit or loss.

(f) Fair Value Measurement of Financial Assets at Level 3 Fair Value Hierarchy

The fair value of financial instruments classified as level 3 is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets at level 3 fair value hierarchy see Note 3.5.

APPENDIX I

ACCOUNTANTS’ REPORT

5. OPERATING SEGMENT INFORMATION

(a) Description of Segments and Principal Activities

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“**CODM**”). The executive directors assess the financial performance and position of the Group and makes strategic decisions. The executive directors, which has been identified as being the CODM, consists of the chief executive officer, the chief financial officer and the managers for each business unit. The CODM review the Group’s internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

As at December 31, 2023, 2024 and 2025, the CODM have identified the following reportable segments from a product perspective:

- Resources recycling and utilization
- Environmental services projects operation
- Environmental engineering services

(b) Segment Information

For the years ended December 31, 2023, 2024 and 2025, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, general and administrative expenses and research and development expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments’ performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net impairment losses on financial assets, other income, other gains/(losses), net, finance income/(costs), net and income tax expenses are also not allocated to individual operating segment.

APPENDIX I

ACCOUNTANTS’ REPORT

Segment information for the year ended December 31, 2023 is as follows:

	Resources recycling and utilization	Environmental services projects operation	Environmental engineering services	Inter-segment elimination	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	6,468,481	1,652,051	2,754,124	(294,290)	10,580,366
Cost of sales	<u>(5,988,215)</u>	<u>(889,713)</u>	<u>(2,103,133)</u>	<u>259,649</u>	<u>(8,721,412)</u>
Gross profit	<u>480,266</u>	<u>762,338</u>	<u>650,991</u>	<u>(34,641)</u>	<u>1,858,954</u>

Segment information for the year ended December 31, 2024 is as follows:

	Resources recycling and utilization	Environmental services projects operation	Environmental engineering services	Inter-segment elimination	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	11,157,773	1,762,346	1,861,366	(281,940)	14,499,545
Cost of sales	<u>(10,211,948)</u>	<u>(928,640)</u>	<u>(1,620,774)</u>	<u>251,616</u>	<u>(12,509,746)</u>
Gross profit	<u>945,825</u>	<u>833,706</u>	<u>240,592</u>	<u>(30,324)</u>	<u>1,989,799</u>

Segment information for the year ended December 31, 2025 is as follows:

	Resources recycling and utilization	Environmental services projects operation	Environmental engineering services	Inter-segment elimination	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	11,899,594	1,724,431	1,225,352	(117,120)	14,732,257
Cost of sales	<u>(10,194,920)</u>	<u>(953,150)</u>	<u>(1,006,721)</u>	<u>106,792</u>	<u>(12,047,999)</u>
Gross profit	<u>1,704,674</u>	<u>771,281</u>	<u>218,631</u>	<u>(10,328)</u>	<u>2,684,258</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The timing of revenue recognition is shown in the table below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue from contracts with external customers			
– Recognized at a point in time	8,077,480	12,833,542	13,604,480
– Recognized over time	2,480,048	1,629,354	1,107,751
	10,557,528	14,462,896	14,712,231
Other revenue (i)	22,838	36,649	20,026
	10,580,366	14,499,545	14,732,257

(i) Other revenue represents lease income.

(c) Geographical Information

The Company is domiciled in Chinese Mainland. The amount of the Group’s revenue from contracts with external customers by locations is shown in the table below:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese Mainland	10,557,528	14,462,487	14,668,540
Other countries or regions	–	409	43,691
	10,557,528	14,462,896	14,712,231

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Revenue from Major Customers

The major customers who contributed 10% or more of the Group’s revenue for the years ended December 31, 2023, 2024 and 2025 are set out below:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%
Customer A	<u>N/A*</u>	<u>N/A*</u>	<u>1,714,816</u>	<u>11.83</u>	<u>N/A*</u>	<u>N/A*</u>

* Less than 10% of the Group’s revenue for the year 2023 and 2025.

(e) Contract Liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfillment of performance obligations.

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract liabilities	<u>181,985</u>	<u>259,841</u>	<u>228,668</u>

As at January 1, 2023, the carrying amounts of Contract liabilities is amounting to RMB116,651,000.

The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue recognized that was included in the beginning balance	<u>105,290</u>	<u>161,362</u>	<u>216,274</u>

Management expects that the unsatisfied obligation of RMB20,623,000, RMB43,567,000 and RMB47,639,000 as at December 31, 2023, 2024 and 2025, respectively, will be recognized as revenue in more than one year.

(f) Accounting Policies and Significant Judgments for Revenue Recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i. e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

APPENDIX I

ACCOUNTANTS’ REPORT

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made. A contract liability is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(i) Resources recycling and utilization

Resources recycling and utilization business primarily focuses on the recycling of metal resources, and derives revenue from the production and sales of related metal products. These transactions constitute performance obligations satisfied at a point in time. Revenue is recognized when the Group deliver the products to the contracted delivery location, the customer confirms acceptance, the consideration has been received or the right to collect the consideration has been obtained, and the related economic benefits are highly probable to flow to the Group.

(ii) Environmental services projects operation

Environmental services projects operation business mainly include operation of waste-to-energy incineration projects and harmless treatment of solid waste and hazardous waste. These transactions constitute performance obligations satisfied at a point in time. For revenue from waste-to-energy incineration projects, the Group recognizes revenue when the State Grid confirms the on-grid electricity generation volume for the current month, based on such volume and the on-grid electricity tariff approved by the National Development and Reform Commission (NDRC). With respect to revenue from the business of harmless treatment of solid waste and hazardous waste, the Group recognizes revenue when it confirms that the customer has accepted the relevant services.

The Group adopts the construction and operation transfer method to participate in the operation of infrastructure facilities. The Group obtains the management right of the facility from the national administrative department (contract awarding party) and participates in the construction and operation of the facility. After the expiration of the management rights, the Group shall hand over the relevant project to the state administrative department. If the contract stipulates that the Group has the right to collect fees during a certain period of operation after the completion of the relevant infrastructure facility, but the amount of fees is uncertain, such right does not constitute an unconditional right to receive cash, and the Group recognizes intangible assets when the relevant construction costs are incurred. These costs are amortized over the concession period on a straight-line basis or units-of-service basis.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) *Environmental engineering services*

For engineering and construction contracts, the Group’s performance creates or enhances an asset or work-in-progress that the customer controls as the asset is created or enhanced and thus the Group satisfies a performance obligation and recognizes revenue over time. The progress of performance for the services provided is determined based on the proportion of completed work volume to the estimated total work volume, and revenue is recognized in line with such performance progress. When the performance progress cannot be reliably determined, if the costs incurred by the Company are expected to be recoverable, revenue is recognized equal to the amount of costs incurred until the performance progress can be reliably determined.

6. OTHER INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants related to income	111,458	120,552	98,137
Government grants related to assets	5,486	12,970	16,191
Interest income (i)	10,568	14,879	8,587
Additional VAT deduction (ii)	4,882	12,975	2,338
Others	617	888	5,922
	133,011	162,264	131,175

- (i) The amount mainly comprises interest income on the Group’s term deposits classified as financial assets at amortized cost calculated using the effective interest method. Interest income from cash and cash equivalent is included in Finance costs, net (Note 10).
- (ii) Pursuant to the Announcement [2023] No. 43 “Notice on the Additional Value-Added Tax (“VAT”) Deduction Policy for Advanced Manufacturing Enterprises (《關於先進製造業企業增值稅加計抵減政策的公告》)” issued in 2023 by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT from January 1, 2023 to December 31, 2027.

APPENDIX I

ACCOUNTANTS’ REPORT

7. OTHER GAINS/(LOSSES), NET

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gains/(losses) from disposal of associates, joint venture and subsidiaries	33,431	82,001	(62,473)
Net gains/(losses) on disposal of financial instruments	9,680	(43,991)	35,592
Fair value changes on financial assets at fair value through profit or loss	4,977	74,659	(24,976)
Net gains/(losses) on disposal of property, plant and equipment, intangible assets and other non-current assets	1,183	(3,943)	(29,404)
Net foreign exchange differences	(173)	(3,825)	(778)
Gains from disposal of financial assets at fair value through profit or loss	–	41,587	115,167
Penalties	(4,314)	(7,885)	(13,694)
Litigation compensation	(1,377)	(4,939)	(19,170)
Others	2,015	4,723	(468)
	45,422	138,387	(204)

8. EXPENSE BY NATURE

Expenses included in cost of sales, general and administrative expenses, selling and marketing expenses and research and development expenses are analyzed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Materials, fuel and power costs	6,037,136	10,216,918	10,107,359
Impairment losses/(credit) on inventories	30,707	11,942	2,040
Employee compensation expenses (<i>Note 9</i>)	903,064	892,190	906,475
Civil engineering and subcontracting costs	865,807	669,284	418,926
Depreciation and amortization	552,933	625,131	639,878
Equipment and installation costs	336,970	330,143	198,646
Equipment usage fees	207,572	108,127	72,562
Manufacturing overheads	291,539	355,478	355,499
Taxes and surcharges	66,345	68,767	79,960
Business entertainment expenses	62,633	50,885	44,148
Agency and consulting fees	77,652	66,436	50,067
Transportation and travel expenses	42,022	34,677	35,131
Office expenses	16,629	10,235	10,200
Auditors’ remunerations	1,406	2,080	2,573
Impairment losses on non-current assets	38,436	91,158	107,379
[REDACTED]	–	–	[REDACTED]
Other expenses	230,224	163,931	202,566
	9,761,075	13,697,382	13,233,627

APPENDIX I

ACCOUNTANTS’ REPORT

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTOR’S REMUNERATION)

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, wages and bonuses	683,763	681,104	665,367
Housing fund and other benefits	146,375	143,370	162,697
Pension costs (i)	70,450	71,018	78,259
Share-based compensation expenses (ii)	2,476	(3,302)	152
	903,064	892,190	906,475

- (i) The Group is required to make contributions for its employees in the PRC to the state-sponsored retirement plan at a certain rate based on the qualified salaries of the individual employees. The PRC government is responsible for the pension liability of the retired employees.

During the year ended December 31, 2023, 2024 and 2025, no forfeited contributions were utilized by the Group to reduce its contributions for the current year.

- (ii) The 2023 Restricted Share Incentive Plan and Stock Option Incentive Plan (“**2023 Incentive Plan**”) was canceled by way of repurchase as the Company failed to meet the performance targets of the first vesting period and the Company anticipated that it will be unable to achieve the remaining performance targets for the second, third and fourth vesting periods as well. Moreover, the internal and external operating environment of the Company has changed substantially compared with the conditions at the time when the 2023 Incentive Plan was formulated. If the 2023 Incentive Plan continues to be implemented, it is expected that the intended incentive purpose and effect will not be achieved, which is not conducive to fully motivating the enthusiasm of the Company’s core team.

On the cancellation date, 3 June 2024 the Company accounted for the cancellation as an acceleration of vesting and recognized immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period, and such recognition was made in 2024.

To incentivize the management and key operating personnel of Jiangxi Xinke, the Company transferred 8.80% equity interest in its subsidiary Jiangxi Xinke Environmental Protection High-tech Co., Ltd. (“**Jiangxi Xinke**”) to Jiangjin Jinsong New Material Co., Ltd. (a company established by the management and operating personnel of Jiangxi Xinke) on December 3, 2025, at a consideration of RMB 150,000,000. The market value of 8.8% equity interest in Jiangxi Xinke as of November 30, 2025 was RMB 159,200,000, which was determined based on the valuation performed by the “Independent Valuer”. The vesting period for the equity incentive is from December 2025 to November 2030.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Directors’ and Supervisors’ Remuneration

Directors’ and supervisors’ remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended December 31, 2023	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based payment remuneration	Total remuneration before tax
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors:						
Mr. Li	–	840	–	–	–	840
Mr. Ling Jinming	–	2,346	63	92	(157)	2,344
Ms. Wu Xiujiao (i)	–	695	63	92	(20)	830
Mr. Hu Yunzhong	–	840	63	92	28	1,023
Ms. Wei Li (Resigned) (i)	–	567	63	92	–	722
Mr. Liu Zejun	–	364	63	92	–	519
Mr. Chen Wangming	–	900	63	92	–	1,055
Independent non-executive directors:						
Mr. Xu Shengming	120	–	–	–	–	120
Ms. Wang Jingda	120	–	–	–	–	120
Mr. Xu Lin (Resigned) (ii)	80	–	–	–	–	80
Ms. Liu Li (ii)	40	–	–	–	–	40
Supervisors:						
Mr. Zhen Shengli	–	255	63	92	–	410
Ms. Zhao Haiyan	–	470	63	92	–	625
Mr. Yang Wenxu (Resigned) (iii)	–	122	22	32	–	176
Mr. Lin Heng (iii)	–	330	45	65	–	440
Total	360	7,729	571	833	(149)	9,344

- (i) On May 16, 2023, Ms. Wei Li resigned as an executive director of the Company, and Ms. Wu Xiujiao was appointed as an executive director of the Company.
- (ii) On August 31, 2023, Mr. Xu Lin resigned as an independent non-executive director of the Company, and Ms. Liu Li was appointed as an independent director of the Company.
- (iii) On July 10, 2023, Mr. Yang Wenxu resigned from as a supervisor of the Company, and Mr. Lin Heng was appointed as a supervisor of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

<u>Year ended</u> <u>December 31, 2024</u>	<u>Fees</u>	<u>Salaries, wages and bonuses</u>	<u>Retirement benefits</u>	<u>Housing fund and other benefits</u>	<u>Share-based payment remuneration</u>	<u>Total remuneration before tax</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:						
Mr. Li	–	540	–	–	–	540
Mr. Ling Jinming	–	2,063	66	88	–	2,217
Ms. Wu Xiujiao	–	835	66	88	(14)	975
Mr. Hu Yunzhong	–	1,108	66	88	(28)	1,234
Mr. Liu Zejun	–	360	62	81	–	503
Mr. Chen Wangming	–	765	66	88	–	919
Independent non-executive directors:						
Mr. Xu Shengming	120	–	–	–	–	120
Ms. Wang Jingda	120	–	–	–	–	120
Ms. Liu Li	120	–	–	–	–	120
Supervisors:						
Mr. Zhen Shengli (Resigned) (i)	–	20	5	8	–	33
Ms. Zhao Haiyan	–	621	66	88	–	775
Ms. Gong Chen (i)	–	447	42	56	–	545
Mr. Lin Heng	–	305	52	69	–	426
Total	360	7,064	491	654	(42)	8,527

- (i) On January 31, 2024, Mr. Zhen Shengli resigned from as a supervisor of the Company, and Ms. Gong Chen was appointed as a supervisor of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2025	Fees	Salaries, wages and bonuses	Retirement benefits	Housing fund and other benefits	Share-based payment remuneration	Total remuneration before tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:						
Mr. Li	–	290	–	–	–	290
Mr. Ling Jinming	–	1,880	68	99	–	2,047
Ms. Wu Xiujiao (i)	–	320	45	66	–	431
Mr. Hu Yunzhong (i)	–	624	45	66	–	735
Mr. Liu Zejun (i)	–	270	39	57	–	366
Mr. Chen Wangming (i)	–	270	45	66	–	381
Mr. Zhang Huazhen (ii)	–	525	29	41	–	595
Mr. Long Shaopeng (ii)	–	627	27	39	–	693
Mr. Sun Min (ii)	–	1,140	68	99	–	1,307
Ms. Li Yewei (ii)	–	465	29	41	–	535
Independent non-executive directors:						
Mr. Xu Shengming (iii)	70	–	–	–	–	70
Ms. Wang Jingda	120	–	–	–	–	120
Ms. Liu Li	120	–	–	–	–	120
Mr. Huang Changbo (iii)	50	–	–	–	–	50
Supervisors:						
Ms. Zhao Haiyan (iv)	–	198	34	50	–	282
Ms. Gong Chen (iv)	–	301	23	34	–	358
Mr. Lin Heng (iv)	–	129	27	39	–	195
Total	360	7,039	479	697	–	8,575

- (i) Ms. Wu Xiujiao, Mr. Hu Yunzhong, Mr. Liu Zejun and Mr. Chen Wangming resigned as executive directors of the Company on August 7, 2025.
- (ii) Mr. Zhang Huazhen, Mr. Long Shaopeng, Mr. Sun Min and Ms. Li Yewei were appointed as executive directors of the Company on August 7, 2025.
- (iii) Mr. Xu Shengming resigned as independent non-executive director of the Company, and Mr. Huang Changbo was appointed as independent non-executive director of the Company on August 7, 2025.
- (iv) These Supervisors were no longer Supervisors since June 30, 2025, as the Company abolished its Supervisory Board and the role of Supervisor.

(b) Directors’ and Supervisors’ Other Benefits

No termination benefits were paid to the directors and supervisors of the Company by the Group in respect of the director’s services as a director and a supervisor of the Group or other services in connection with the management of the affairs of the Group during the Track Record Period.

No consideration provided to third parties for making available directors’ and supervisors’ services subsisted at the end of each reporting period or at any time during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

There were no loans, quasi-loans or other dealings entered into in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

Save as disclosed in Note 43, there were no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted during the Track Record Period.

(c) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2023, 2024 and 2025 include 1, 1 and 2 directors respectively whose emoluments are reflected in the analysis shown in Note 9(a) above. The emoluments paid to the remaining 4, 4 and 3 individuals during the years ended December 31, 2023, 2024 and 2025, respectively, are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wages, salaries and bonuses and benefits in kind (including contributions to pension plans)	5,979	5,728	4,313
Housing provident fund, medical insurance, other social insurance and pension contributions	297	289	297
Pension cost – defined contribution plans	187	221	205
Share-based payment remuneration	84	(25)	–
	6,547	6,213	4,815

The number of the above individuals other than directors whose remuneration fell within the following bands is as follows:

	Year ended December 31,		
	2023	2024	2025
HKD1,000,001 to HKD1,500,000	2	2	–
HKD1,500,001 to HKD2,000,000	1	2	3
HKD2,000,001 to HKD2,500,000	1	–	–
	4	4	3

APPENDIX I

ACCOUNTANTS’ REPORT

10. FINANCE COSTS, NET

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Finance income:			
Interest income from financial assets held for cash management purposes	1,546	2,493	3,146
Finance costs:			
Interest expenses on borrowings	(438,735)	(475,860)	(439,781)
Interest expenses on lease liabilities	(398)	(488)	(447)
Net exchange (losses)/gains on foreign currency borrowings	(11,344)	9,092	(19,347)
Financing handling fees (for bill discounting and rollover)	(16,064)	(15,981)	(8,869)
Less: capitalized interest	18,961	20,116	3,355
Finance costs total	(447,580)	(463,121)	(465,089)
Finance costs, net	(446,034)	(460,628)	(461,943)

For the years ended December 31, 2023, 2024 and 2025, the capitalization rates used were 3.50% to 5.00%, 3.50% to 4.20% and 3.43% to 3.75%, respectively.

11. INCOME TAX EXPENSES

The income tax expenses of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current income tax	70,513	97,459	129,509
Deferred income tax	(19,036)	(32,123)	(48,630)
	51,477	65,336	80,879

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(a) PRC Corporate Income Tax

In accordance with the relevant regulations of the Enterprise Income Tax laws (the “EIT Law”) of the PRC, the applicable statutory tax rate of the PRC subsidiaries is 25% unless those subject to tax exemption set out below.

APPENDIX I

ACCOUNTANTS’ REPORT

During the Track Record Period, the Company and seventeen subsidiaries of the Group have obtained High and New Technology Enterprises certification (“HNTe”) and hence they are entitled to a preferential CIT rate of 15% for the Track Record Period. Of these, one subsidiary of the Group newly obtained HNTe in 2024 and hence was thus entitled to the 15% preferential CIT rate for the year ended December 31, 2024; two subsidiaries of the Group newly obtained HNTe in 2025 and hence was thus entitled to the 15% preferential CIT rate for the year ended December 31, 2025. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The income tax provisions in respect of operations in Chinese Mainland are calculated at the applicable tax rates on the estimated assessable profits for the Track Record Period based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Chinese Mainland, a number of the Company’s subsidiaries enjoy income tax exemptions and reductions because (i) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (ii) they have operations in the Western Regions of Chinese Mainland that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the “Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China’s Western Regions” (Guo Fa [2020] No. 23) issued by the State Council of Chinese Mainland.

Tax exemptions and reductions from the subsidiaries of the Company in the operations of environmental protection, energy and water conservation mainly arise from (i) income derived by certain subsidiaries of the Company from the production of products that are not restricted or prohibited by the state and meet the relevant national and industrial standards, using resources specified in the “Catalogue of Corporate Income Tax Preferential Policies for Comprehensive Utilization of Resources” (資源綜合利用企業所得稅優惠目錄) as the main raw materials, 90% of such income shall be included in the total taxable income; and/or (ii) pursuant to the relevant provisions of Caishui [2012] No.10 “Notice on Issues Concerning the Corporate Income Tax Preferential Policies for Public Infrastructure Projects and Environmental Protection, Energy Conservation and Water Conservation Projects”(財政部國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知) issued by the Ministry of Finance and the State Taxation Administration of the PRC. For the years ended 31 December 2023 and 2024, certain subsidiaries of the Company are entitled to the corporate income tax preferential policy of “three years of exemption and three years of half-rate reduction”.

In accordance with the provisions of the Announcement of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission, and the Ministry of Ecology and Environment on Issuing the Catalog of Enterprise Income Tax Preferences for Environmental Protection, Energy Conservation and Water Conservation Projects [2021] and the Catalog of Enterprise Income Tax Preferences for Comprehensive Utilization of Resources [2021] (Announcement No. 36 [2021] of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission, and the Ministry of Ecology and Environment), enterprises engaged in projects falling within the scope specified in the Catalog of Enterprise Income Tax Preferences for Environmental Protection, Energy Conservation and Water Conservation Projects [2021] are eligible for the enterprise income tax preferential policy of “three-year exemption and three-year half reduction”.

Certain subsidiaries of the Company are engaged in public garbage treatment projects for environmental pollution control that fall within the scope specified in the Catalog of Enterprise Income Tax Preferences for Environmental Protection, Energy Conservation and Water Conservation Projects [2021]. Such subsidiaries enjoyed the aforesaid enterprise income tax preferential policy in 2025, and 2025 was the fourth year of the exemption and reduction period, representing the half-reduction period.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. One subsidiary of the Group was subject to Hong Kong profits tax for the years ended December 31, 2023, 2024 and 2025.

(c) Corporate Income Tax in Other Jurisdictions

The income tax rates of the subsidiaries from other jurisdictions, including Singapore and Myanmar, had been calculated on the estimated assessable profit during the Track Record Period at the respective rates prevailing in the relevant jurisdictions.

The income tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to profits of the subsidiaries as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Profit before income tax	<u>559,641</u>	<u>608,554</u>	<u>1,120,511</u>
Income tax calculated at the Company’s applicable tax rate of 15%	83,946	91,283	168,077
Tax effect of:			
Preferential income tax rates applicable to the subsidiaries	(19,617)	(19,862)	(19,482)
Adjustments in respect of current tax of previous periods	7,690	5,542	12,795
Super deduction for research and development expenditure	(31,914)	(29,276)	(27,288)
Non-deductible expenses for tax purpose	26,620	59,160	21,254
Utilization of tax losses and temporary differences not recognized as deferred tax assets	(7,890)	(20,895)	(41,144)
Tax effect of tax losses and deductible temporary difference not recognized	63,283	54,816	44,139
Tax effect of share of results of associates and joint venture	(11,648)	(6,187)	980
Income tax reduction and exemption	(26,498)	(22,600)	(15,429)
Non-taxable income	(31,218)	(47,986)	(65,036)
Others	<u>(1,277)</u>	<u>1,341</u>	<u>2,013</u>
	<u>51,477</u>	<u>65,336</u>	<u>80,879</u>

APPENDIX I

ACCOUNTANTS’ REPORT

12. DIVIDENDS

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Final dividends in respect of the previous year, declared and paid during the year (i)	76,275	153,705	106,626
Interim dividends in respect of current year, declared or paid during the year (ii)	—	502,669	—
	<u>76,275</u>	<u>656,374</u>	<u>106,626</u>

- (i) Final dividends attributable to owners of the Company in respect of 2022, 2023 and 2024 of RMB0.05 per share (tax inclusive), RMB0.10 per share (tax inclusive) and RMB0.07 per share (tax inclusive), were approved by the shareholder in the Annual General Meeting, respectively.
- (ii) Interim dividends attributable to owners of the Company in respect of 2024 of RMB0.33 per share (tax inclusive), were approved by the shareholder in the Annual General Meeting.

13. EARNINGS PER SHARE

(a) Basic Earnings Per Share (“EPS”)

The calculation of basic earnings per share is based on the following:

	Year ended December 31,		
	2023	2024	2025
Profit attributable to ordinary shareholders of the Company (RMB’000)	504,641	482,519	838,303
Weighted average number of ordinary shares in issue (thousands)	<u>1,521,247</u>	<u>1,523,082</u>	<u>1,519,913</u>
Basic EPS (RMB per share)	<u>0.33</u>	<u>0.32</u>	<u>0.55</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Diluted Earnings Per Share

	Year ended December 31,		
	2023	2024	2025
Profit attributable to owners of the Company used in calculating diluted EPS (<i>RMB’000</i>)	<u>504,641</u>	<u>482,519</u>	<u>838,303</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,521,247	1,523,082	1,519,913
Adjustments for potential shares arising from share schemes (<i>thousands</i>)	<u>2,134</u>	<u>4</u>	<u>–</u>
Weighted average number of ordinary shares used in calculating diluted EPS (<i>thousands</i>)	<u>1,523,381</u>	<u>1,523,086</u>	<u>1,519,913</u>
Diluted EPS (<i>RMB per share</i>)	<u>0.33</u>	<u>0.32</u>	<u>0.55</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group

The amounts of investments accounted for using the equity method recognized in the Historical Financial Information are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Associates	839,043	216,844	180,643
Joint venture	<u>4,104</u>	<u>–</u>	<u>–</u>
	<u>843,147</u>	<u>216,844</u>	<u>180,643</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The movements of investments in associates and joint venture during the Track Record Period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	851,842	843,147	216,844
Addition	9,200	1,000	–
Disposal	(69,694)	(332,056)	–
Share of results of associates and joint venture	77,651	41,249	(6,536)
Share of other reserve movement	12,778	1,060	227
Dividends	(33,718)	(9,668)	(6,000)
Others (i)	(4,912)	(327,888)	322
	843,147	216,844	204,857
Impairment loss (ii)	–	–	(24,214)
At the end of the year	843,147	216,844	180,643

- (i) For the years ended December 31, 2023, 2024 and 2025, the decreases of RMB4,912,000, increases of RMB5,003,000 and increases of RMB322,000 respectively arose from the unrealized gains or losses in respect of upstream transactions with an associate, including elimination and reversal upon realization.

The decrease of RMB332,891,000 for the year ended December 31, 2024 due to the Company’s disposal of partial equity interests in two of its investee entities, after which the Company no longer exercises significant influence over the two entities. Accordingly, the remaining investment has been reclassified to “other financial assets at fair value through profit or loss”.

- (ii) For the years ended December 31, 2023, 2024 and 2025, the Group recognised impairment losses of nil, nil and RMB24,214,000 respectively.

The associates and the joint venture of the Group have been accounted based on the financial information prepared under the accounting policies consistent with the Group.

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method. The carrying amount and the Group’s share of the results of individually immaterial associates are shown in aggregate as below:

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

The associates and joint venture

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Aggregate carrying amount of individually immaterial associates and joint venture	843,147	216,844	180,643
Aggregate amounts of the Group’s share of:			
Profit for the year	77,651	41,249	(6,536)
Total comprehensive income	77,651	41,249	(6,536)

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Associates	294,612	221,132	189,233
Joint venture	4,104	–	–
	298,716	221,132	189,233

The movements of investments in associates and joint venture during the Track Record Period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	267,654	298,716	221,132
Addition	7,200	1,000	–
Disposal	–	(46,033)	–
Share of results of associates and joint venture	16,627	8,158	(5,881)
Share of other reserve movement	14,928	(426)	227
Dividends	(7,693)	2	(6,000)
Others (i)	–	(40,285)	–
	298,716	221,132	209,478
Impairment loss	–	–	(20,245)
At the end of the year	298,716	221,132	189,233

- (i) The decrease of RMB40,285,000 for the year ended December 31, 2024 due to the Company’s disposal of partial equity interests in one of its investee entities, after which the Company no longer exercises significant influence over the entity. Accordingly, the remaining investment has been reclassified to “other financial assets at fair value through profit or loss”.

APPENDIX I

ACCOUNTANTS’ REPORT

Reconciliation of the carrying amount of the interests recognized in the Historical Financial Information:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Aggregate carrying amount of individually immaterial associates and joint venture	298,716	221,132	189,233
Aggregate amounts of the Company’s share of:			
Profit for the year	16,627	8,158	(5,881)
Total comprehensive income	16,627	8,158	(5,881)

15. SUBSIDIARIES

As at the date of this report and during the Track Record Period, the Company’s principal subsidiaries are as follows:

			Interest and voting right held by the Company						
Name of subsidiaries	Place of incorporation and type of legal entity	Share capital registered/paid-up capital	As at December 31,						Principal activities
			2023		2024		2025		
			'000	Direct	Indirect	Direct	Indirect	Direct	
1 Jiangxi Xinke Environmental Protection High-tech Co., Ltd. (江西鑫科環保高新技術有限公司)	Chinese Mainland, limited liability company	RMB1,500,000	100.00%	–	100.00%	–	91.20%	–	Comprehensive recycling and utilization of metal resources
2 Jingyuan GeoEnviron New Materials Technology Co., Ltd. (靖遠高能環境新材料技術有限公司)	Chinese Mainland, limited liability company	RMB115,800	100.00%	–	100.00%	–	100.00%	–	Comprehensive recycling and utilization of metal resources
3 Jinchang GeoEnviron Technology Co., Ltd. (金昌高能環境技術有限公司) (i)	Chinese Mainland, limited liability company	RMB150,000	–	71.00%	–	58.33%	10.56%	49.11%	Comprehensive recycling and utilization of metal resources
4 Hubei GeoEnviron Pengfu Technology Co., Ltd. (湖北高能鵬富環保科技有限公司)	Chinese Mainland, limited liability company	RMB38,076	100.00%	–	100.00%	–	100.00%	–	Comprehensive recycling and utilization of metal resources
5 Gansu GeoEnviron Zhongse Technology Co., Ltd. (甘肅高能中色環保科技有限公司) (ii)	Chinese Mainland, limited liability company	RMB40,000	50.74%	–	50.74%	–	50.74%	–	Comprehensive recycling and utilization of metal resources
6 Neijiang GeoEnviron Technology Co., Ltd. (內江高能環境技術有限公司) (iii)	Chinese Mainland, limited liability company	RMB100,000	69.84%	–	69.84%	–	69.84%	–	Environmental services projects operation
7 Tibet Yunneng Environmental Technology Co., Ltd. (西藏蘊能環境技術有限公司)	Chinese Mainland, limited liability company	RMB25,000	100.00%	–	100.00%	–	100.00%	–	Procurement of equipment and raw materials
8 Geo Environ (HK) Investment Limited (高能環境(香港)投資有限公司)	Hong Kong, limited liability company	HK\$60,000	100.00%	–	100.00%	–	100.00%	–	Investment holding

- (i) As at December 31, 2023, 2024 and 2025, the Company indirectly held 71.00%, 58.33% and 49.11% respectively, of the equity interests in Jinchang GeoEnviron Technology Co., Ltd. through its wholly-owned subsidiary, Geo Environ (HK) Investment Limited.

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) As at December 31, 2023, Gansu GeoEnviron Zhongse Technology Co., Ltd. was held as to approximately 50.74% by our Company and approximately 49.26% by Jinchang Hongke Commercial Co., Ltd. (金昌宏科商貿有限公司), and as at 31 December, 2024 and 2025, Gansu GeoEnviron Zhongse Technology Co., Ltd. was held as to approximately 50.74% by our Company and approximately 49.26% by Jinchang Jinvixin Investment Service Co. Ltd. (金昌金億鑫投資服務有限公司). Jinchang Hongke Commercial Co., Ltd. and Jinchang Jinvixin Investment Service Co. Ltd. are companies controlled by Mr. Li Aijie who is a director of Gansu GeoEnviron Zhongse Technology Co., Ltd..
- (iii) As at December 31, 2023, 2024 and 2025, Neijiang GeoEnviron Technology Co., Ltd. was held as to (a) approximately 69.84% by our Company; (b) approximately 30.00% by Neijiang Investment Holding Group Co., Ltd. (內江投資控股集團有限公司), an independent third party; (c) approximately 0.147% by EIT Environmental Development Group Co. Ltd (玉禾田環境發展集團股份有限公司), an independent third party; (d) approximately 0.007% by China Aviation Planning and Design Institute Co, Ltd. (中國航空規劃設計研究總院有限公司), an independent third party; and (e) approximately 0.007% by Aerospace Sanchuang Environmental Technology (Chengdu) Co., Ltd. (航天三創環保科技(成都)有限公司), an independent third party.

The statutory auditors of the above subsidiaries of the Group during the Track Record Period are set out below:

	Name of subsidiaries	Name of statutory auditors		
		2023	2024	2025
1	Jiangxi Xinke Environmental Protection High-tech Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
2	Jingyuan GeoEnviron New Materials Technology Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
3	Jinchang GeoEnviron Technology Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
4	Hubei GeoEnviron Pengfu Technology Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
5	Gansu GeoEnviron Zhongse Technology Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
6	Neijiang GeoEnviron Technology Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
7	Tibet Yunneng Environmental Technology Co., Ltd.	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP	Pan-China Certified Public Accountants LLP
8	Geo Environ (HK) Investment Limited	N/A	N/A	N/A

- (a) The English names of the Chinese Mainland companies are direct translation or transliteration of their Chinese.
- (b) The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Transaction with non-controlling interests:

The Group acquired/disposed certain equity interests of certain subsidiaries from/to non-controlling shareholders, and the difference between consideration paid/received and the carrying amount of equity interest acquired/disposed was recognized as an increase/decrease in reserves. Major transactions during the Track Record Period as follows:

– Major transactions during the year ended December 31, 2023

- (i) On January 18, 2023, the Group acquired a 33.00% equity interest of Yueyang Jinneng Environmental Green Energy Co., Ltd. as a non-controlling interest at a consideration of RMB114,610,000. The Group recognized a decrease in other reserves of RMB21,414,000 and a decrease in non-controlling interests of RMB93,196,000.
- (ii) On July 17, 2023, the Group acquired a 43.59% equity interest of Tianjin Cenmei High-realm Environmental Technology Co., Ltd. as a non-controlling interest at a consideration of RMB14,583,000. The Group recognized an increase in other reserves of nil and a decrease in non-controlling interests of RMB14,583,000.

– Major transactions during the year ended December 31, 2024

In 2024, the Company made an additional investment of RMB47,000,000 in its subsidiary, Jinchang GeoEnviron Technology Co., Ltd. Concurrently, the Company’s equity interest was passively diluted as a result of the capital increase by other non-controlling shareholders, which led to a decrease in the Company’s shareholding ratio in Jinchang GeoEnviron Technology Co., Ltd. from 71% to 58.33% ultimately. Consequently, the non-controlling interests of the Group decreased by RMB24,354,000 and the capital reserve of the Group increased by RMB22,646,000.

– Major transactions during the year ended December 31, 2025

- (i) On June 10, 2025, the Group acquired a 14.89% equity interest in Shanghai Taiyan Environmental Technology Co., Ltd. as non-controlling interest, for a consideration of RMB390,000. The Group recognized an increase in capital reserve of RMB8,811,000 and a decrease in non-controlling interests of RMB9,202,000.
- (ii) On March 7, 2025, the Group disposed of 1.66% equity interest in Jinchang GeoEnviron Technology Co., Ltd. as non-controlling interest, for a consideration of RMB2,500,000. The Group recognized an increase in capital reserve of RMB2,749,000, and an increase in non-controlling interests of RMB248,000.
- (iii) On December 31, 2025, the Group acquired a 3.00% equity interest in Jinchang GeoEnviron Technology Co., Ltd. for a consideration of RMB4,500,000. The Group recognized an increase in capital reserve of RMB5,939,000 and a decrease in non-controlling interests of RMB10,439,000.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Material non-controlling interests

As at December 31, 2023, 2024 and 2025, the total non-controlling interests is RMB824,302,000, RMB849,866,000 and RMB1,026,612,000, of which RMB172,447,000, RMB180,163,000 and RMB191,435,000 is attributable to Neijiang GeoEnviron Technology Co., Ltd.

Summarized financial information on subsidiaries with material non-controlling interests

Set out below are the summarized financial information of Neijiang GeoEnviron Technology Co., Ltd which has non-controlling interests that are material to the Group.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Revenue	231,798	263,921	262,011
Profit for the year	20,152	35,381	36,813
Total comprehensive income for the year	20,152	35,381	36,813
Net cash generated from operating activities	89,036	142,815	17,401
Total non-current assets	1,406,596	1,356,246	1,298,455
Total current assets	301,529	291,970	387,350
Total assets	1,708,125	1,648,216	1,685,805
Total non-current liabilities	894,243	838,302	842,325
Total current liabilities	242,107	212,557	208,749
Total liabilities	1,136,350	1,050,859	1,051,074
Net assets	571,775	597,357	634,731
Non-controlling interest percentage	30.16%	30.16%	30.16%
Non-controlling interest	172,447	180,163	191,435

The Company

Investments in subsidiaries

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Investments in subsidiaries	<u>5,463,783</u>	<u>6,395,764</u>	<u>6,126,071</u>

APPENDIX I

ACCOUNTANTS’ REPORT

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023						
Cost	1,316,368	1,121,990	58,192	57,869	948,412	3,502,831
Accumulated depreciation	<u>(153,548)</u>	<u>(340,581)</u>	<u>(32,214)</u>	<u>(31,524)</u>	<u>–</u>	<u>(557,867)</u>
Carrying amounts	<u>1,162,820</u>	<u>781,409</u>	<u>25,978</u>	<u>26,345</u>	<u>948,412</u>	<u>2,944,964</u>
Opening carrying amounts	1,162,820	781,409	25,978	26,345	948,412	2,944,964
Additions	9,215	45,682	8,678	7,777	984,377	1,055,729
Disposals	–	(2,494)	(884)	(551)	–	(3,929)
Transfers from construction in progress	737,036	860,662	2,818	25,518	(1,626,034)	–
Depreciation charges	(68,217)	(152,112)	(7,191)	(10,252)	–	(237,772)
Transferred to construction in progress	(5,229)	(5,643)	–	–	10,872	–
Acquisition of subsidiaries (Note 40)	<u>145,583</u>	<u>44,756</u>	<u>707</u>	<u>592</u>	<u>5,562</u>	<u>197,200</u>
Closing carrying amounts	<u>1,981,208</u>	<u>1,572,260</u>	<u>30,106</u>	<u>49,429</u>	<u>323,189</u>	<u>3,956,192</u>
At December 31, 2023						
Cost	2,217,693	2,065,014	66,924	87,420	323,189	4,760,240
Accumulated depreciation	<u>(236,485)</u>	<u>(492,754)</u>	<u>(36,818)</u>	<u>(37,991)</u>	<u>–</u>	<u>(804,048)</u>
Carrying amounts	<u>1,981,208</u>	<u>1,572,260</u>	<u>30,106</u>	<u>49,429</u>	<u>323,189</u>	<u>3,956,192</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024						
Cost	2,217,693	2,065,014	66,924	87,420	323,189	4,760,240
Accumulated depreciation	<u>(236,485)</u>	<u>(492,754)</u>	<u>(36,818)</u>	<u>(37,991)</u>	<u>–</u>	<u>(804,048)</u>
Carrying amounts	<u>1,981,208</u>	<u>1,572,260</u>	<u>30,106</u>	<u>49,429</u>	<u>323,189</u>	<u>3,956,192</u>
Opening carrying amounts	1,981,208	1,572,260	30,106	49,429	323,189	3,956,192
Additions	36,951	58,850	7,885	4,294	498,422	606,402
Disposals	(5,275)	(5,673)	(780)	(766)	–	(12,494)
Transfers from construction in progress	263,572	441,038	7,177	8,436	(720,223)	–
Depreciation charges	(81,335)	(178,667)	(9,470)	(11,581)	–	(281,053)
Transferred to construction in progress	<u>(5,003)</u>	<u>(32,159)</u>	<u>–</u>	<u>(37)</u>	<u>37,199</u>	<u>–</u>
Closing carrying amounts	<u>2,190,118</u>	<u>1,855,649</u>	<u>34,918</u>	<u>49,775</u>	<u>138,587</u>	<u>4,269,047</u>
At December 31, 2024						
Cost	2,505,994	2,502,450	77,878	97,744	138,587	5,322,653
Accumulated depreciation	<u>(315,876)</u>	<u>(646,801)</u>	<u>(42,960)</u>	<u>(47,969)</u>	<u>–</u>	<u>(1,053,606)</u>
Carrying amounts	<u>2,190,118</u>	<u>1,855,649</u>	<u>34,918</u>	<u>49,775</u>	<u>138,587</u>	<u>4,269,047</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Buildings RMB’000	Machinery and equipment RMB’000	Transportation equipment RMB’000	Other equipment RMB’000	Construction in progress RMB’000	Total RMB’000
At January 1, 2025						
Cost	2,505,994	2,502,450	77,878	97,744	138,587	5,322,653
Accumulated depreciation	<u>(315,876)</u>	<u>(646,801)</u>	<u>(42,960)</u>	<u>(47,969)</u>	<u>–</u>	<u>(1,053,606)</u>
Carrying amounts	<u>2,190,118</u>	<u>1,855,649</u>	<u>34,918</u>	<u>49,775</u>	<u>138,587</u>	<u>4,269,047</u>
Opening carrying amounts	2,190,118	1,855,649	34,918	49,775	138,587	4,269,047
Additions	13,715	71,608	2,982	6,635	152,297	247,237
Disposals	(80,397)	(143,602)	(1,113)	(2,148)	–	(227,260)
Transfers from construction in progress	44,619	153,754	–	1,060	(199,433)	–
Depreciation charges	(81,553)	(197,139)	(9,463)	(12,526)	–	(300,681)
Transferred to construction in progress	(1,333)	(22,076)	–	–	23,409	–
Disposal of subsidiaries	(422)	–	–	–	(4,072)	(4,494)
Impairment	<u>(10,998)</u>	<u>(5,727)</u>	<u>(22)</u>	<u>(43)</u>	<u>–</u>	<u>(16,790)</u>
Closing carrying amounts	<u>2,073,749</u>	<u>1,712,467</u>	<u>27,302</u>	<u>42,753</u>	<u>110,788</u>	<u>3,967,059</u>
At December 31, 2025						
Cost	2,471,664	2,466,019	73,486	100,694	110,788	5,222,651
Accumulated depreciation and impairment	<u>(397,915)</u>	<u>(753,552)</u>	<u>(46,184)</u>	<u>(57,941)</u>	<u>–</u>	<u>(1,255,592)</u>
Carrying amounts	<u>2,073,749</u>	<u>1,712,467</u>	<u>27,302</u>	<u>42,753</u>	<u>110,788</u>	<u>3,967,059</u>

- (a) Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Buildings	20-40 years
Machinery and equipment	5-20 years
Transportation equipment	5-10 years
Other equipment	5-10 years

See Note 45 for the other accounting policies relevant to property, plant and equipment.

APPENDIX I

ACCOUNTANTS’ REPORT

- (b) Depreciation of the Group’s property, plant and equipment has been recognized in profit or loss as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of sales	199,337	232,701	258,271
General and administrative expenses	30,720	40,123	33,655
Research and development expenses	7,253	7,862	8,384
Selling and marketing expenses	462	367	371
	237,772	281,053	300,681

- (c) As at December 31, 2023, 2024 and 2025, property, plant, and equipment amounting to RMB358,294,000, RMB511,975,000 and RMB1,474,254,000, were pledged for bank borrowings, respectively.
- (d) As at December 31, 2023, 2024 and 2025, the Group was still in the process of applying for the ownership certificates for buildings and structures with a total carrying amount of RMB127,209,000, RMB626,481,000 and RMB396,192,000, respectively.
- (e) The impairment tests for property, plant and equipment for the year ended December 31, 2025 were disclosed in note 18(a).

The Company

	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, 2023						
Cost	103,381	119,388	6,959	11,154	–	240,882
Accumulated depreciation	(10,497)	(79,762)	(5,382)	(6,334)	–	(101,975)
Carrying amounts	92,884	39,626	1,577	4,820	–	138,907
Opening carrying amounts	92,884	39,626	1,577	4,820	–	138,907
Additions	–	5,405	12	2,024	4,047	11,488
Disposals	–	(1,538)	(77)	(120)	–	(1,735)
Depreciation charges	(2,134)	(16,949)	(437)	(1,875)	–	(21,395)
Closing carrying amounts	90,750	26,544	1,075	4,849	4,047	127,265
At December 31, 2023						
Cost	103,381	117,892	5,790	12,230	4,047	243,340
Accumulated depreciation	(12,631)	(91,348)	(4,715)	(7,381)	–	(116,075)
Carrying amounts	90,750	26,544	1,075	4,849	4,047	127,265

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2024						
Cost	103,381	117,892	5,790	12,230	4,047	243,340
Accumulated depreciation	(12,631)	(91,348)	(4,715)	(7,381)	–	(116,075)
Carrying amounts	<u>90,750</u>	<u>26,544</u>	<u>1,075</u>	<u>4,849</u>	<u>4,047</u>	<u>127,265</u>
Opening carrying amounts	90,750	26,544	1,075	4,849	4,047	127,265
Additions	–	8,079	4	228	7,205	15,516
Transfers from construction in progress	–	5,970	–	–	(5,970)	–
Disposals	398	364	(185)	(668)	–	(91)
Depreciation charges	(2,412)	(13,186)	(438)	(1,519)	–	(17,555)
Closing carrying amounts	<u>88,736</u>	<u>27,771</u>	<u>456</u>	<u>2,890</u>	<u>5,282</u>	<u>125,135</u>
At December 31, 2024						
Cost	103,386	131,495	5,609	11,611	5,282	257,383
Accumulated depreciation	(14,650)	(103,724)	(5,153)	(8,721)	–	(132,248)
Carrying amounts	<u>88,736</u>	<u>27,771</u>	<u>456</u>	<u>2,890</u>	<u>5,282</u>	<u>125,135</u>
	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2025						
Cost	103,386	131,495	5,609	11,611	5,282	257,383
Accumulated depreciation	(14,650)	(103,724)	(5,153)	(8,721)	–	(132,248)
Carrying amounts	<u>88,736</u>	<u>27,771</u>	<u>456</u>	<u>2,890</u>	<u>5,282</u>	<u>125,135</u>
Opening carrying amounts	88,736	27,771	456	2,890	5,282	125,135
Additions	–	256	10	160	–	426
Disposals	–	(1,036)	(8)	(35)	(5,121)	(6,200)
Depreciation charges	(2,381)	(8,857)	(407)	(1,282)	–	(12,927)
Closing carrying amounts	<u>86,355</u>	<u>18,134</u>	<u>51</u>	<u>1,733</u>	<u>161</u>	<u>106,434</u>
At December 31, 2025						
Cost	103,386	123,754	5,451	11,403	161	244,155
Accumulated depreciation	(17,031)	(105,620)	(5,400)	(9,670)	–	(137,721)
Carrying amounts	<u>86,355</u>	<u>18,134</u>	<u>51</u>	<u>1,733</u>	<u>161</u>	<u>106,434</u>

APPENDIX I

ACCOUNTANTS’ REPORT

17. LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts Recognized in the Consolidated Statements of Financial Position

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Right-of-use assets			
Land use rights	344,619	354,748	296,731
Buildings	8,691	12,327	7,830
Machinery and equipment	4,864	3,144	1,429
	358,174	370,219	305,990
Lease liabilities			
Current	2,824	5,190	2,551
Non-current	9,231	8,964	4,910
	12,055	14,154	7,461

Additions to the right-of-use assets during the years ended December 31, 2023, 2024 and 2025 were approximately RMB13,492,000, RMB31,754,000 and RMB500,000, respectively.

As at December 31, 2023, 2024 and 2025, intangible assets of land use rights amounting to RMB116,331,000, RMB100,267,000 and RMB100,264,000, respectively, were pledged for bank borrowings.

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Right-of-use assets			
Land use rights	46,207	45,116	45,116
Buildings	2,458	181	–
	48,665	45,297	45,116
Lease liabilities			
Current	2,383	–	–

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Amounts Recognized in the Consolidated Statements of Profit or Loss

The consolidated statements of profit or loss contain the following amounts relating to leases:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Depreciation charge of right-of-use assets:			
– Land use rights	7,748	13,644	9,240
– Buildings	1,317	2,000	3,506
– Machinery and equipment	287	1,720	1,715
	9,352	17,364	14,461
	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest expense (including in finance cost)	398	488	447
Expense relating to short-term and low value leases not included in lease liabilities	11,085	6,891	4,581
	11,483	7,379	5,028

The total cash outflows for lease payments during the years ended December 31, 2023, 2024 and 2025 were approximately RMB14,363,000, RMB11,404,000 and RMB11,306,000, respectively.

The Group mainly leases properties, offices, machinery and equipment and land-use-right as lessee. Lease contracts are typically made for fixed periods from 2 to 10 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

See Note 45 for the other accounting policies relevant to lease.

APPENDIX I

ACCOUNTANTS’ REPORT

18. INTANGIBLE ASSETS

The Group

	Software	Franchise rights	Patent right	Goodwill	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023					
Cost	13,617	7,956,696	55,148	728,500	8,753,961
Accumulated amortization and impairment	<u>(6,337)</u>	<u>(712,752)</u>	<u>(22,651)</u>	<u>(148,577)</u>	<u>(890,317)</u>
Carrying amounts	<u>7,280</u>	<u>7,243,944</u>	<u>32,497</u>	<u>579,923</u>	<u>7,863,644</u>
Year ended December 31, 2023					
Opening carrying amounts	7,280	7,243,944	32,497	579,923	7,863,644
Additions	16,283	427,102	47	101,078	544,510
Disposals	(12)	(274)	–	–	(286)
Acquisition of subsidiaries (<i>Note 40</i>)	–	33,990	12,285	–	46,275
Amortization charges	(2,653)	(299,920)	(1,104)	–	(303,677)
Impairment	<u>–</u>	<u>–</u>	<u>–</u>	<u>(38,436)</u>	<u>(38,436)</u>
Closing carrying amounts	<u>20,898</u>	<u>7,404,842</u>	<u>43,725</u>	<u>642,565</u>	<u>8,112,030</u>
At December 31, 2023					
Cost	29,880	8,417,509	67,481	826,152	9,341,022
Accumulated amortization and impairment	<u>(8,982)</u>	<u>(1,012,667)</u>	<u>(23,756)</u>	<u>(183,587)</u>	<u>(1,228,992)</u>
Carrying amounts	<u>20,898</u>	<u>7,404,842</u>	<u>43,725</u>	<u>642,565</u>	<u>8,112,030</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Software</u>	<u>Franchise</u>	<u>Patent</u>	<u>Goodwill</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2024					
Cost	29,880	8,417,509	67,481	826,152	9,341,022
Accumulated amortization and impairment	<u>(8,982)</u>	<u>(1,012,667)</u>	<u>(23,756)</u>	<u>(183,587)</u>	<u>(1,228,992)</u>
Carrying amounts	<u>20,898</u>	<u>7,404,842</u>	<u>43,725</u>	<u>642,565</u>	<u>8,112,030</u>
Year ended December 31, 2024					
Opening carrying amounts	20,898	7,404,842	43,725	642,565	8,112,030
Additions	8,355	266,797	157	–	275,309
Disposals	–	(34)	–	–	(34)
Amortization charges	(3,404)	(312,745)	(5,004)	–	(321,153)
Impairment	<u>–</u>	<u>(17,321)</u>	<u>–</u>	<u>(73,838)</u>	<u>(91,159)</u>
Closing carrying amounts	<u>25,849</u>	<u>7,341,539</u>	<u>38,878</u>	<u>568,727</u>	<u>7,974,993</u>
At December 31, 2024					
Cost	38,235	8,684,266	67,638	826,152	9,616,291
Accumulated amortization and impairment	<u>(12,386)</u>	<u>(1,342,727)</u>	<u>(28,760)</u>	<u>(257,425)</u>	<u>(1,641,298)</u>
Carrying amounts	<u>25,849</u>	<u>7,341,539</u>	<u>38,878</u>	<u>568,727</u>	<u>7,974,993</u>
	<u>Software</u>	<u>Franchise</u>	<u>Patent</u>	<u>Goodwill</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2025					
Cost	38,235	8,684,266	67,638	826,152	9,616,291
Accumulated amortization and impairment	<u>(12,386)</u>	<u>(1,342,727)</u>	<u>(28,760)</u>	<u>(257,425)</u>	<u>(1,641,298)</u>
Carrying amounts	<u>25,849</u>	<u>7,341,539</u>	<u>38,878</u>	<u>568,727</u>	<u>7,974,993</u>
Year ended December 31, 2025					
Opening carrying amounts	25,849	7,341,539	38,878	568,727	7,974,993
Additions	27,896	23,300	12	–	51,208
Disposals	(7,776)	(378)	–	–	(8,154)
Disposals of subsidiaries (<i>Note 40</i>)	–	–	–	(17,269)	(17,269)
Amortization charges	(5,265)	(313,044)	(4,909)	–	(323,218)
Impairment	<u>–</u>	<u>(17,439)</u>	<u>–</u>	<u>(48,936)</u>	<u>(66,375)</u>
Closing carrying amounts	<u>40,704</u>	<u>7,033,978</u>	<u>33,981</u>	<u>502,522</u>	<u>7,611,185</u>
At December 31, 2025					
Cost	52,330	8,694,429	67,649	806,836	9,621,244
Accumulated amortization and impairment	<u>(11,626)</u>	<u>(1,660,451)</u>	<u>(33,668)</u>	<u>(304,314)</u>	<u>(2,010,059)</u>
Carrying amounts	<u>40,704</u>	<u>7,033,978</u>	<u>33,981</u>	<u>502,522</u>	<u>7,611,185</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2023, 2024 and 2025, intangible assets of franchise rights amounting to RMB4,220,465,000, RMB4,169,449,000 and RMB3,746,544,000, were pledged for bank borrowings, respectively.

Amortization expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of sales	289,899	298,676	300,439
Selling and marketing expenses	44	79	–
General and administrative expenses	6,877	9,012	9,547
Research and development expenses	6,857	13,386	13,232
	<u>303,677</u>	<u>321,153</u>	<u>323,218</u>
<i>The Company</i>			
	Software	Patent right	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023			
Cost	9,313	2,296	11,609
Accumulated amortization	(4,022)	(733)	(4,755)
Carrying amounts	<u>5,291</u>	<u>1,563</u>	<u>6,854</u>
Year ended December 31, 2023			
Opening carrying amounts	5,291	1,563	6,854
Additions	15,799	–	15,799
Amortization charges	(2,075)	(228)	(2,303)
Closing carrying amounts	<u>19,015</u>	<u>1,335</u>	<u>20,350</u>
At December 31, 2023			
Cost	25,112	2,296	27,408
Accumulated amortization	(6,097)	(961)	(7,058)
Carrying amounts	<u>19,015</u>	<u>1,335</u>	<u>20,350</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Software</u>	<u>Patent right</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2024			
Cost	25,112	2,296	27,408
Accumulated amortization	<u>(6,097)</u>	<u>(961)</u>	<u>(7,058)</u>
Carrying amounts	<u>19,015</u>	<u>1,335</u>	<u>20,350</u>
Year ended December 31, 2024			
Opening carrying amounts	19,015	1,335	20,350
Additions	731	–	731
Amortization charges	<u>(2,816)</u>	<u>(222)</u>	<u>(3,038)</u>
Closing carrying amounts	<u>16,930</u>	<u>1,113</u>	<u>18,043</u>
At December 31, 2024			
Cost	25,843	2,296	28,139
Accumulated amortization	<u>(8,913)</u>	<u>(1,183)</u>	<u>(10,096)</u>
Carrying amounts	<u>16,930</u>	<u>1,113</u>	<u>18,043</u>
	<u>Software</u>	<u>Patent right</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2025			
Cost	25,843	2,296	28,139
Accumulated amortization	<u>(8,913)</u>	<u>(1,183)</u>	<u>(10,096)</u>
Carrying amounts	<u>16,930</u>	<u>1,113</u>	<u>18,043</u>
Year ended December 31, 2025			
Opening carrying amounts	16,930	1,113	18,043
Disposals	(7,776)	–	(7,776)
Additions	26,250	–	26,250
Amortization charges	<u>(4,241)</u>	<u>(23)</u>	<u>(4,264)</u>
Closing carrying amounts	<u>31,163</u>	<u>1,090</u>	<u>32,253</u>
At December 31, 2025			
Cost	38,291	2,296	40,587
Accumulated amortization	<u>(7,128)</u>	<u>(1,206)</u>	<u>(8,334)</u>
Carrying amounts	<u>31,163</u>	<u>1,090</u>	<u>32,253</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Impairment Tests for Goodwill

Goodwill is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The carrying amount of goodwill allocated to the cash generating units or group of cash generating units (“CGU” or “CGUs”) are as follows:

	<u>Opening</u>	<u>Addition</u>	<u>Impairment</u>	<u>Closing</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2023				
Hubei GeoEnviron Pengfu Environmental Protection Technology Co., Ltd. (“ GeoEnviron Pengfu ”) (i)	123,759	–	–	123,759
Guizhou Hongda Environmental Protection Technology Co., Ltd. (“ Guizhou Hongda ”) (ii)	86,427	–	(25,540)	60,887
Ningbo Dadi Chemical Environmental Protection Co., Ltd. (“ Ningbo Dadi ”) (i)	79,047	–	–	79,047
Gansu GeoEnviron Zhongse Environmental Protection Technology Co., Ltd. (“ GeoEnviron Zhongse ”) (i)	62,417	–	–	62,417
GeoEnviron Environment (Tengzhou) Environmental Protection Technology Co., Ltd. (“ Tengzhou Gaoneng ”) (iii)	61,987	–	(12,896)	49,091
Jiangxi Xinke Environmental Protection High-tech Co., Ltd. (“ Jiangxi Xinke ”) (i)	54,534	–	–	54,534
Jingyuan GeoEnviron New Materials Technology Co., Ltd. (“ Jingyuan GeoEnviron ”) (i)	32,448	–	–	32,448
Chongqing Yaohui Environmental Protection Co., Ltd. (“ Chongqing Yaohui ”) (i)	18,710	–	–	18,710
Jinchang Xinchengyuan Metal Materials Co., Ltd. (“ Xinchengyuan ”) (i)	17,269	–	–	17,269
Hangzhou GeoEnviron Jiejia Packaging Materials Technology Co., Ltd. (“ Hangzhou Gaoneng ”) (i)	15,918	–	–	15,918
Zhejiang JiaTianHe Environmental Technology Co., Ltd. (“ Zhejiang Jiatianhe ”) (vi)	13,606	–	–	13,606
Yueyang Jinneng Environmental Green Energy Co., Ltd. (“ Yueyang Jinneng ”) (i)	11,754	–	–	11,754
Jinchang Zhengxianbo Environmental Protection Technology Co., Ltd. (“ Zhengxianbo ”) (iv)	2,047	–	–	2,047
Zhuhai Xinhong Environmental Protection Development Co., Ltd. (“ Zhuhai Xinhong ”) (v)	–	25,997	–	25,997
Anhui Zhongxin Hongwei Technology Co., Ltd. (“ Zhongxin Hongwei ”) (v)	–	55,407	–	55,407
Dalian GeoEnviron Technology Co., Ltd. (“ Dalian GeoEnviron ”) (v)	–	19,674	–	19,674
	<u>579,923</u>	<u>101,078</u>	<u>(38,436)</u>	<u>642,565</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Opening</u>	<u>Addition</u>	<u>Impairment</u>	<u>Closing</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2024				
GeoEnviron Pengfu (i)	123,759	–	–	123,759
Guizhou Hongda (ii)	60,887	–	(59,270)	1,617
Ningbo Dadi (i)	79,047	–	–	79,047
GeoEnviron Zhongse (i)	62,417	–	–	62,417
Tengzhou Gaoneng (iii)	49,091	–	(12,521)	36,570
Jiangxi Xinke (i)	54,534	–	–	54,534
Jingyuan GeoEnviron (i)	32,448	–	–	32,448
Chongqing Yaohui (i)	18,710	–	–	18,710
Xinshengyuan (i)	17,269	–	–	17,269
Hangzhou Gaoneng (i)	15,918	–	–	15,918
Zhejiang jiatianhe (vi)	13,606	–	–	13,606
Yueyang Jinneng (i)	11,754	–	–	11,754
Zhengxianbo (iv)	2,047	–	(2,047)	–
Zhuhai Xinhong (v)	25,997	–	–	25,997
Zhongxin Hongwei (v)	55,407	–	–	55,407
Dalian GeoEnviron (v)	19,674	–	–	19,674
	642,565	–	(73,838)	568,727

	<u>Opening</u>	<u>Addition</u>	<u>Disposals</u>	<u>Impairment</u>	<u>Closing</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended December 31, 2025					
GeoEnviron Pengfu (i)	123,759	–	–	–	123,759
Guizhou Hongda (ii)	1,617	–	–	(1,617)	–
Ningbo Dadi (i)	79,047	–	–	–	79,047
GeoEnviron Zhongse (i)	62,417	–	–	–	62,417
Tengzhou Gaoneng (iii)	36,570	–	–	(34,969)	1,601
Jiangxi Xinke (i)	54,534	–	–	–	54,534
Jingyuan GeoEnviron (i)	32,448	–	–	–	32,448
Chongqing Yaohui (i)	18,710	–	–	–	18,710
Xinshengyuan (i)	17,269	–	(17,269)	–	–
Hangzhou Gaoneng (i)	15,918	–	–	–	15,918
Zhejiang Jiatianhe (vi)	13,606	–	–	(12,350)	1,256
Yueyang Jinneng (i)	11,754	–	–	–	11,754
Zhuhai Xinhong (v)	25,997	–	–	–	25,997
Zhongxin Hongwei (v)	55,407	–	–	–	55,407
Dalian GeoEnviron (v)	19,674	–	–	–	19,674
	568,727	–	(17,269)	(48,936)	502,522

APPENDIX I

ACCOUNTANTS’ REPORT

- (i) The goodwill of GeoEnviron Pengfu, Ningbo Dadi, GeoEnviron Zhongse, Jiangxi Xinke, Jingyuan GeoEnviron, Chongqing Yaohui, Xinshengyuan, Hangzhou Gaoneng, Zhejiang Jiatianhe and Yueyang Jinneng are generated from business combination of Hubei GeoEnviron Pengfu Environmental Protection Technology Co., Ltd., Ningbo Dadi Chemical Environmental Protection Co., Ltd., Gansu GeoEnviron Zhongse Environmental Protection Technology Co., Ltd., Jiangxi Xinke Environmental Protection High-tech Co., Ltd., Jingyuan GeoEnviron New Materials Technology Co., Ltd., Chongqing Yaohui Environmental Protection Co., Ltd., Jinchang Xinshengyuan Metal Materials Co., Ltd., Hangzhou GeoEnviron Jiejia Packaging Materials Technology Co., Ltd., Zhejiang Jiatianhe Environmental Technology Co., Ltd. and Yueyang Jinneng Environmental Green Energy Co., Ltd. in 2017, 2017, 2017, 2021, 2016, 2021, 2022, 2020, 2022 and 2018, respectively. Management regards them as separate CGUs respectively and reviews the business performance and monitors the goodwill on the individual CGU basis.
- (ii) The goodwill of Guizhou Hongda is generated from business combination of Guizhou Hongda Environmental Protection Technology Co., Ltd. in 2018. Management regards Guizhou Hongda as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

As at December 31, 2023, 2024 and 2025, as the performance was less than expected, based on management’s estimation of the recoverable amount of Guizhou Hongda with the assistance of an independent valuer, which was calculated based on its value-in-use, impairment of goodwill of approximately RMB25,540,000, RMB59,270,000 and RMB1,617,000 respectively was recognised, while impairment of property, plant and equipment of nil, nil and RMB16,790,000 was recognised respectively. The key assumptions used to determine the recoverable amount include revenue growth rate, profit rate, growth rate and pre-tax discount rate.

- (iii) The goodwill of Tengzhou Gaoneng is generated from business combination of GeoEnviron Environment (Tengzhou) Environmental Protection Technology Co., Ltd. in 2017. Management regards Tengzhou Gaoneng as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

As at December 31, 2023, 2024 and 2025, as the performance was less than expected, based on management’s estimation of the recoverable amount of Tengzhou Gaoneng with the assistance of an independent valuer, which was calculated based on its value-in-use, an impairment of goodwill of approximately RMB12,896,000, RMB12,521,000 and RMB34,969,000 was recognised respectively. The key assumptions used to determine the recoverable amount include revenue growth rate, profit rate, growth rate and pre-tax discount rate.

- (iv) The goodwill of Zhengxianbo is generated from business combination of Jinchang Zhengxianbo Environmental Protection Technology Co., Ltd. in 2022. Management regards Zhengxianbo as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

As at December 31, 2024, as the performance was less than expected, according to the management’s estimation of the recoverable amount of Zhengxianbo, which was calculated based on its value-in-use, an impairment of goodwill approximately RMB2,047,000 was recognized, resulting in a reduction in the carrying amount of the goodwill of Zhengxianbo to zero. The key assumptions used to determine the recoverable amount include revenue growth rate, profit rate, terminal growth rate and pre-tax discount rate.

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2025, Zhengxianbo was disposed of by the Group. Upon the disposal, the remaining carrying amount of goodwill was derecognised in full, and the relevant impairment loss previously recognised was reversed accordingly.

- (v) The goodwill of Zhuhai Xinhong, Zhongxin Hongwei and Dalian GeoEnviron are generated from business combinations of Zhuhai Xinhong Environmental Protection Development Co., Ltd., Anhui Zhongxin Hongwei Technology Co., Ltd. and Dalian GeoEnviron Technology Co., Ltd. in 2023, see Note 40. Management regards them as separate CGUs respectively and reviews the business performance and monitors the goodwill on the individual CGU basis.
- (vi) The goodwill of Zhejiang Jiatianhe arose from the acquisition of existing equity interests and capital increase and share expansion completed by the Group in 2022. Management regards Zhejiang Jiatianhe as a separate CGU and reviews the business performance and monitors the goodwill on the individual CGU basis.

In 2025, due to the revenue decline resulting from the disposal of the subsidiary, Lanxi Gaoneng Lijia Medical Technology Co., Ltd. (蘭溪高能利嘉醫療科技有限公司)(“**Lanxi Gaoneng Lijia**”), based on management’s estimation of the recoverable amount of Jiatianhe with the assistance of an independent valuer, which was calculated based on its value-in-use, an impairment of goodwill of approximately RMB12,350,000 was recognised. The key assumptions used to determine the recoverable amount include revenue growth rate, profit rate, growth rate and pre-tax discount rate.

Management has determined the recoverable amount measured at the present value of estimated future cash flows, with a budget horizon of 5 years or the entire franchise operation period, and the key assumptions based on as follows:

<u>Assumption</u>	<u>Approach used to determine values</u>
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast period. The management of the Group used a five-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Operating profit margin	Based on past performance and management’s expectations for the future.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

Assumption	Approach used to determine values
Pre-tax discount rates	Estimated by using the WACC method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

The following table sets out the key assumptions for these CGUs that have goodwill allocated to them:

Year ended December 31, 2023

	Revenue annual growth rates	Operating profit margin	Pre-tax discount rates
GeoEnviron Pengfu	1.99% to 2.99%	4.86% to 5.08%	11.00%
Guizhou Hongda	-28.58% to 54.53%	8.05% to 16.31%	11.90%
Ningbo Dadi	-3.65% to 0%	22.64% to 24.78%	10.61%
GeoEnviron Zhongse	-76.78% to 5%	16.37% to 17.19%	11.10%
Tengzhou Gaoneng	2.64% to 68.35%	14.13% to 14.33%	11.60%
Jiangxi Xinke	5.00% to 86.22%	4.18% to 4.25%	12.25%
Jingyuan GeoEnviron	0.00% to 3.04%	8.91% to 9.36%	11.18%
Chongqing Yaohui	-32.31% to 4.89%	8.82% to 11.00%	12.48%
Xinshengyuan	2.86% to 90.59%	6.85% to 19.40%	11.33%
Hangzhou Gaoneng	5.00% to 15.00%	2.98% to 3.15%	12.65%
Zhejiang Jiatianhe	0.00% to 10.00%	6.37% to 9.72%	11.33%
Yueyang Jinneng	6.00% to 20.00%	28.28% to 35.25%	12.65%
Zhengxianbo	6.06% to 33.33%	6.54% to 11.40%	11.33%
Zhuhai Xinhong	0.00% to 20.00%	6.95% to 7.66%	12.65%
Zhongxin Hongwei	0.00% to 8.08%	17.03% to 20.02%	12.65%
Dalian GeoEnviron (i)	N/A	N/A	N/A

Year ended December 31, 2024

	Revenue annual growth rates	Operating profit margin	Pre-tax discount rates
GeoEnviron Pengfu	-8.55% to 2.99%	4.48% to 4.61%	10.05%
Guizhou Hongda	4.26% to 37.22%	9.19% to 12.92%	10.93%
Ningbo Dadi	-3.98% to 8.00%	15.68% to 18.25%	10.50%
GeoEnviron Zhongse	-27.75% to 5%	3.43% to 4.22%	11.00%
Tengzhou Gaoneng	1.95% to 126.43%	10.81% to 10.93%	10.90%
Jiangxi Xinke	5.00% to 23.06%	2.33% to 3.74%	11.75%
Jingyuan GeoEnviron	1.10% to 2.00%	4.77% to 5.57%	11.18%
Chongqing Yaohui	-19.16% to 36.37%	-0.23% to 3.07%	11.75%
Xinshengyuan	4.63% to 26.25%	10.19% to 27.53%	10.13%
Hangzhou Gaoneng	2.69% to 3.00%	5.00% to 5.28%	11.75%
Zhejiang Jiatianhe	0.00% to 5.00%	17.17% to 18.80%	11.33%
Yueyang Jinneng	0.00% to 16.50%	30.93% to 50.55%	11.20%
Zhengxianbo	2.94% to 100.00%	7.01% to 7.60%	11.33%
Zhuhai Xinhong	0.00% to 204.77%	5.16%	12.00%
Zhongxin Hongwei	5.00% to 14.52%	6.82% to 7.07%	12.00%
Dalian GeoEnviron (i)	N/A	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2025

	Revenue annual growth rates	Operating profit margin	Pre-tax discount rates
GeoEnviron Pengfu	–8.23% to 2.99%	4.08% to 4.36%	9.97%
Guizhou Hongda	2.68% to 18.41%	3.80% to 5.64%	10.33%
Ningbo Dadi	–0.27% to 5%	15.37% to 19.06%	10.50%
GeoEnviron Zhongse	1.00% to 28.15%	3.88% to 4.25%	11.00%
Tengzhou Gaoneng	2.00% to 78.04%	7.75% to 8.47%	10.33%
Jiangxi Xinke	–3.57% to 40.69%	3.75% to 4.73%	9.93%
Jingyuan GeoEnviron	1.00% to 31.22%	4.95% to 5.03%	11.00%
Chongqing Yaohui	3.00% to 163.72%	3.74% to 3.81%	10.85%
Hangzhou Gaoneng	0.00% to 2.72%	6.74% to 6.75%	11.00%
Zhejiang Jiatianhe	–50.97% to 6.09%	2.89% to 9.30%	9.00%
Yueyang Jinneng	0.00% to 8.63%	36.45% to 46.25%	11.00%
Zhuhai Xinhong	1.00% to 7.25%	7.29%	11.00%
Zhongxin Hongwei	–1.79% to 5.93%	9.49% to 9.62%	10.47%
Dalian GeoEnviron (i)	N/A	N/A	N/A

- (i) Subsequent to the business combination, the Company has applied the experience accumulated in landfill construction and operational management to Dalian, utilizing the areas damaged by mining activities to construct a general industrial solid waste landfill. Unlike general investment projects, the investment, construction and operation of landfills do not possess the commercial attribute of going concern. Their operational period is linked to the landfill capacity, which is fixed. Once the landfill reaches full capacity and is closed, the project will lose its sustainable profitability.

As a short-term project, the future revenue forecast of Dalian GeoEnviron is divided into the construction phase and the operational phase. The construction phase ended on February 29, 2024, while the operational phase, determined based on the landfill capacity (verified by a third-party engineering survey report), is from March 1, 2024, to December 31, 2027. Therefore, the forecast period is from January 1, 2024, to December 31, 2027. With the operating income of RMB20,302,600 and total profit of RMB6,099,000 achieved in 2025, the forecast period has been revised to January 1, 2026, to December 31, 2029.

The projected operating income for 2024 to 2027, as forecasted in 2023, is RMB286,416,000, RMB23,868,000, RMB23,868,000 and RMB23,868,000, respectively. The projected total profit is RMB116,263,000 as of December 31, 2024, and the projected total losses is RMB8,297,000, RMB9,390,000 and RMB10,559,000 as of December 31, 2025, 2026 and 2027, respectively.

The projected operating income for 2025 to 2027, as forecasted in 2024, is RMB154,530,000, RMB54,070,000 and RMB54,070,000, respectively. The projected total profit for the corresponding periods is RMB68,111,700, RMB44,637,400 and RMB40,556,400, respectively.

The projected operating income for 2026 to 2027, as forecasted in 2025, is RMB66,760,000 and RMB68,240,000, respectively. The projected total profit for the corresponding periods is RMB25,064,100 and RMB23,094,700, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The discount rates for the valuation in 2023, 2024 and 2025 were 14.78%, 10.90% and 12.06%, respectively, which is determined based on the WACC, taking into account the project’s industry risk, market risk and specific operational risks.

Management has determined the recoverable amount measured at the present value of estimated future cash flows, with a budget horizon of 5 years or the entire franchise operation period, and the key assumptions based on as follows:

<u>Assumption</u>	<u>Approach used to determine values</u>
Revenue annual growth rates	Revenue annual growth rate is estimated over the five-year forecast or the entire franchise operation period. The management of the Group used five-year period or the entire franchise operation period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose.
Operating profit margin	Based on past performance and management’s expectations for the future.
Perpetual annual growth rates	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long-term inflation rates of the relevant countries were relatively stable during the Track Record Period.
Pre-tax discount rates	Estimated by using the WACC method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Impact of possible changes in key assumptions

Based on the management’s assessment of the recoverable amount, the headroom for these cash-generating unit (CGUs) as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
GeoEnviron Pengfu	135,731	60,156	39,152
Guizhou Hongda	N/A	N/A	N/A
Ningbo Dadi	49,762	16,226	25,382
GeoEnviron Zhongse	124,527	84,606	74,667
Tengzhou Gaoneng	N/A	N/A	N/A
Jiangxi Xinke	123,540	337,428	122,615
Jingyuan GeoEnviron	951,336	789,640	155,041
Chongqing Yaohui	28,658	6,271	9,440
Xinshengyuan	24,550	13,682	N/A
Hangzhou Gaoneng	156,075	65,095	91,267
Zhejiang Jiatianhe	94,462	186,140	N/A
Yueyang Jinneng	92,609	27,068	60,038
Zhengxianbo	2,897	N/A	N/A
Zhuhai Xinhong	86,635	69,241	75,940
Zhongxin Hongwei	54,696	38,917	17,583
Dalian GeoEnviron	36,341	105,263	23,679

If the key assumptions were to increase or decrease by the following margins relative to those currently adopted, the recoverable amounts of each cash-generating unit would be equal to their carrying amounts.

Year ended December 31, 2023:

	Revenue annual growth rates	Operating profit margin	Pre-tax discount rates
GeoEnviron Pengfu	-2.31%	-46.47%	34.37%
Ningbo Dadi	-9.93%	-41.69%	30.12%
GeoEnviron Zhongse	-14.31%	-85.37%	71.48%
Jiangxi Xinke	-0.58%	-13.83%	8.04%
Jingyuan GeoEnviron	-7.47%	-78.99%	361.99%
Chongqing Yaohui	-2.63%	-26.55%	15.37%
Xinshengyuan	-4.04%	-14.58%	24.79%
Hangzhou Gaoneng	-1.58%	-19.57%	66.67%
Zhejiang Jiatianhe	-9.31%	-36.63%	180.62%
Yueyang Jinneng	-5.18%	-10.14%	17.76%
Zhengxianbo	-1.09%	-4.45%	17.62%
Zhuhai Xinhong	-4.68%	-38.53%	113.30%
Zhongxin Hongwei	-3.29%	-22.22%	24.83%
Dalian GeoEnviron	N/A	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2024:

	<u>Revenue annual growth rates</u>	<u>Operating profit margin</u>	<u>Pre-tax discount rates</u>
GeoEnviron Pengfu	-0.80%	-17.72%	10.13%
Ningbo Dadi	-1.56%	-8.99%	9.08%
GeoEnviron Zhongse	-0.90%	-28.76%	39.90%
Jiangxi Xinke	-0.46%	-16.49%	18.77%
Jingyuan GeoEnviron	-3.42%	-39.36%	259.00%
Chongqing Yaohui	-0.07%	-2.93%	2.64%
Xinshengyuan	-9.82%	-27.36%	18.74%
Hangzhou Gaoneng	-0.97%	-14.71%	29.84%
Zhejiang Jiatianhe	-14.28%	-50.27%	360.20%
Yueyang Jinneng	-1.70%	-3.00%	3.90%
Zhuhai Xinhong	-1.21%	-14.76%	26.50%
Zhongxin Hongwei	-0.87%	-8.80%	16.90%
Dalian GeoEnviron	N/A	N/A	N/A

Year ended December 31, 2025:

	<u>Revenue annual growth rates</u>	<u>Operating profit margin</u>	<u>Pre-tax discount rates</u>
GeoEnviron Pengfu	-0.49%	-12.85%	6.79%
Guizhou Hongda	0.39%	9.73%	-3.75%
Ningbo Dadi	-2.73%	-14.66%	13.91%
GeoEnviron Zhongse	-0.73%	-17.54%	22.51%
Tengzhou Gaoneng	2.95%	96.59%	-29.81%
Jiangxi Xinke	-0.39%	197.52%	4.28%
Jingyuan GeoEnviron	-0.44%	-6.12%	3.10%
Chongqing Yaohui	-0.14%	159.52%	2.07%
Hangzhou Gaoneng	-1.48%	-21.12%	37.30%
Zhejiang Jiatianhe	16.07%	83.43%	-42.30%
Yueyang Jinneng	-3.89%	-7.07%	9.79%
Zhuhai Xinhong	-1.24%	-8.86%	22.32%
Zhongxin Hongwei	20.24%	159.92%	-369.33%
Dalian GeoEnviron	N/A	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

Sensitivity analysis has been performed based on the assumptions that revenue annual growth rates, operating profit margin and pre-tax discount rates has been changed. Had the estimated key assumptions during the forecast period been changed as shown below, while other parameters remain constant, the difference between the carrying amount and the recoverable amount of the CGUs would be as follows:

Year ended December 31, 2023:

	Revenue annual growth rate decreases 0.3%	Operating profit margin decreases 0.3%	Pre-tax discount rate increases 0.3%
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
GeoEnviron Pengfu	118,146	134,859	134,199
Guizhou Hongda	N/A	N/A	N/A
Ningbo Dadi	48,255	49,399	49,136
GeoEnviron Zhongse	121,914	124,087	123,690
Tengzhou Gaoneng	N/A	N/A	N/A
Jiangxi Xinke	59,923	120,864	118,620
Jingyuan GeoEnviron	913,138	947,722	948,349
Chongqing Yaohui	25,385	28,336	28,029
Xinshengyuan	22,726	24,045	24,189
Hangzhou Gaoneng	126,386	153,683	154,982
Zhejiang Jiatianhe	91,418	93,689	94,080
Yueyang Jinneng	87,244	89,870	90,810
Zhengxianbo	2,096	2,702	3,562
Zhuhai Xinhong	81,079	85,960	86,197
Zhongxin Hongwei	49,705	53,958	53,898
Dalian GeoEnviron	N/A	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended December 31, 2024:

	Revenue annual growth rate decreases 0.3%	Operating profit margin decreases 0.3%	Pre-tax discount rate increases 0.3%
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
GeoEnviron Pengfu	37,733	59,134	58,213
Guizhou Hongda	N/A	N/A	N/A
Ningbo Dadi	13,118	15,685	17,957
GeoEnviron Zhongse	56,539	83,723	83,753
Tengzhou Gaoneng	N/A	N/A	N/A
Jiangxi Xinke	118,591	331,290	331,173
Jingyuan GeoEnviron	720,430	783,621	786,875
Chongqing Yaohui	(20,464)	5,629	5,544
Xinshengyuan	13,264	13,532	13,429
Hangzhou Gaoneng	45,015	63,768	64,275
Zhejiang Jiatianhe	182,232	185,030	185,551
Yueyang Jinneng	22,303	24,361	24,936
Zhengxianbo	N/A	N/A	N/A
Zhuhai Xinhong	52,120	67,834	68,281
Zhongxin Hongwei	25,529	37,591	38,128
Dalian GeoEnviron	N/A	N/A	N/A

Year ended December 31, 2025:

	Revenue annual growth rate decreases 0.3%	Operating profit margin decreases 0.3%	Pre-tax discount rate increases 0.3%
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
GeoEnviron Pengfu	83,693	29,582	88,656
Guizhou Hongda	N/A	N/A	N/A
Ningbo Dadi	28,683	28,620	29,792
GeoEnviron Zhongse	47,980	47,856	52,589
Tengzhou Gaoneng	N/A	N/A	N/A
Jiangxi Xinke	401,200	134,897	423,384
Jingyuan GeoEnviron	135,532	134,749	138,900
Chongqing Yaohui	64,551	23,784	68,362
Hangzhou Gaoneng	44,699	44,566	47,816
Zhejiang Jiatianhe	N/A	N/A	N/A
Yueyang Jinneng	86,400	85,838	88,673
Zhuhai Xinhong	54,733	54,442	58,164
Zhongxin Hongwei	40,731	15,423	42,345
Dalian GeoEnviron	N/A	N/A	N/A

APPENDIX I

ACCOUNTANTS’ REPORT

Based on the results of impairment test as at December 31, 2023, 2024 and 2025, the recoverable amount of the CGUs are significantly above the carrying amount of the Group. Management of the Group believes that any reasonably possible change in any of the key assumptions would not result in impairment.

(c) Amortization Methods and Periods

(i) *Intellectual properties*

Separately acquired licensed technologies are shown at historical cost. They have limited useful lives and are subsequently carried at cost less accumulated amortization and impairment losses.

(ii) *Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

The Group amortizes franchise rights either over their contractual term using the straight-line method or using the units-of-service method, and amortizes other intangible assets with a limited useful life using the straight-line method over the following periods:

Software	10 years
Patent right	10 years

(d) Research and Development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

APPENDIX I

ACCOUNTANTS’ REPORT

19. INVESTMENT PROPERTIES

The Group and The Company

	<u>Buildings</u>
	<i>RMB ’000</i>
At January 1, 2023	
Cost	92,349
Accumulated depreciation	<u>(35,465)</u>
Carrying amounts	<u>56,884</u>
Year ended December 31, 2023	
Opening carrying amounts	56,884
Depreciation charges	<u>(3,472)</u>
Closing carrying amounts	<u>53,412</u>
At December 31, 2023	
Cost	92,349
Accumulated depreciation	<u>(38,937)</u>
Carrying amounts	<u>53,412</u>
	<u>Buildings</u>
	<i>RMB ’000</i>
At January 1, 2024	
Cost	92,349
Accumulated depreciation	<u>(38,937)</u>
Carrying amounts	<u>53,412</u>
Year ended December 31, 2024	
Opening carrying amounts	53,412
Depreciation charges	<u>(3,472)</u>
Closing carrying amounts	<u>49,940</u>
At December 31, 2024	
Cost	92,349
Accumulated depreciation	<u>(42,409)</u>
Carrying amounts	<u>49,940</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Buildings</u>
	<i>RMB’000</i>
At January 1, 2025	
Cost	92,349
Accumulated depreciation	<u>(42,409)</u>
Carrying amounts	<u>49,940</u>
Year ended December 31, 2025	
Opening carrying amounts	49,940
Depreciation charges	<u>(1,633)</u>
Closing carrying amounts	<u><u>48,307</u></u>
At December 31, 2025	
Cost	92,349
Accumulated depreciation	<u>(44,042)</u>
Carrying amounts	<u><u>48,307</u></u>

As at December 31, 2023, 2024 and 2025, investment properties amounting to RMB53,412,000, RMB49,940,000 and nil, respectively, were mortgaged and pledged for bank borrowings.

(a) Depreciation of the Group’s investment properties has been recognized as follows:

	Year ended December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of sales	<u>3,472</u>	<u>3,472</u>	<u>1,633</u>

(b) Amounts Recognized in Profit or Loss for Investment Properties

	Year ended December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Rental income from operating leases	22,838	36,649	20,026
Direct operating expenses from property that generated rental income	3,472	3,472	1,633

APPENDIX I

ACCOUNTANTS’ REPORT

The investment properties are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	40 years

See Note 45 for the other accounting policies relevant to investment properties.

(c) Fair Value Disclosure

For disclosure purposes, the fair value of the investment properties as at December 31, 2023, 2024 and 2025 was approximately RMB61,364,000, RMB60,996,000 and RMB60,180,900, respectively. The fair value of investment properties was assessed by Beijing KYSIN Assets Appraisal Co., Ltd. (the “Independent Valuer”). The fair value hierarchy is as below:

Description	Valuation technique	Significant unobservable input	Amounts of significant unobservable input		
			As at December 31,		
			2023	2024	2025
No.12 & No.13 Buildings, Courtyard 9, Dijin Road, Haidian District, Beijing	Income Capitalization Approach	Capitalization rate	4.92%	4.97%	5.06%
		Rent growth rate	1%	1%	1%

20. FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 3.5)	93,625	70,972	109,561
Derivative financial instrument (Note 3.5)	47,708	9,912	17,875
Investments at FVPL (Note 3.5)	25,439	276,331	95,611
	166,772	357,215	223,047
Financial assets measured at amortized cost:			
Contract assets (Note 24)	2,863,555	2,688,952	2,049,666
Trade and notes receivables (Note 22)	1,885,465	2,220,140	2,489,740
Cash and cash equivalents (Note 27)	1,293,451	1,430,529	1,545,741
Restricted cash and term deposits (Note 27)	572,427	592,457	555,832
Other receivables (Note 23)	216,456	256,626	371,511
	6,831,354	7,188,704	7,012,490

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial liabilities			
Financial liabilities measured at amortized cost:			
Borrowings (Note 28)	11,951,683	13,093,714	12,403,713
Trade and notes payables (Note 31)	3,175,061	2,882,408	2,396,710
Accruals and other payables			
(excluding non-financial liabilities) (Note 32)	377,264	129,834	202,914
Lease liabilities (Note 17)	12,055	14,154	7,461
	15,516,063	16,120,110	15,010,798

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets			
Financial assets measured at fair value:			
Notes receivables at FVOCI (Note 3.5)	14,810	17,667	8,167
Investments at FVPL (Note 3.5)	13,824	54,861	82,791
Derivative financial instrument (Note 3.5)	–	4,142	10,403
	28,634	76,670	101,361
Financial assets measured at amortized cost:			
Other receivables (Note 23)	5,220,701	3,712,787	3,293,641
Contract assets (Note 24)	2,786,382	2,517,407	2,019,641
Trade and notes receivables (Note 22)	956,339	976,933	1,260,557
Cash and cash equivalents (Note 27)	513,142	427,782	228,873
Restricted cash and term deposits (Note 27)	182,497	171,324	222,566
	9,659,061	7,806,233	7,025,278

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial liabilities			
Financial liabilities measured at amortized cost:			
Trade and notes payables (<i>Note 31</i>)	1,957,465	1,822,029	1,784,854
Accruals and other payables			
(excluding non-financial liabilities) (<i>Note 32</i>)	1,319,277	1,233,060	1,534,969
Lease liabilities (<i>Note 17</i>)	2,383	–	–
Borrowings (<i>Note 28</i>)	3,978,329	3,342,052	2,039,201
	7,257,454	6,397,141	5,359,024

21. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority.

The Group

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Gross deferred tax assets	112,224	165,579	195,938
Offsetting against deferred tax liabilities	(4,166)	(4,276)	(1,135)
Net deferred tax assets	108,058	161,303	194,803
Gross deferred tax liabilities	7,703	28,935	11,738
Offsetting against deferred tax assets	(4,166)	(4,276)	(1,135)
Net deferred tax liabilities	3,537	24,659	10,603

APPENDIX I

ACCOUNTANTS’ REPORT

The movements in deferred tax assets and liabilities before offsetting are as follows:

(a) Deferred Tax Assets

	Loss allowance and impairment provision	Share-based payment expenses	Unrealized profits	Lease liability	Provisions for warranties and other expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	43,246	802	31,514	2,326	12,115	2,748	92,751
Credited/(debited) to profit or loss (Note 11)	12,589	(307)	(2,760)	1,923	8,094	(66)	19,473
At December 31, 2023	55,835	495	28,754	4,249	20,209	2,682	112,224

	Deductible losses	Loss allowance and impairment provision	Share- based payment expenses	Unrealized profits	Lease liability	Provisions for warranties and other expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	–	55,835	495	28,754	4,249	20,209	2,682	112,224
Credited/(debited) to profit or loss (Note 11)	40,897	6,688	(495)	5,292	70	3,559	(2,656)	53,355
At December 31, 2024	40,897	62,523	–	34,046	4,319	23,768	26	165,579

	Deductible losses	Loss allowance and impairment provision	Share- based payment expenses	Unrealised profits	Lease liability	Provisions for warranties and other expenses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025	40,897	62,523	–	34,046	4,319	23,768	26	165,579
Credited/(debited) to profit or loss (Note 11)	25,010	(881)	23	2,429	(3,028)	7,705	175	31,433
Disposals of subsidiaries	–	(1,074)	–	–	–	–	–	(1,074)
At December 31, 2025	65,907	60,568	23	36,475	1,291	31,473	201	195,938

APPENDIX I

ACCOUNTANTS’ REPORT

(b) *Deferred Tax Liabilities*

	Business combination	Right-of-use asset	Fair value adjustments of financial assets at FVPL	Depreciation	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023	3,058	2,326	–	1,882	7,266
(Credited)/debited to profit or loss (Note 11)	<u>(1,332)</u>	<u>1,840</u>	<u>186</u>	<u>(257)</u>	<u>437</u>
At December 31, 2023	<u>1,726</u>	<u>4,166</u>	<u>186</u>	<u>1,625</u>	<u>7,703</u>
			Fair value adjustments of financial assets at FVPL		
	Business combination	Right-of-use asset	FVPL	Depreciation	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2024	1,726	4,166	186	1,625	7,703
(Credited)/debited to profit or loss (Note 11)	<u>(237)</u>	<u>110</u>	<u>21,684</u>	<u>(325)</u>	<u>21,232</u>
At December 31, 2024	<u>1,489</u>	<u>4,276</u>	<u>21,870</u>	<u>1,300</u>	<u>28,935</u>
			Fair value adjustments of financial assets at FVPL		
	Business combination	Right-of-use asset	FVPL	Depreciation	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2025	1,489	4,276	21,870	1,300	28,935
(Credited)/debited to profit or loss (Note 11)	<u>(241)</u>	<u>(3,141)</u>	<u>(13,440)</u>	<u>(375)</u>	<u>(17,197)</u>
At December 31, 2025	<u>1,248</u>	<u>1,135</u>	<u>8,430</u>	<u>925</u>	<u>11,738</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(c) *Deferred Tax Assets Not Recognized*

The Group has not recognized deferred tax assets in respect of the items below, which were incurred by certain subsidiaries that were not likely to generate taxable profit:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Deductible temporary differences	122,739	131,058	498,362
Tax losses	863,158	982,992	953,893
	985,897	1,114,050	1,452,255

The tax losses not recognized deferred tax assets can be carried forward in future years. As at December 31, 2023, 2024 and 2025, the following table shows unused tax losses based on its expected expiry date:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
2023	38,185	–	–
2024	40,383	39,739	–
2025	61,995	31,465	61,855
2026	230,424	83,821	116,720
2027	391,180	188,292	164,114
2028	4,026	166,012	134,683
2029	13,579	6,837	89,406
2030	45,647	55,164	46,916
2031	36,175	102,272	105,525
2032	1,564	50,079	77,707
2033	–	259,311	74,640
2034	–	–	82,327
	863,158	982,992	953,893

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Gross deferred tax assets	68,229	75,826	125,732
Offsetting against deferred tax liabilities	—	—	—
Net deferred tax assets	68,229	75,826	125,732
Gross deferred tax liabilities	—	3,146	8,274
Offsetting against deferred tax assets	—	—	—
Net deferred tax liabilities	—	3,146	8,274

(a) Deferred Tax Assets

	Impairment provisions and loss allowances	Share-based payment expenses	Unrealized profit	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023	58,851	802	436	—	60,089
Credited/(debited) to profit or loss	8,857	(307)	(436)	26	8,140
At December 31, 2023	67,708	495	—	26	68,229

	Impairment provisions and loss allowances	Share-based payment expenses	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2024	67,708	495	26	68,229
Credited/(debited) to profit or loss	8,118	(495)	(26)	7,597
At December 31, 2024	75,826	—	—	75,826

APPENDIX I

ACCOUNTANTS’ REPORT

	Impairment provisions and loss allowances	Deductible losses	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2025	75,826	–	–	75,826
Credited/(debited) to profit or loss	<u>6,378</u>	<u>43,326</u>	<u>202</u>	<u>49,906</u>
At December 31, 2025	<u>82,204</u>	<u>43,326</u>	<u>202</u>	<u>125,732</u>

(b) Deferred Tax Liabilities

	Fair value adjustments of financial assets at FVPL
	<i>RMB’000</i>
At January 1, 2024	–
Debited to profit or loss	<u>3,146</u>
At December 31, 2024	<u>3,146</u>
At January 1, 2025	3,146
Debited to profit or loss	<u>5,128</u>
At December 31, 2025	<u>8,274</u>

APPENDIX I

ACCOUNTANTS’ REPORT

22. TRADE AND NOTES RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current			
Trade receivables	1,979,525	2,397,489	2,743,275
Notes receivables	2,578	10,745	6,460
Less: credit loss allowance	(161,474)	(224,736)	(259,995)
	<u>1,820,629</u>	<u>2,183,498</u>	<u>2,489,740</u>
Non-current			
Trade receivables (i)	136,771	86,501	22,719
Less: credit loss allowance	(71,935)	(49,859)	(22,719)
	<u>64,836</u>	<u>36,642</u>	<u>–</u>

- (i) The non-current trade receivables for 2023, 2024 and 2025 arise from the Build-Transfer (BT) projects.
- (a) As at January 1, 2023, the carrying amounts of trade and notes receivables from contracts with customers is amounting to RMB1,755,945,000 (net of expected credit loss amounting to RMB122,279,000).
- (b) The aging analysis of current trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	1,359,274	1,598,099	1,809,268
1 to 2 years	454,607	387,701	527,290
2 to 3 years	115,925	295,522	184,598
3 to 4 years	37,882	74,106	140,647
4 to 5 years	1,462	30,456	49,371
Over 5 years	10,375	11,605	32,101
	<u>1,979,525</u>	<u>2,397,489</u>	<u>2,743,275</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The aging analysis of non-current trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	–	–	–
1 to 2 years	–	–	–
2 to 3 years	69,923	–	–
3 to 4 years	8,401	69,923	–
4 to 5 years	58,447	8,401	16,602
Over 5 years	–	8,177	6,117
	<u>136,771</u>	<u>86,501</u>	<u>22,719</u>

As at December 31, 2023, 2024 and 2025, the amounts of notes receivable that had been discounted or endorsed but not derecognized were nil, RMB194,000 and nil, respectively.

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current			
Trade receivables	1,014,158	1,065,034	1,367,378
Notes receivables	1,952	10,112	6,137
Less: credit loss allowance	<u>(72,616)</u>	<u>(106,514)</u>	<u>(112,958)</u>
	<u>943,494</u>	<u>968,632</u>	<u>1,260,557</u>
Non-current			
Trade receivables	22,719	22,719	22,719
Less: credit loss allowance	<u>(9,874)</u>	<u>(14,418)</u>	<u>(22,719)</u>
	<u>12,845</u>	<u>8,301</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The aging analysis of current trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	475,137	490,391	651,731
1 to 2 years	237,088	166,471	309,747
2 to 3 years	161,193	176,534	144,951
3 to 4 years	72,494	92,715	72,296
4 to 5 years	23,833	70,686	62,337
Over 5 years	44,413	68,237	126,316
	1,014,158	1,065,034	1,367,378

The aging analysis of non-current trade receivables based on revenue recognition date is as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	–	–	–
1 to 2 years	–	–	–
2 to 3 years	16,602	–	–
3 to 4 years	–	16,602	–
4 to 5 years	6,117	–	16,602
Over 5 years	–	6,117	6,117
	22,719	22,719	22,719

APPENDIX I

ACCOUNTANTS’ REPORT

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Prepayments:			
Prepaid subcontract costs	27,180	602	1,538
Prepaid material costs	237,947	556,780	495,842
Prepaid equipment and construction costs	25,254	5,452	2,966
Prepaid financing fees	7,649	4,634	5,782
Prepaid fuel and power expenses	18,420	17,428	12,710
Others	11,943	19,079	19,658
	328,393	603,975	538,496
Other receivables:			
Deposits	92,321	115,286	140,313
Equity disposal receivables	14,014	67,230	133,114
Amounts due from related parties	2,226	4,995	13,545
Reimbursable expenses	57,087	36,151	44,990
Amounts due from third parties	150,766	156,084	186,210
Dividend receivables	7,693	–	–
Others	8,816	5,610	6,102
	332,923	385,356	524,274
Less: provision for impairment	(116,467)	(128,730)	(152,763)
	216,456	256,626	371,511
	544,849	860,601	910,007
Other current assets:			
Deductible input VAT	920,184	854,938	783,518
Other prepaid tax	6,611	9,018	19,736
Capitalized [REDACTED]	–	–	[REDACTED]
Others	8,818	14,425	17,710
	935,613	878,381	827,232
Other non-current assets:			
Prepaid equipment and construction costs	47,164	20,697	42,459
Others	11,319	11,184	9,811
	58,483	31,881	52,270

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Prepayments:			
Prepaid subcontract costs	27,180	284	1,361
Prepaid material costs	548	538	1,073
Prepaid equipment and construction costs	7,213	4,660	5,301
Prepaid to related parties	–	1,094	60,264
Others	9,963	14,994	7,350
	44,904	21,570	75,349
Other receivables:			
Deposits	65,022	49,183	67,974
Amounts due from third parties	26,691	22,527	22,179
Amounts due from related parties	4,944,206	3,392,666	3,202,994
Reimbursable expenses	44,986	33,061	40,935
Dividend receivables	477,693	553,477	206,231
Equity disposal receivables	–	–	119,100
Others	3,397	676	2,678
	5,561,995	4,051,590	3,662,091
Less: provision for impairment	(341,294)	(338,803)	(368,450)
	5,220,701	3,712,787	3,293,641
	5,265,605	3,734,357	3,368,990
Other current assets:			
Deductible input VAT	3,624	7,403	96
Capitalized [REDACTED]	–	–	[REDACTED]
Prepaid equipment and construction costs	–	–	9,798
	3,624	7,403	16,162
Other non-current assets:			
Prepaid equipment and construction costs	531	–	–

APPENDIX I

ACCOUNTANTS’ REPORT

24. CONTRACT ASSETS

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract assets arising from:			
Construction operations (a)	2,836,789	2,677,129	2,067,324
Retention receivables (b)	<u>55,636</u>	<u>59,753</u>	<u>26,678</u>
	2,892,425	2,736,882	2,094,002
Impairment	<u>(28,870)</u>	<u>(47,930)</u>	<u>(44,336)</u>
Net carrying amount	<u>2,863,555</u>	<u>2,688,952</u>	<u>2,049,666</u>

- (a) Contract assets arising from construction operations consist of the Group’s rights to consideration for works completed but unbilled amounts resulting from construction works contracts. These contract assets are transferred to trade receivables when the rights become unconditional, which is generally within one year.
- (b) Retention receivables held by contract customers arising from the Group’s construction operations for construction works are settled within a period ranging from one year to two years after the completion of the construction work and acceptance by customers, as stipulated in the construction works contracts.

For the years ended December 31, 2023, 2024 and 2025, details of the allowance for expected credit losses are set out in Note 3.2.

APPENDIX I

ACCOUNTANTS’ REPORT

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract assets arising from:			
Construction operations	2,783,535	2,503,662	2,030,383
Retention receivables	30,346	58,985	26,678
	2,813,881	2,562,647	2,057,061
Impairment	(27,499)	(45,240)	(37,420)
Net carrying amount	2,786,382	2,517,407	2,019,641

The due date for settlement of the Company’s retention receivables, net of loss allowances, as at 31 December is as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within one year	22,525	42,113	14,306
After one year	7,821	16,872	12,372
	30,346	58,985	26,678

APPENDIX I

ACCOUNTANTS’ REPORT

25. FINANCIAL INSTRUMENTS MEASURED AT FVOCI AND FVPL

(a) Financial instruments at fair value through profit or loss

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss			
Current			
– Derivative financial assets	47,708	9,912	17,875
– Investments on funds products	6,165	7,026	–
– Investments on listed entity	109	210,380	1,750
– Other financial assets at fair value through profit or loss	–	–	35,156
Non-current			
– Investments on unlisted entities	19,165	58,925	58,705
	<u>73,147</u>	<u>286,243</u>	<u>113,486</u>

(b) Financial instruments at fair value through other comprehensive income

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at fair value through other comprehensive income			
Current			
– Notes receivables at FVOCI	<u>93,625</u>	<u>70,972</u>	<u>109,561</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss			
Current			
– Derivative financial assets	–	4,142	10,403
– Investments on listed entity	109	–	–
– Investments on funds products	6,165	7,026	–
– Other financial assets at fair value through profit or loss	–	–	35,156
Non-current			
– Investments on unlisted entities	7,550	47,835	47,635
	13,824	59,003	93,194
	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Financial assets at fair value through other comprehensive income			
Current			
– Notes receivables at FVOCI	14,810	17,667	8,167

APPENDIX I

ACCOUNTANTS’ REPORT

26. INVENTORIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	2,023,646	1,608,486	1,398,700
work-in-progress	2,353,584	3,158,125	3,795,775
Finished goods	507,828	376,362	769,503
Goods in transit	48,566	19,578	31,768
Materials for consigned processing	6,344	1,678	–
Packaging materials	20,122	38,069	34,034
Contract fulfillment costs	34,131	9,981	100
	4,994,221	5,212,279	6,029,880
Less: provision for impairment	(62,941)	(47,008)	(32,922)
	4,931,280	5,165,271	5,996,958

The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of sales. For the years ended December 31, 2023, 2024 and 2025, the cost of inventories carried forward to the cost of sales amounted to approximately RMB7,909,365,000, RMB11,656,487,000 and RMB11,256,235,000, respectively.

The provision for impairment of inventories recorded as cost of sales during the years ended December 31, 2023, 2024 and 2025 were RMB30,707,000, RMB11,941,000 and RMB2,040,000, respectively.

The reversal for impairment of inventories recorded as cost of sales during the years ended December 31, 2023, 2024 and 2025 were RMB428,000, RMB27,874,000 and RMB14,662,000, respectively.

As at December 31, 2023, 2024 and 2025, inventories amounting to nil, RMB667,000,000 and RMB540,000,000 were mortgaged and pledged for bank borrowings.

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	41,886	34,255	21,997
Finished goods	28,835	8,239	–
Contract fulfillment costs	3,167	–	3,922
	73,888	42,494	25,919

APPENDIX I

ACCOUNTANTS’ REPORT

27. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,865,878	2,022,986	2,101,573
Less: restricted cash and term deposits (i)	(572,427)	(592,457)	(555,832)
Cash and cash equivalents	<u>1,293,451</u>	<u>1,430,529</u>	<u>1,545,741</u>

- (i) As at December 31, 2023, restricted cash and term deposits amounted to RMB572,427,000, consisting of bill margin of RMB261,792,000, bank guarantee margin of RMB6,304,000, loan margin of RMB231,000, project migrant workers’ wage security deposit of RMB48,443,000, pledged term deposits of RMB162,000,000, safety and civilized construction measures fees of RMB150,000, frozen deposits of RMB16,934,000, and restricted payment special accounts of RMB105,000.

As at December 31, 2024, restricted cash and term deposits amounted to RMB592,457,000, consisting of bill margin of RMB232,105,000, guarantee margin of RMB6,306,000, loan margin of RMB10,000,000, project migrant workers’ wage security deposit of RMB37,466,000, pledged term deposits of RMB177,004,000, letter of credit margin of RMB67,073,000, frozen deposits of RMB60,713,000, inflow-only restricted amounts of RMB1,780,000, and ETC margin of RMB10,000.

As at December 31, 2025, restricted cash and term deposits amounted to RMB555,832,000, consisting of bill margin of RMB240,714,000, guarantee margin of RMB6,231,000, project migrant workers’ wage security deposit of RMB58,424,000, pledged certificate of deposit of RMB10,000,000, letter of credit margin of RMB62,502,000, frozen deposits of RMB168,564,000, inflow-only restricted amounts of RMB9,358,000, and ETC margin of RMB39,000.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	695,639	599,106	451,439
Less: restricted cash and term deposits	(182,497)	(171,324)	(222,566)
Cash and cash equivalents	<u>513,142</u>	<u>427,782</u>	<u>228,873</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Cash and Bank Balances are Denominated in:

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
RMB	1,855,482	2,005,328	2,068,284
USD	2,436	11,685	21,354
EUR	2,320	79	86
MMK	5,640	5,894	5,810
XOF	–	–	4,052
THB	–	–	1,081
IDR	–	–	635
SGD	–	–	268
HKD	–	–	3
	1,865,878	2,022,986	2,101,573

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
RMB	695,227	598,692	446,629
USD	330	335	672
EUR	82	79	86
XOF	–	–	4,052
	695,639	599,106	451,439

APPENDIX I

ACCOUNTANTS’ REPORT

28. BORROWINGS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Secured			
Bank loans	11,703,539	11,907,609	11,476,752
Financial institution loans	143,607	956,393	872,244
Unsecured			
Bank loans	102,500	233,834	58,000
Interest payables	2,037	(4,122)	(3,283)
Less: current-portion for long-term borrowings	(672,407)	(1,147,014)	(1,104,990)
Less: short-term borrowings	(6,250,793)	(6,379,686)	(6,323,795)
	<u>5,028,483</u>	<u>5,567,014</u>	<u>4,974,928</u>

- (a) As at December 31, 2023, 2024 and 2025, the annual interest rate of short-term borrowings was ranged from 1.93% to 5.50%, 0.90% to 5.40% and 1.08% to 4.40%, respectively.

As at December 31, 2023, 2024 and 2025, the annual interest rate range of long-term borrowings were ranged from 3.20% to 6.27%, 3.20% to 6.17% and 1.80% to 5.57%, respectively.

- (b) As at December 31, 2023, (i) borrowings guaranteed by Mr. Li, the Company and its subsidiaries, with a principal balance of approximately RMB7,016,942,000; (ii) borrowings secured by electrolytic copper, anode plates (located in the electrolysis workshop) and real estate by way of mortgage, with a principal balance of approximately RMB138,500,000; (iii) borrowings secured by the pledge of term deposits, with a principal balance of approximately RMB76,630,000; (iv) borrowings guaranteed by the Company and its subsidiaries and secured by real estate by way of mortgage, with a principal balance of approximately RMB286,872,000; (v) borrowings guaranteed by the Company and its subsidiaries and secured by the pledge of concession rights and equity interests, with a principal balance of approximately RMB3,371,795,000; (vi) borrowings secured by real estate by way of mortgage, fee-collecting rights and pledge of equity interests, with a principal balance of approximately RMB812,800,000; (vii) financial institution loans with a principal amount of RMB143,607,000 secured by property, plant and equipment by way of mortgage.

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2024, (i) borrowings guaranteed by Mr. Li, the Company and its subsidiaries, with a principal balance of approximately RMB6,877,913,000; (ii) borrowings secured by electrolytic copper, anode plates (located in the electrolysis workshop) and real estate, with a principal balance of approximately RMB414,040,000; (iii) borrowings secured by pledged term deposits, with a principal balance of approximately RMB330,263,000; (iv) borrowings guaranteed by the Company and its subsidiaries and secured by real estate mortgage, with a principal balance of approximately RMB519,079,000; (v) borrowings guaranteed by the Company and its subsidiaries, and secured by the pledge of concession rights and equity interests, with a principal balance of approximately RMB2,846,534,000; (vi) borrowings secured by real estate mortgage, fee-collecting rights and pledged equity interests, with a principal balance of approximately RMB919,780,000; (vii) financial institution loans with a principal amount of RMB956,393,000 secured by property, plant and equipment by way of mortgage.

As at December 31, 2025, (i) borrowings guaranteed by Mr. Li, the Company and its subsidiaries, with a principal balance of approximately RMB6,874,310,000; (ii) borrowings secured by electrolytic copper, anode plates, land and real estate by way of mortgage, with a principal balance of approximately RMB419,700,000; (iii) borrowings secured by the pledge of term deposits or margin deposits, with a principal balance of approximately RMB20,000,000; (iv) borrowings guaranteed by the Company and its subsidiaries and secured by land and real estate by way of mortgage, with a principal balance of approximately RMB564,575,000; (v) borrowings guaranteed by related parties by way of mortgage, with a principal balance of approximately RMB17,000,000; (vi) borrowings guaranteed by Mr. Li, the Company and its subsidiaries and secured by the pledge of concession rights, equity interests or margin deposits, with a principal balance of approximately RMB3,133,400,000; (vii) borrowings guaranteed by the Company and its subsidiaries and secured by the pledge of concession rights and assets by way of mortgage, with a principal balance of approximately RMB447,760,000.

- (c) As at December 31, 2023, 2024 and 2025, the Group’s borrowings were repayable as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Within 1 year	6,923,200	7,526,700	7,428,784
Between 1 and 2 years	919,751	1,075,916	1,213,558
Between 2 and 5 years	1,466,365	1,996,952	1,659,041
Over 5 years	2,642,367	2,494,146	2,102,330
	11,951,683	13,093,714	12,403,713

- (d) **Fair value**

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest payable on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Secured			
Bank loans	3,971,702	3,336,026	1,947,417
Unsecured			
Bank loans	–	–	90,000
Interest payables	6,627	6,026	1,784
Less: current-portion for long-term borrowings	(69,671)	(425,893)	(30,017)
Less: short-term borrowings	(3,482,898)	(2,916,159)	(1,949,151)
	425,760	–	60,033

29. DEFERRED INCOME

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants related to assets	132,939	188,297	174,816
Government grants related to income	9,831	6,903	3,351
	142,770	195,200	178,167

The movements of deferred income during the Track Record Period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At beginning of the year	81,499	142,770	195,200
Additions	74,687	69,830	15,584
Recognized in profit or loss	(13,416)	(17,400)	(32,617)
At end of the year	142,770	195,200	178,167

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Government grants related to income	<u>9,546</u>	<u>5,454</u>	<u>1,951</u>

The movements of deferred income during the Track Record Period are as follows:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	
At beginning of the year	12,769	9,546	5,454
Additions	4,213	338	300
Recognized in profit or loss	<u>(7,436)</u>	<u>(4,430)</u>	<u>(3,803)</u>
At end of the year	<u>9,546</u>	<u>5,454</u>	<u>1,951</u>

30. PROVISION

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Infrastructure restore obligations	125,544	167,350	210,675
Legal proceedings provisions	45,865	47,781	41,126
Asset retirement obligation	<u>36,697</u>	<u>36,697</u>	<u>36,697</u>
	<u>208,106</u>	<u>251,828</u>	<u>288,498</u>

31. TRADE AND NOTES PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade and notes payables			
– Trade payables	2,793,206	2,774,972	2,302,385
– Notes payables	<u>381,855</u>	<u>107,436</u>	<u>94,325</u>
	<u>3,175,061</u>	<u>2,882,408</u>	<u>2,396,710</u>

APPENDIX I

ACCOUNTANTS’ REPORT

- (a) As at December 31, 2023, 2024 and 2025, trade payables include payables for construction and equipment of RMB419,311,000, RMB589,552,000 and RMB463,749,000, respectively.

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	2,144,162	1,623,310	1,143,097
1 to 2 years	381,580	791,800	466,290
2 to 3 years	111,364	161,900	430,453
Over 3 years	156,100	197,962	262,545
	<u>2,793,206</u>	<u>2,774,972</u>	<u>2,302,385</u>

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and notes payables			
– Trade payables	1,830,665	1,735,029	1,537,568
– Notes payables	126,800	87,000	247,286
	<u>1,957,465</u>	<u>1,822,029</u>	<u>1,784,854</u>

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	1,500,366	995,869	824,496
1 to 2 years	120,158	494,931	216,347
2 to 3 years	85,906	77,051	314,237
Over 3 years	124,235	167,178	182,488
	<u>1,830,665</u>	<u>1,735,029</u>	<u>1,537,568</u>

APPENDIX I

ACCOUNTANTS’ REPORT

32. ACCRUALS AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Employee benefits payable	119,825	123,188	161,556
Amounts due to third parties	112,521	58,157	76,626
Payable on equity acquisition	146,743	35,550	30,500
Obligation to repurchase restricted shares	76,520	–	–
Deposits payable	30,172	26,007	62,975
Amounts due to related parties	5,729	9	–
Taxes other than income tax payables	348,867	318,609	296,241
Payables dividend	–	–	14,350
Others	5,579	10,111	18,463
	845,956	571,631	660,711

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Employee benefits payable	35,584	30,785	46,753
Payable on equity acquisition	124,800	34,000	30,500
Obligation to repurchase restricted shares	76,520	–	–
Deposits payable	7,460	6,400	10,260
Amounts due to related parties	1,110,497	1,189,891	1,494,027
Taxes other than income tax payables	287,571	261,710	221,376
Others	–	2,769	182
	1,642,432	1,525,555	1,803,098

33. OTHER CURRENT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Output VAT to be transferred	5,036	18,616	14,861
Recourse obligations	–	204	–
	5,036	18,820	14,861

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Output VAT to be verified	1,396	16,254	9,378
Recourse obligations	—	204	—
	1,396	16,458	9,378

- (i) The Group settled part of its trade payables by endorsing notes receivables to the suppliers. Given that the suppliers retain the right to demand payment from the Group if the notes issuer or a prior holder fails to pay the notes, this created recourse obligations to the Group.

34. SHARE CAPITAL

The Group and The Company

	Year ended December 31,					
	2023		2024		2025	
	Share capital	Number of shares	Share capital	Number of shares	Share capital	Number of shares
	RMB’000	’000	RMB’000	’000	RMB’000	’000
At the beginning of the year	1,525,519	1,525,519	1,537,359	1,537,359	1,523,234	1,523,234
Grant of restricted shares by way of private placement under share schemes (i)	11,840	11,840	—	—	—	—
Repurchase and cancellation of restricted shares under share schemes (ii)	—	—	(14,125)	(14,125)	—	—
At the end of the year	1,537,359	1,537,359	1,523,234	1,523,234	1,523,234	1,523,234

- (i) Pursuant to the resolutions of the 22nd meeting of the 5th Board of Directors and the 16th meeting of the 5th Supervisory Board of the Company, which respectively considered and approved the “Proposal on Granting Restricted Shares and Stock Options to Eligible Grantees under the Company’s 2023 Restricted Share and Stock Option Incentive Plan” (《關於向公司2023年限制性股票與股票期權激勵計劃激勵對象授予限制性股票與股票期權的議案》), the Company intends to grant 12,222,000 ordinary shares (A-shares) with a par value of RMB1.00 per share to 604 eligible grantees by way of private placement, at a grant price of RMB4.62 per share. The actual grantees under the incentive plan were 586, with an actual granted quantity of 11,840,000 shares. The Company has actually received total subscription proceeds from restricted shares of RMB54,701,000, of which RMB11,840,000 is credited to share capital and RMB42,861,000 is credited to share premium. The receipt of the aforementioned restricted share subscription proceeds has been verified by Pan-China Certified Public Accounts, Hunan Branch, which issued the “Capital Verification Report” (Tianjian Xiang Yan [2023] No. 37(天健湘驗〔2023〕37號)).

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) For the year ended December 31, 2024, the decrease in share capital of 14,125,000 shares was attributable to the repurchase and cancellation of restricted shares under share schemes for details see Note 36.

35. TREASURY SHARES

The Group and The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	31,990	76,520	–
Grant of restricted shares (i)	54,701	–	–
Restricted shares vested	(10,171)	(11,093)	–
Cancellation of share schemes (ii)	–	(65,427)	–
Repurchase of ordinary shares (iii)	–	–	147,980
At the end of the year	76,520	–	147,980

- (i) For the year ended December 31, 2023, the increase in treasury shares was attributable to the grant of restricted shares by way of private placement under share schemes and the repurchase obligation liability arising therefrom.
- (ii) For the year ended December 31, 2024, the decrease in treasury shares was due to the repurchase and cancellation of restricted shares.
- (iii) Pursuant to the “Proposal on the Scheme for Repurchasing the Company’s Shares” deliberated and approved at the 41st meeting of the fifth session of the Board of Directors held on July 24, 2025, the Company is authorized to repurchase part of its issued and listed Renminbi ordinary shares (A shares) through centralized competitive bidding transactions using own funds and self-raised funds. The repurchased shares are intended for the Company’s subsequent share incentive schemes or employee share ownership plans.

For the year ended December 31, 2025, the Company repurchased 19,232,656 shares, with an amount of RMB147,980,000 recognized as treasury shares.

36. SHARE INCENTIVE SCHEME

(a) 2020 Restricted Share Incentive Plan

Pursuant to the resolutions of the 6th Extraordinary General Meeting of Shareholders held on October 20, 2020, the Company actually granted 5,619,000 restricted shares to 178 incentive participants, with a par value of RMB1.00 per share and a grant price of RMB8.51 per share. The restricted shares may be applied for vesting in four tranches of 25%, 25%, 25% and 25% of the total granted restricted shares, respectively, 12 months, 24 months, 36 months, and 48 months after the completion of the grant registration.

APPENDIX I

ACCOUNTANTS’ REPORT

1,862,640 restricted shares from the second vesting period of the 2020 Restricted Share Incentive Plan, which had satisfied the vesting conditions, were listed and traded in January 2023. During the year ended December 31, 2023, the vesting conditions for the third vesting period of the 2020 Restricted Share Incentive Plan were met, and the corresponding 1,832,415 restricted shares, having been vested, were listed and traded in January 2024. Meanwhile, 307,515 granted but unvested restricted shares were repurchased and canceled in November 2023.

During the year ended December 31, 2024, the fourth vesting period of the 2020 Restricted Share Incentive Plan failed to meet the unlock conditions, and the Company repurchased and canceled the corresponding 1,976,910 restricted shares in July 2024.

(b) 2023 Restricted Share Incentive Plan and Stock Option Incentive Plan

Pursuant to the resolutions of the 22nd Meeting of the 5th Board of Directors and the 16th Meeting of the 5th Supervisory Board held on September 8, 2023, the Company actually granted a total of 23,680,000 equity instruments to 604 incentive participants. Specifically: 11,840,000 restricted shares were granted to 604 participants under the Restricted Share Incentive Plan at a grant price of RMB4.62 per share; and 11,840,000 stock options were granted to 604 participants under the Stock Option Incentive Plan at an exercise price of RMB9.28 per option. The granted equity instruments may be applied for vesting (in the case of restricted shares) or exercise (in the case of stock options) in four tranches of 25%, 25%, 25% and 25% of the total granted amount, respectively, 12 months, 24 months, 36 months, and 48 months after the completion of the registration of restricted shares and the grant date of stock options. The Company completed the registration of restricted shares and stock options in October 2023.

Pursuant to the “Proposal on Terminating the Implementation of the Company’s 2023 Restricted Share and Stock Option Incentive Plan, Repurchasing and Cancelling Restricted Shares, and Cancelling Stock Options” (《關於終止實施公司2023年限制性股票與股票期權激勵計劃並回購註銷限制性股票、註銷股票期權的議案》), which was considered and approved at the 28th Meeting of the 5th Board of Directors and the 21st Meeting of the 5th Supervisory Board convened on June 3, 2024, affected by various factors, the Company’s stock price has fluctuated significantly, and the internal and external environment facing the Company’s operations has undergone substantially changes compared with when the incentive plan was formulated. If the incentive plan continues to be implemented, it is expected to be difficult to achieve the intended incentive purposes and effects, which will not be conducive to fully mobilizing the enthusiasm of the Company’s core team. To effectively motivate employees, protect the interests of all shareholders, employees and the Company, and in consideration of the long-term development of the Company as well as the enthusiasm and stability of the core team, the Company intends to terminate the implementation of this incentive plan after prudent research and taking into account the wishes of the grantees. Meanwhile, the supporting documents such as the “Revised Measures for the Implementation and Assessment of Beijing GeoEnviron Engineering & Technology, Inc.’s 2023 Restricted Share and Stock Option Incentive Plan” (《北京高能時代環境技術股份有限公司2023年限制性股票與股票期權激勵計劃實施考核管理辦法(修訂稿)》) are also terminated simultaneously.

APPENDIX I

ACCOUNTANTS’ REPORT

The number of restricted shares and stock options granted to the Group’s incentive participants is summarized as follows:

	Year ended December 31,		
	2023	2024	2025
	(‘000)	(‘000)	(‘000)
At the beginning of the year	5,979	27,796	–
Granted	23,680	–	–
Vested	(1,863)	(1,832)	–
Forfeited	–	(2,284)	–
Canceled	–	(23,680)	–
At the end of the year	27,796	–	–

The fair value of the restricted shares was determined on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the exercise price. The fair value of the share options was determined using the Black-Scholes model by an independent qualified valuer. The significant inputs were listed as below:

	2023 Share Incentive Scheme
Expected price volatility	13.41%, 15.22%, 15.12%, 16.55%
Expected option life (year)	4 years
Risk free interest rate	1.50%, 2.10%, 2.75%, 2.75%
Dividend yield	0.54%
Spot price of ordinary shares (RMB)	9.03

The total expenses arising from share-based payments during the Track Record Period are recorded as part of employee benefit expenses (Note 9).

37. RETAINED EARNINGS

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB ‘000	RMB ‘000	RMB ‘000
At the beginning of the year	3,221,233	3,584,782	3,365,560
Net profit	504,641	482,519	838,303
Appropriation of statutory reserves	(43,403)	(44,666)	(42,108)
Dividends (Note 12)	(76,275)	(656,374)	(106,626)
Premium on transaction with non-controlling interests	(21,414)	–	–
Appropriation of safety funds, net	–	(701)	(208)
At the end of the year	3,584,782	3,365,560	4,054,921

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
At the beginning of the year	1,950,136	2,264,487	2,010,115
Net profit	434,029	446,668	421,076
Dividends (Note 12)	(76,275)	(656,374)	(106,626)
Appropriation of statutory reserves	(43,403)	(44,666)	(42,108)
At the end of the year	<u>2,264,487</u>	<u>2,010,115</u>	<u>2,282,457</u>

38. OTHER RESERVES

The Group

	Share premium	Other reserves	Total
	RMB’000	RMB’000	RMB’000
Balance at January 1, 2023	3,740,897	422,467	4,163,364
Disposal of associates	–	(11,533)	(11,533)
Share of other changes in net assets of associates and joint venture	–	12,778	12,778
Transactions with non-controlling interests	205	–	205
Share-based payment scheme:			
– Grant of restricted shares	42,861	–	42,861
– Share-based compensation expenses	–	2,476	2,476
– Restricted shares vested	4,644	(4,644)	–
Appropriation to statutory reserves	–	43,403	43,403
Appropriation to safety funds, net	–	(205)	(205)
Others	917	–	917
Balance at December 31, 2023	<u>3,789,524</u>	<u>464,742</u>	<u>4,254,266</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	<u>Share premium</u> <i>RMB’000</i>	<u>Other reserves</u> <i>RMB’000</i>	<u>Total</u> <i>RMB’000</i>
Balance at January 1, 2024	3,789,524	464,742	4,254,266
Transactions with non-controlling interests	18,553	–	18,553
Share of other changes in net assets of associates and joint venture	–	1,060	1,060
Disposal of associates and joint venture	–	(107,324)	(107,324)
Share-based payment scheme:			
– Share-based compensation expenses	–	(3,302)	(3,302)
– Restricted shares vested	4,519	(4,519)	–
– Cancellation of share scheme	(51,302)	–	(51,302)
Appropriation to statutory reserves	–	44,666	44,666
Appropriation to safety funds, net	–	701	701
Balance at December 31, 2024	<u>3,761,294</u>	<u>396,024</u>	<u>4,157,318</u>

	<u>Share premium</u> <i>RMB’000</i>	<u>Other reserves</u> <i>RMB’000</i>	<u>Translation reserve</u> <i>RMB’000</i>	<u>Total</u> <i>RMB’000</i>
Balance at January 1, 2025	3,761,294	396,024	–	4,157,318
Transactions with non-controlling interests	16,530	–	–	16,530
Share of other changes in net assets of associates and joint venture	–	227	–	227
Share-based payment scheme:				
– Share-based compensation expenses	–	139	–	139
Appropriation to statutory reserves	–	42,108	–	42,108
Appropriation of safety funds	–	208	–	208
Currency translation differences	–	–	299	299
Balance at December 31, 2025	<u>3,777,824</u>	<u>438,706</u>	<u>299</u>	<u>4,216,829</u>

Other reserves comprised surplus reserve and other reserves. The balances were RMB291,987,000 and RMB172,755,000 as at December 31, 2023, and RMB336,654,000 and RMB59,370,000 as at December 31, 2024, and RMB378,762,000 and RMB59,944,000 as at December 31, 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Share premium	Other reserves	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2023	4,079,435	320,630	4,400,065
Share of other changes in net assets of associates and joint venture	–	14,928	14,928
Share-based payment scheme:			
– Grant of restricted shares	42,861	–	42,861
– Share-based compensation expenses	–	2,476	2,476
– Restricted shares vested	4,644	(4,644)	–
Appropriation to statutory reserves	–	43,403	43,403
Balance at December 31, 2023	4,126,940	376,793	4,503,733
	Share premium	Other reserves	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2024	4,126,940	376,793	4,503,733
Share of other changes in net assets of associates and joint venture	–	(426)	(426)
Disposal of associates and joint venture	–	(34,133)	(34,133)
Share-based payment scheme:			
– Share-based compensation expenses	–	(3,302)	(3,302)
– Restricted shares vested	4,519	(4,519)	–
– Cancellation of share scheme	(51,302)	–	(51,302)
Appropriation to statutory reserves	–	44,666	44,666
Balance at December 31, 2024	4,080,157	379,079	4,459,236
	Share premium	Other reserves	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at January 1, 2025	4,080,157	379,079	4,459,236
Share of other changes in net assets of associates and joint venture	–	227	227
Appropriation to statutory reserves	–	42,108	42,108
Currency translation differences	–	270	270
Balance at December 31, 2025	4,080,157	421,684	4,501,841

Other reserves comprised surplus reserve and other reserves.

APPENDIX I

ACCOUNTANTS’ REPORT

The balances were RMB291,956,000 and RMB84,837,000 as at December 31, 2023, and RMB336,623,000 and RMB42,456,000 as at December 31, 2024, and RMB388,832,000 and RMB42,682,000 as at December 31, 2025, respectively.

39. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of Profit Before Income Tax to Net Cash Generated from Operations:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before income tax for the year	559,641	608,554	1,120,511
Adjustments for:			
Interest income	(10,568)	(14,879)	(8,587)
Finance cost	447,580	463,121	465,089
Depreciation and amortization of non-current assets	552,933	625,131	639,878
Net (gains)/losses on disposal of property, plant and equipment and other non-current assets	(1,183)	3,943	29,404
Net impairment losses on financial assets	69,700	74,881	40,611
Dividend income from financial assets at fair value through profit or loss	–	–	(5,483)
Share of profit of associates, net	(77,651)	(41,249)	6,536
Net (gains)/losses on financial instruments	(9,680)	43,991	(35,592)
Net foreign exchange gains	173	3,825	778
Share-based compensation expenses	2,476	(3,302)	139
Gains on disposal of associates and joint venture and other financial assets at FVPL	(33,431)	(123,588)	(52,694)
Impairment provision for inventories and non- current assets	69,143	103,100	109,419
Fair value changes on financial assets at fair value through profit or loss	(4,977)	(74,659)	24,976
Other income – government grants	(13,416)	(17,400)	(19,994)
Change in working capital:			
(Increase)/decrease in receivables	(371,887)	(494,696)	65,750
Increase/(decrease) in payables	195,582	(163,379)	(273,867)
Increase in inventories	(2,272,951)	(245,932)	(853,969)
Cash (used in)/generated from operations	(898,516)	747,462	1,252,905

(b) Non-Cash Activities

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Additions of right-of-use assets by way of leasing liabilities (Note 17)	13,492	31,754	500
Settling trade payables via endorsed commercial bills	185,580	157,968	140,060

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Net Debt Reconciliation

	<u>Borrowings</u>	<u>Lease liabilities</u>	<u>Other borrowings</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At January 1, 2023	9,012,557	8,432	–	9,020,989
Principal received	7,632,977	–	–	7,632,977
Principal repaid	(4,814,889)	(2,482)	–	(4,817,371)
Interest accrued	436,386	398	–	436,784
Interest paid	(437,623)	(398)	–	(438,021)
Acquisition of a subsidiary (Note 40)	110,931	–	–	110,931
Increase in lease liabilities arising from new leases	–	5,856	–	5,856
Other non-cash movement	11,344	249	–	11,593
At December 31, 2023	<u>11,951,683</u>	<u>12,055</u>	<u>–</u>	<u>11,963,738</u>
At January 1, 2024	11,951,683	12,055	–	11,963,738
Principal received	10,232,084	–	7,000	10,239,084
Principal repaid	(9,137,318)	(3,537)	(7,000)	(9,147,855)
Interest accrued	472,280	488	262	473,030
Interest paid	(411,557)	(488)	(262)	(412,307)
Increase in lease liabilities arising from new leases	–	5,636	–	5,636
Other non-cash movement	(13,458)	–	–	(13,458)
At December 31, 2024	<u>13,093,714</u>	<u>14,154</u>	<u>–</u>	<u>13,107,868</u>
At January 1, 2025	13,093,714	14,154	–	13,107,868
Principal received	8,068,632	–	–	8,068,632
Principal repaid	(8,764,920)	(6,278)	–	(8,771,198)
Interest accrued	440,696	447	–	441,143
Interest paid	(439,830)	(447)	–	(440,277)
Increase in lease liabilities arising from new leases	–	500	–	500
Other non-cash movement	5,421	(915)	–	4,506
At December 31, 2025	<u>12,403,713</u>	<u>7,461</u>	<u>–</u>	<u>12,411,174</u>

APPENDIX I

ACCOUNTANTS’ REPORT

40. BUSINESS COMBINATION

(a) Summary of acquisitions

During the year ended December 31, 2023, the major acquisitions of new subsidiaries are summarized as follows:

	Zhuhai Xinhong	Zhongxin Hongwei	Dalian GeoEnviron	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(i)	(ii)	(iii)	
Total consideration transferred	52,000	140,000	76,800	268,800
Cash consideration	52,000	140,000	76,800	268,800
Less: fair value of identifiable net assets	(26,003)	(84,593)	(57,126)	(167,722)
Goodwill	25,997	55,407	19,674	101,078

(i) Acquisition of Zhuhai Xinhong

As at May 4, 2023, the Group acquired 65% equity interests of Zhuhai Xinhong with a cash consideration of RMB52,000,000. Upon completion of the transactions, Zhuhai Xinhong became the subsidiary of the Company. Zuhai Xinhong is mainly engaged in resources recycling and utilization.

Goodwill of RMB25,997,000 was acquired from above acquisition and was recognized at the acquisition date, being the difference between the purchase consideration and the fair value of net identifiable assets of acquirees. None of the goodwill recognized is expected to be deductible for income tax purpose.

(ii) Acquisition of Zhongxin Hongwei

As at November 29, 2023, the Group acquired 51% equity interests of Zhongxin Hongwei with a cash consideration of RMB140,000,000. Upon completion of the transactions, Zhongxin Hongwei became the subsidiary of the Company. Zhongxin Hongwei is mainly engaged in non-metallic resource recycling business.

Goodwill of RMB55,407,000 was acquired from above acquisition and was recognized at the acquisition date, being the difference between the purchase consideration and the fair value of net identifiable assets of acquirees. None of the goodwill recognized is expected to be deductible for income tax purpose.

(iii) Acquisition of Dalian GeoEnviron

As at December 29, 2023, the Group acquired 80% equity interests of Dalian GeoEnviron at a cash consideration of RMB76,800,000. Upon completion of the transactions, Dalian GeoEnviron became the subsidiary of the Company. Dalian GeoEnviron is mainly engaged in environmental engineering services.

Goodwill of RMB19,674,000 was acquired from above acquisition and was recognized at the acquisition date, being the difference between the total consideration and the fair value of net identifiable assets of acquirees. None of the goodwill recognized is expected to be deductible for income tax purpose.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Financial information of acquisitions

The fair value of the identifiable assets and liabilities and cash and cash equivalent impact arising from the acquisition of subsidiaries in the above transactions are summarized as follows. Valuation was performed by an independent valuer to determine the fair value of the identified assets.

	Zhuhai Xinhong	Zhongxin Hongwei	Dalian GeoEnviron	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Fair value of identifiable net assets</i>				
Non-current assets				
Property, plant and equipment	2,304	191,632	3,264	197,200
Right-of-use assets	31,327	10,223	3,177	44,727
Intangible assets	–	12,285	33,990	46,275
Other non-current assets	–	110	–	110
	33,631	214,250	40,431	288,312
Current assets				
Cash and cash equivalents	102	14,565	3	14,670
Trade and notes receivables	37	67,284	–	67,321
Note receivables at fair value through other comprehensive income	–	1,150	–	1,150
Prepayments and other receivables	938	88,071	49,448	138,457
Inventories	–	51,077	–	51,077
Other current assets	6,528	–	26	6,554
	7,605	222,147	49,477	279,229
Non-current liabilities				
Trade payables and notes payable	–	–	–	–
Provisions	–	1,840	–	1,840
Deferred income	–	20,798	–	20,798
	–	22,638	–	22,638
Current liabilities				
Borrowings	–	110,931	–	110,931
Trade payables and notes payable	166	74,457	455	75,078
Contract liabilities	–	3,940	–	3,940
Accrual and other payables	1,066	58,049	18,045	77,160
Other current liabilities	–	513	–	513
	1,232	247,890	18,500	267,622
Less: Non-controlling interests	(14,001)	(81,276)	(14,282)	(109,559)
Fair value of the net assets acquired	26,003	84,593	57,126	167,722

APPENDIX I

ACCOUNTANTS’ REPORT

	Zhuhai Xinhong	Zhongxin Hongwei	Dalian GeoEnviron	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(i)	(i)	(ii)	
<i>Cash impact</i>				
Cash paid	(42,000)	–	(6,000)	(48,000)
Less: cash and cash equivalents in the subsidiaries acquired	<u>102</u>	<u>14,565</u>	<u>3</u>	<u>14,670</u>
Net cash (outflow) inflow on acquisitions	<u>(41,898)</u>	<u>14,565</u>	<u>(5,997)</u>	<u>(33,330)</u>

- (i) During the year ended December 31, 2024, the remaining consideration of nil and RMB116,000,000 were paid for the acquisition of Zhuhai Xinhong and Zhongxin Hongwei, and the outstanding unpaid consideration amounts to RMB10,000,000 and RMB24,000,000, respectively.

During the year ended December 31, 2025, RMB8,000,000 of the outstanding consideration in relation to Zhongxin Hongwei was settled. As at December 31, 2025, the outstanding unpaid consideration amounted to RMB10,000,000 and RMB16,000,000 for Zhuhai Xinhong and Zhongxin Hongwei, respectively.

- (ii) In 2023, the Company acquired an 80% equity interest in Dalian GeoEnviron by way of capital increase and share acquisition. Pursuant to the agreement, the Company was to make a capital contribution of RMB36,000,000 to Dalian GeoEnviron and pay RMB40,800,000 to acquire a 42.5% equity interest in Dalian GeoEnviron, representing a total consideration of RMB76,800,000.

As at December 31, 2023, the Company had paid RMB3,000,000 of the capital contribution amount and RMB6,000,000 of the share acquisition consideration. As at December 31, 2025, the Company had paid RMB27,000,000 of the capital contribution amount and RMB34,800,000 of the share acquisition consideration. And the outstanding unpaid consideration amounts to RMB6,000,000.

The amounts of revenue and profit of subsidiaries since the acquisition date were included in the consolidated statement of comprehensive income for the year ended December 31, 2023 are summarized as follows:

	Zhuhai Xinhong	Zhongxin Hongwei	Dalian GeoEnviron	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	3	30,842	–	30,845
Net profit/(losses)	<u>(51)</u>	<u>6,309</u>	<u>–</u>	<u>6,258</u>

APPENDIX I

ACCOUNTANTS’ REPORT

If the acquisition of Zhuhai Xinhong, Zhongxin Hongwei and Dalian GeoEnviron had occurred on January 1, 2023, the consolidated pro-forma revenue of the Group for the year ended December 31, 2023 would have been RMB10,580,366,000, RMB10,887,675,000 and RMB10,580,366,000, respectively, and the consolidated pro-forma net profit would have been RMB503,398,000, RMB508,360,000 and RMB504,598,000, respectively.

The amounts have been calculated using the subsidiaries’ results and adjusting them for:

- differences in the accounting policies between the group and the subsidiary (if any), and
- the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from January 1, 2023, together with the consequential tax effects.

41. DISPOSAL OF SUBSIDIARIES

As at May 12, 2023, the Group disposed of 59% equity interests of Zhongyu (Chongqing) Environmental Protection Industry Development Co., Ltd. (中渝(重慶)環保產業發展有限公司) (“**Chongqing Zhongyu**”) at a disposal consideration of approximately RMB1,797,000, with the difference between the disposal consideration and the share of the net assets of Chongqing Zhongyu attributable to the Group at the consolidated financial statement level corresponding to the disposed investment amounts to a negative RMB9,000. A loss of RMB9,000 was recognised in other losses in profit or loss. Upon completion of the transaction, control over the investment in Chongqing Zhongyu was lost.

As at December 31, 2025, the Group disposed of 51% equity interests of Jinchang Xinshengyuan Metal Materials Co., Ltd. (金昌鑫盛源金屬材料有限公司) (“**Xinshengyuan**”) at a disposal consideration of approximately RMB20,000,000, with the difference between the disposal consideration and the share of the net assets of Xinshengyuan attributable to the Group at the consolidated financial statement level corresponding to the disposed investment amounting to negative RMB9,969,000. A loss of RMB9,969,000 was recognised in other losses in profit or loss. Upon completion of the transaction, control over Xinshengyuan was lost.

As at December 31, 2025, the Group disposed of 51% equity interests of Jinchang Zhengxianbo Environmental Technology Co., Ltd. (金昌正弦波環保科技有限公司)(“**Zhengxianbo**”) at a disposal consideration of approximately RMB5,100,000, with the difference between the disposal consideration and the share of the net assets of Zhengxianbo attributable to the Group at the consolidated financial statement level corresponding to the disposed investment amounting to negative RMB3,662,000. A loss of RMB3,662,000 was recognised in other losses in profit or loss. Upon completion of the transaction, control over Zhengxianbo was lost.

As at September 19, 2025, the Group disposed of 100% equity interests of Tianjin Jingyuan Technology Co., Ltd. (天津京源科技有限公司)(“**Tianjin Jingyuan**”) at a disposal consideration of approximately RMB65,000,000, with the difference between the disposal consideration and the share of the net assets of Tianjin Jingyuan attributable to the Group at the consolidated financial statement level corresponding to the disposed investment amounting to RMB negative 21,186,000. A loss of RMB21,186,000 was recognised in other losses in profit or loss. Upon completion of the transaction, control over Tianjin Jingyuan was lost.

As at June 30, 2025, the Group disposed of 51% equity interests of Lanxi Gaoneng Lijia Medical Technology Co., Ltd. (蘭溪高能利嘉醫療科技有限公司) (“**Lanxi Gaoneng Lijia**”) at a disposal consideration of approximately RMB35,476,000, with the difference between the disposal consideration and the share of the net assets of Lanxi Gaoneng Lijia attributable to the Group at the consolidated financial statement level corresponding to the disposed investment amounting to RMB negative 10,399,000. A loss of RMB10,399,000 was recognised in other losses in profit or loss. Upon completion of the transaction, control over Lanxi Gaoneng Lijia was lost.

APPENDIX I

ACCOUNTANTS’ REPORT

42. CONTINGENCIES AND COMMITMENTS

42.1 Contingencies

The Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As at December 31, 2023, 2024 and 2025, save for the amounts for which provisions have been made in the Historical Financial Information and the matters set out below, the directors of the Company do not anticipate that any material liabilities will arise from such contingent liabilities.

- (a) The Company was involved in a dispute over an equity acquisition contract with Qianxinan Zangke Entrepreneurship Service Co., Ltd. (黔西南州祥舸創業服務有限公司). The aforementioned party filed an arbitration application with the Beijing Arbitration Commission, requesting the Company to repurchase its 2.0922% equity interest in Guizhou Hongda (貴州宏達) at a price of RMB12,553,000 (tax inclusive), plus interest, arbitration fees, legal fees and other expenses. In May 2024, it applied for property preservation with the First Intermediate People’s Court of Beijing Municipality, which froze RMB14,125,000 of the Company’s bank deposits. As at the date of approval of these financial statements, the case has been heard and is pending judgment.
- (b) The Company was involved in four contract arrears disputes with Huaxin Environmental Engineering (Wuxue) Co., Ltd. (華新環境工程(武穴)有限公司). On May 29, 2025, the aforementioned party instituted legal proceedings with the People’s Court of Haidian District, Beijing, claiming a total of RMB24,033,000 for four contract disposal fees plus interest on the funds occupied; it also applied for property preservation, freezing RMB24,766,000 of the Company’s bank deposits. As at the date of approval of these financial statements, the case has been concluded by mediation, and the above frozen funds were released in January 2026.
- (c) The Company was involved in a construction project subcontract dispute with Xingtai Construction Group Co., Ltd. (興泰建設集團有限公司). On August 17, 2025, the aforementioned party sued the Company, claiming construction project funds of RMB39,607,000, other losses of RMB1,485,000, totaling RMB41,720,000. It also applied for property preservation, freezing a total of RMB58,326,000 in the Company’s bank accounts. As at the date of approval of these financial statements, the case is under trial.
- (d) The Company and its subsidiaries Beijing GeoEnviron Environment Remediation Co., Ltd. (北京高能時代環境修復有限公司) and Ningbo Youlan Environmental Remediation Engineering Co., Ltd. (寧波佑藍環境修復工程有限公司) were involved in a joint venture contract dispute. On June 30, 2025, Ningbo Youlan Environmental Remediation Engineering Co., Ltd. instituted legal proceedings with the People’s Court of Haidian District, Beijing, claiming project profits of RMB 29,626,000 and overdue interest (calculated on the basis of RMB29,626,000 from November 16, 2024 to the actual date of performance at the one-year Loan Prime Rate (LPR) promulgated by the National Interbank Funding Center authorized by the People’s Bank of China) from Beijing Environmental Remediation, with the Company bearing joint and several liability. On November 18, 2025, the People’s Court of Haidian District, Beijing froze RMB29,620,000 in the bank account of Beijing Environmental Remediation. As at the date of approval of these financial statements, the case is under first-instance trial.

APPENDIX I

ACCOUNTANTS’ REPORT

- (e) The Company was involved in a dispute over construction project subcontracting with Dongguan City Urban Engineering Construction Group Co., Ltd (東莞市城市工程建設集團有限公司). On August 15, 2025, Dongguan City Urban Engineering Construction Group Co., Ltd. filed an application for property preservation with the Third People’s Court of Dongguan City, Guangdong Province. The court froze the bank deposits of the Company with a total amount of RMB8,675,000. As of the date of approval for issuance of these financial statements, the case is currently under trial.
- (f) The Company, together with its subsidiary Tianjin GeoEnviron Water Treatment Technology Co., Ltd. (天津高能時代水處理科技有限公司), was involved in a construction project subcontract dispute with Zhonghong Kaichuang Construction Group Co., Ltd. (中宏凱創建設集團有限公司). On March 6, 2025, the aforementioned party instituted legal proceedings with the People’s Court of Lingwu City, Ningxia Hui Autonomous Region, claiming principal project funds of RMB25,043,000 and interest of RMB714,000, and applied for property preservation, freezing RMB25,757,000 of the Company’s bank deposits. On September 30, 2025, Tianjin Water Treatment applied to the court for alteration of property preservation; the court ruled to unfreeze the Company’s bank deposits and freeze RMB5,055,000 of Tianjin Water Treatment’s bank deposits instead. As at the date of approval of these financial statements, the case is in first-instance proceedings.
- (g) In April 2019, Xingyi Xinruitong Microcredit Co., Ltd. (興義市鑫瑞通小額貸款有限責任公司) filed a lawsuit with the People’s Court of Xingyi City, requiring Guizhou Hongda (貴州宏達), a subsidiary of the Company, to assume joint and several guarantee liability for the principal of RMB14,000,000 and interest of a loan granted to Wang Zhibin. In August 2019, the People’s Court of Xingyi City rendered a civil judgment ((2019) Qian 2301 Min Chu No. 4609), ordering Guizhou Hongda to assume joint and several liquidation liability for the above amount; Guizhou Hongda shall have the right to recourse against Wang Zhibin after assuming such guarantee liability. Dissatisfied with the judgment, Guizhou Hongda filed an appeal. The Intermediate People’s Court of Qianxinan Buyi and Miao Autonomous Prefecture rendered a civil ruling ((2019) Qian 23 Min Zhong No. 2353) in February 2020, remanding the case to the People’s Court of Xingyi City for retrial. On September 16, 2020, the People’s Court of Xingyi City rendered a civil judgment ((2020) Qian 2301 Min Chu No. 2239), ordering Guizhou Hongda to assume compensation liability for one-half of the unpaid portion of the above amount. Dissatisfied with the judgment, Xingyi Xinruitong Microcredit Co., Ltd. filed an appeal with the Intermediate People’s Court of Qianxinan Buyi and Miao Autonomous Prefecture. On July 19, 2021, the Intermediate People’s Court of Qianxinan Buyi and Miao Autonomous Prefecture rendered a civil judgment ((2021) Qian 23 Min Zhong No. 1553), dismissing the appeal and upholding the original judgment. Guizhou Hongda recognized a provision for estimated liability and receivables from Wang Zhibin of RMB20,440,000 (representing RMB7,000,000 of loan principal and RMB13,440,000 of loan interest) in accordance with the judgment.

APPENDIX I

ACCOUNTANTS’ REPORT

42.2 Capital Commitments

The following shows the major capital commitments of the Group:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Property, plant and equipment commitments:			
– Contracted, but not provided for	4,462	22,849	–
Intangible assets commitments:			
– Contracted, but not provided for	3,537	4,164	–
Investment commitments			
– Contracted, but not provided for	–	2,800	–
	7,999	29,813	–

42.3 Operating Leasing Arrangements

The Group as lessor

All of the property, plant and equipment and investment properties held for rental purposes have committed leases for the future years.

Undiscounted lease payments receivable on leases are as follows:

	As at December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	22,838	19,594	12,787
1 to 2 years	15,027	10,094	14,182
2 to 3 years	9,380	4,394	3,699
3 to 4 years	8,043	4,394	800
4 to 5 years	4,031	733	800
Over 5 years	4,031	–	3,800
	63,350	39,209	36,068

APPENDIX I

ACCOUNTANTS’ REPORT

43. RELATED PARTY TRANSACTIONS

(a) Names and Relationship with Related Parties

Related parties are those parties that have the ability, directly and indirectly, to control, jointly control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control and common joint control in the controlling party’s families. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended December 31, 2023, 2024 and 2025:

<u>Name of the related parties</u>	<u>Relationship with the Group</u>
Guizhou Xing’an Environmental Protection Technology Co., Ltd. (貴州省興安環保科技有限公司)	An associate of the Group
Liangshan Jinyu Environmental Management Co., Ltd. (涼山州金鈺環境治理有限公司)	An associate of the Group
Jiaozuo Green Expo City Development Environmental Protection Energy Co., Ltd. (焦作綠博城發環保能源有限公司)	An associate of the Group
Xining Huangshui High Energy Environment Co., Ltd. (西寧湟水高能環境有限公司)	An associate of the Group
Everbright Geoenviron Environmental Services (Heze) Limited (光大高能環保服務(荷澤)有限公司)	An associate of the Group
Zhejiang Chunjing New Material Technology Co., Ltd. (浙江淳靜新材料科技有限公司)	An associate of the Group
China Shipbuilding Oasis Environmental Protection (Nanjing) Co., Ltd. (中船綠洲環保(南京)有限公司)	An associate of the Group
Jiangsu Yuanjie High Energy Comprehensive Water Engineering Co., Ltd. (江蘇源潔高能綜合水務工程有限公司)	A joint venture of the Group
Ke Ling Environmental Protection Co., Ltd. (科領環保股份有限公司)	A joint venture of the Group
EIT Environmental Development Group Co., Ltd. (玉禾田環境發展集團股份有限公司)	A joint venture of the Group
Suzhou Vortexinfo Technology Co., Ltd. (蘇州市伏泰信息科技股份有限公司)	A joint venture of the Group
Jinhua Chunjing New Material Technology Co., Ltd. (金華淳靜新材料科技有限公司)	A subsidiary of associates of the Group
Pingxiang Yuhetian Environmental Development Co., Ltd. (萍鄉玉禾田環境發展有限公司)	A subsidiary of associates of the Group
Yining Xinyu City Environmental Service Co., Ltd. (伊寧市新玉城市環境服務有限公司)	A subsidiary of associates of the Group

APPENDIX I

ACCOUNTANTS’ REPORT

<u>Name of the related parties</u>	<u>Relationship with the Group</u>
Foshan Anhe Smart City Management Co., Ltd. (佛山市安禾智慧城市管理有限公司)	A subsidiary of associates of the Group
Xinyi Yuhetian Environmental Development Co., Ltd. (新沂玉禾田環境發展有限公司)	A subsidiary of associates of the Group
Peixian Yuhetian Urban Service Co., Ltd. (沛縣玉禾田城市服務有限公司)	A subsidiary of associates of the Group
Foshan Shunyu Smart City Operation Co., Ltd. (佛山順玉智慧城市運營有限公司)	A subsidiary of associates of the Group
Guixi Guiyu Smart City Operation Management Co., Ltd. (貴溪市貴玉智慧城市運營管理有限公司)	A subsidiary of associates of the Group
Beijing Oriental Yuhong Waterproof Technology Co., Ltd (北京東方雨虹防水技術股份有限公司及其控股的公司)	An entity controlled by the ultimate controlling party
Li Weiguo (i)	The ultimate controlling party
Zhao Haiyan (趙海燕)	Chairman of the Company’s supervisory committee
Wang Rui (王銳)	Spouse of Mr. Li

- (i) The ultimate controlling party is Mr. Li, with ownership interests of 17.14%, 17.30% and 16.33% as of December 31, 2023, 2024 and 2025, respectively.

The following transactions and balances were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. In addition to those disclosed elsewhere in the Historical Financial Information, the Group has the following transactions with related parties:

(b) Material Transactions with Related Parties

	<u>Year ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Purchase of goods and services:			
Associates of the Group	48,242	32,467	14,102
An entity controlled by the ultimate controlling party	<u>38,024</u>	<u>21,191</u>	<u>6,906</u>
	<u>86,266</u>	<u>53,658</u>	<u>21,008</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Sales of goods and rendering of services:			
Associates of the Group	88,463	134,866	7,833
An entity controlled by the ultimate controlling party	632,132	554,032	541,590
Fellow subsidiaries of associates of the Group	1,429	7,577	10,005
	722,024	696,475	559,428
	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Rental income:			
An associate of the Group	650	–	65
A subsidiary of associates of the Group of associates of the Group	1,337	5,349	1,101
	1,987	5,349	1,166
	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
The Company and its subsidiaries as guarantors			
Associates of the Group	111,400	111,400	54,700
The Company and its subsidiaries as guaranteed parties			
Mr. Li (i)	3,502,702	2,963,026	2,245,580
Mr. Li, Wang Rui (i)	175,000	–	122,485
	3,677,702	2,963,026	2,368,065

- (i) During the Track Record Period, the Group obtained bank borrowings guaranteed by the ultimate controlling party Mr. Li and his spouse Ms. Wang Rui. Such guarantees will be discharged by repaying or settling the relevant bank borrowings prior to the [REDACTED].

APPENDIX I

ACCOUNTANTS’ REPORT

(c) Balance with Related Parties

	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and notes receivables			
Associates of the Group	9,873	138,965	230,602
An entity controlled by the ultimate controlling party	97,732	21,052	5,270
Fellow subsidiaries of associates of the Group	<u>567</u>	<u>4,481</u>	<u>8,875</u>
	<u>108,172</u>	<u>164,498</u>	<u>244,747</u>
Less: credit loss allowance	<u>(6,537)</u>	<u>(9,624)</u>	<u>(23,243)</u>
	<u>101,635</u>	<u>154,874</u>	<u>221,504</u>

For the year ended December 31, 2023, the amount of expense reversed in the year in respect of bad and doubtful debts are RMB2,734,000.

For the year ended December 31, 2024, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB3,087,000.

For the year ended December 31, 2025, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB13,619,000.

	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and notes payables			
Associates of the Group	39,537	3,113	3,128
An entity controlled by the ultimate controlling party	<u>9,594</u>	<u>5,468</u>	<u>2,767</u>
	<u>49,131</u>	<u>8,581</u>	<u>5,895</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Prepayments			
Associates of the Group	–	1	4
An entity controlled by the ultimate controlling party	2,726	452	252
	<u>2,726</u>	<u>453</u>	<u>256</u>
Other receivables			
Associates of the Group	2,226	5,868	14,419
An entity controlled by the ultimate controlling party	–	70	80
	<u>2,226</u>	<u>5,938</u>	<u>14,499</u>
Less: provision for impairment	<u>(154)</u>	<u>(578)</u>	<u>(1,576)</u>
	<u>2,072</u>	<u>5,360</u>	<u>12,923</u>

For the year ended December 31, 2023, 2024 and 2025, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB89,000 and RMB424,000 and RMB998,000, respectively.

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Other payables:			
An associate of the Group	300	300	300
An entity controlled by the ultimate controlling party	252	165	209
A joint venture of the Group	5,729	–	–
Chairman of the Company’s supervisory committee	–	9	–
	<u>6,281</u>	<u>474</u>	<u>509</u>
	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	
Note receivables at fair value through other comprehensive income			
An entity controlled by the ultimate controlling party	–	6,215	8,233

APPENDIX I

ACCOUNTANTS’ REPORT

	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract Assets			
Associates of the Group	129,951	86,223	5,405
An entity controlled by the ultimate controlling party	3,431	2,582	1,932
A joint venture of the Group	<u>43,942</u>	<u>–</u>	<u>–</u>
	<u>177,324</u>	<u>88,805</u>	<u>7,337</u>
Less: provision for impairment	<u>(8,695)</u>	<u>(108)</u>	<u>(74)</u>
	<u>168,629</u>	<u>88,697</u>	<u>7,263</u>

For the year ended December 31, 2023, the amount of expense recognized in the year in respect of bad and doubtful debts are RMB8,695,000.

For the year ended December 31, 2024, the amount of expense reversed in the year in respect of bad and doubtful debts are RMB8,587,000.

For the year ended December 31, 2025, the amount of expense reversed in the year in respect of bad and doubtful debts are RMB34,000.

	As at December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Contract Liabilities			
An entity controlled by the ultimate controlling party	16,672	3,992	4,086
A subsidiary of associates of the Group	<u>1,063</u>	<u>–</u>	<u>–</u>
	<u>17,735</u>	<u>3,992</u>	<u>4,086</u>

All the balances with the related parties are trade in natures.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Key Management Compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company’s directors and supervisors as disclosed in Note 9(a), was as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Fees	360	360	360
Salaries, wages and bonuses	9,354	10,960	7,365
Share-based compensation expenses	(160)	(56)	–
Pension costs, housing fund, medical insurance and other social benefits	1,868	1,630	1,248
	11,422	12,894	8,973

As at December 31, 2023, 2024 and 2025, approximately RMB1,252,000, RMB1,426,000 and RMB2,044,000 of payroll payables which were unpaid as at year end is included in accruals and other payables. The share-based payments provided to key management personnel consist of restricted share incentive schemes which are equity-settled, see Note 36.

44. EVENTS AFTER THE REPORTING PERIOD

On March 12, 2026, the Company convened the 8th Meeting of the 6th Board of Directors, which deliberated and approved the Company’s 2025 Annual Profit Distribution Proposal. Based on the total share capital registered on the record date for equity distribution, after deducting the shares held in the Company’s repurchase dedicated securities account (19,232,656 shares), a cash dividend of RMB1.00 per 10 shares (inclusive of tax) will be distributed to all shareholders of the Company. The proposal is subject to the approval of the general meeting of shareholders.

45. SUMMARY OF OTHER ACCOUNTING POLICIES

(1) Principles of Consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

APPENDIX I

ACCOUNTANTS’ REPORT

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

APPENDIX I

ACCOUNTANTS' REPORT

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

(2) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group like transactions and events in similar circumstances, unless allowed by other standards. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in

APPENDIX I

ACCOUNTANTS' REPORT

the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

The investments in associates and joint venture are stated at cost less impairment in the Company's statement of financial position. The results of associates and joint venture are accounted for by the Company on the basis of dividends received and receivable.

Changes in the Group's interests in associates

When the Group reduces its ownership interests in an associate or a joint venture but the Group continues to use the equity method (including situations that change of ownership interest in an associate or a joint venture due to capital increase of other shareholders to the associate or the joint venture), the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interests if that gain or loss would have been reclassified to profit or loss on the disposal of the related assets or liabilities.

(3) Business Combinations

(i) Business Combination not Under Common Controls

The acquisition method of accounting is used to account for all business combinations (except for the business combinations under common controls), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

APPENDIX I

ACCOUNTANTS’ REPORT

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

(ii) Business Combination Under Common Controls

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination with all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

(4) Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee’s net assets including goodwill.

(5) Foreign Currencies

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“**the functional currency**”). Since the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is also the Company’s functional and the Group’s presentation currency.

APPENDIX I

ACCOUNTANTS' REPORT

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of profit or loss on a net basis within other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(iii) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(6) Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

APPENDIX I

ACCOUNTANTS’ REPORT

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write-off the cost of investment properties over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(7) Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

Construction in progress mainly represents buildings, projects and production lines under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

(8) Impairment of Non-Financial Assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in

APPENDIX I

ACCOUNTANTS’ REPORT

use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(9) Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(10) Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value through profit and loss, gains and losses will be recorded in profit or loss.

(ii) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(11) Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

APPENDIX I

ACCOUNTANTS’ REPORT

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses), net.

(12) Financial Liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, accruals and other payables, and borrowings. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognized part of the financial liability and the consideration paid is recognized in profit or loss for the current period.

(13) Inventories

Raw materials, work-in-progress and finished goods are stated at the lower of cost and net realizable value. Costs of inventories are determined on the month-end weighted average method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(14) Share Capital and Capital Reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are canceled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

APPENDIX I

ACCOUNTANTS' REPORT

(15) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(16) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(17) Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

APPENDIX I

ACCOUNTANTS’ REPORT

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

(18) Employee Benefits

(i) Short-Term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Housing Funds, Medical Insurances and Other Social Insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Post-Employment Benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group’s defined contribution plans mainly include basic pensions and unemployment insurance, while the defined benefit plans are certain oversea subsidiaries provide supplemental retirement benefits beyond the national regulatory insurance system.

(iv) Basic Pensions

The Group’s employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

APPENDIX I

ACCOUNTANTS' REPORT

(19) Share-Based Payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at each date of the end of the reporting period during the pending period. For details see Note 36.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument granted or is otherwise beneficial to the employee as measured at the date of modification.

(20) Dividend Distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

(21) Interest Income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10. Any other interest income is included in other income.

(22) Dividend Income

Dividend income is recognized when the right to receive dividend payment is established.

APPENDIX I

ACCOUNTANTS’ REPORT

(23) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(24) Government Grant

Government grants are monetary assets or non-monetary assets obtained by the Group from the government for free, and are divided into government grants related to assets and government grants related to income.

Government grants related to assets are those obtained by the Group for the purposes of acquisition, construction or other project that forms a long-term asset. Government grants related to income refer to the government grants other than those related to assets.

Government grants are recognized when the Group can comply with the conditions attached to them and when they can be received.

Asset-related government grants shall be used to offset the carrying amount of relevant asset or recognized as deferred income. The amount recognized as deferred income shall be recorded in current profit or loss by installments in a reasonable and systematic way over the useful life of the relevant assets (the government grants related to the Group’s daily activities shall be included in other income; and the government grants unrelated to the Group’s daily activities shall be included in non-operating income);

Government grants related to income that are used to compensate relevant costs or losses of the Company in subsequent periods are recognized as deferred income and recorded in current profit or loss when such costs and losses are recognized (government grants related to the Group’s daily activities shall be included in other income; government grants unrelated to the Group’s daily activities shall be included in non-operating income) or offset relevant costs or losses; and the government grants used to compensate relevant costs or losses that have been incurred by the Group are recorded directly in current profit or loss

APPENDIX I

ACCOUNTANTS' REPORT

(government grants related to the Group's daily activities shall be included in other income; government grants unrelated to the Group's daily activities shall be included in non-operating income) or offset relevant costs or losses.

(25) Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognized due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

(26) Leases

(i) *Definition of a Lease*

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) *The Group as a Lessee*

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

APPENDIX I

ACCOUNTANTS’ REPORT

Right-of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognizes any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease Liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

APPENDIX I

ACCOUNTANTS’ REPORT

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

(iii) The Group as a Lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of H shares are subject to the laws and practices of the PRC and of the jurisdictions in which holders of H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, has not taken into account the possible change or amendment to the relevant laws or policies, and does not constitute any opinion or advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Therefore, you should consult your own tax advisor regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change or adjustment and may have retrospective effect.

This discussion does not address any aspects of PRC taxation other than income tax, capital gains tax and profits tax, value-added tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of the H shares.

TAXATION IN MAINLAND CHINA

Tax on Dividends

Individual investor

According to the Individual Income Tax Law of the PRC (2018 Amendment) (《中華人民共和國個人所得稅法》), and the Implementation Regulations of the Individual Income Tax Law of the PRC (2018 Revision) (《中華人民共和國個人所得稅法實施條例》), dividends distributed by PRC enterprises to individuals shall be subject to individual income tax levied at a flat rate of 20%. Meanwhile, According to the Circular on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101), if the holding period is more than one year, the dividends and bonus income shall be temporarily exempted from individual income tax. Where an individual holds shares of a listed company from the public offering and market transfer, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), signed on August 21, 2006 and effective from December 8, 2006, the government may levy taxes on dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities), in an amount not exceeding 10% of the total dividends payable by the PRC company; however, if the Hong Kong resident directly owns at least 25% of the capital of the company paying the dividends, the amount shall not exceed 5% of the total dividends payable by the PRC company.

Pursuant to the Notice of the State Administration of Taxation on Issues Relevant to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), when PRC resident enterprises distribute dividends for 2008 and subsequent years to offshore non-resident enterprise holders of H shares, enterprise income tax shall be uniformly withheld and paid at a tax rate of 10%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Corporate investor

In accordance with the Enterprise Income Tax Law of the PRC (2018 Amendment) (《中華人民共和國企業所得稅法》) (“**EIT Law**”), and the Regulations for the Implementation of the Enterprise Income Tax Law of the PRC (2024 Revision) (《中華人民共和國企業所得稅法實施條例》), non-resident enterprises that have not established an institution or a place of business in China, or that have established an institution or a place of business but the income derived therefrom has no actual connection with such institution or place of business, shall pay enterprise income tax on their income sourced from within China. Generally, enterprise income tax shall be paid on income sourced from within China (including dividends paid by PRC resident enterprises whose shares are issued and listed in Hong Kong) at a reduced rate of 10%. Income tax payable by non-resident enterprises shall be subject to withholding at source, with the payer acting as the withholding agent. Such withholding tax shall be withheld by the withholding agent from the amount paid or amount due and payable upon each payment or payment due and payable.

Tax Treaty

Non-resident investors residing in jurisdictions which have entered treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC corporate income tax imposed on the dividends received from PRC companies. Non-resident enterprises enjoying preferential tax rates under relevant tax treaties or arrangements must apply to the PRC tax authorities for a refund of enterprise income tax exceeding the treaty tax rate. The refund application shall be subject to verification by the PRC tax authorities.

TAXATION ON PROCEEDS FROM SHARE TRANSFERS

Tax on Dividends

According to the Individual Income Tax Law of the PRC (2018 Amendment) (《中華人民共和國個人所得稅法》) and the Regulations for the Implementation of the Individual Income Tax Law of the PRC (2018 Revision) (《中華人民共和國企業所得稅法實施條例》), income from interest, dividends, and bonuses is subject to a proportional tax rate of 20%.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Continued Temporary Exemption of Individual Income Tax on Income from Individual Transfer of Shares (《財政部國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61), starting from January 1, 1997, individual income tax on income derived by individuals from the transfer of shares of listed companies shall continue to be temporarily exempted.

According to the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Issues Concerning the Levy of Individual Income Tax on Income from Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) and the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Income from Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70), effective from January 1, 2010, income derived by individuals from the transfer of restricted shares shall be subject to individual income tax at a proportional tax rate of 20% under “income from asset transfer”. Individual income derived from the transfer of shares of listed companies obtained from public offerings and the transfer market on the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempt from individual income tax.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

As of the Latest Practicable Date, the aforesaid provision has not expressly stipulated whether individual income tax shall be levied on individuals transferring shares of PRC resident enterprises listed on overseas stock exchanges.

Corporate investor

Under the EIT Law and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at a rate of 10% on PRC-sourced income, including gains from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or if it has an establishment or premises in the PRC but the PRC-sourced income is not effectively connected to them. This income tax payable by non-PRC resident enterprises is subject to withholding at source, with the payer acting as the withholding agent. The withholding agent must deduct the tax from each payment or amount due at the time of payment or when it becomes due. Such tax may be reduced or exempted under applicable tax treaties or agreements.

Shanghai-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on Tax Policies Concerning the Pilot Program of Shanghai-Hong Kong Stock Market Connect (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81) issued by the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission, individual mainland investors are temporarily exempt from individual income tax on capital gains derived from investments in Hong Kong Stock Exchange-listed shares through Shanghai-Hong Kong Stock Connect, effective from November 17, 2014 to November 16, 2017. The income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included in their total income and enterprise income tax is levied on such income in accordance with the law. For dividends obtained by individual mainland investors from investment in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share company shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as ChinaClear), which will then provide the H-share company with the register of individual mainland investors, and the H-share company shall withhold individual income tax at the rate of 20%. For dividends obtained by individual mainland investors from investing in non-H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, ChinaClear shall withhold individual income tax at the rate of 20%. Individual investors who have paid withholding tax abroad may apply for tax credits at the competent tax authorities in China with valid tax deduction certificates. For the dividends and bonuses obtained by mainland securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax will be levied pursuant to the provisions mentioned above. The income from dividends obtained by mainland enterprise investors investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect is included in their total income, and enterprise income tax shall be levied in accordance with the law. Among them, dividends received by mainland Chinese resident enterprises that have continuously held H-shares for 12 months shall be exempted from enterprise income tax in accordance with the law. H-share companies listed on the Hong Kong Stock Exchange should submit an application to China Securities Depository and Clearing Corporation Limited (CSDC). CSDC will then provide the H-share companies with a register of mainland enterprise investors. H-share companies will not withhold income tax on dividends obtained by mainland enterprise investors, and the tax payable shall be declared and paid by the enterprises themselves. When mainland enterprise investors file and pay enterprise income tax themselves, they may apply for a tax credit in accordance with the law for the income tax on dividends that has been withheld by non-H-share listed companies on the Hong Kong Stock Exchange.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

According to the Announcement on the Continuation of the Individual Income Tax Policy for the Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, and Mutual Recognition of Funds between the Mainland and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) (Ministry of Finance, State Taxation Administration, China Securities Regulatory Commission Announcement No. 23 of 2023), the individual income tax policies concerning the continuation of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as Shanghai-Hong Kong Stock Connect), Shenzhen-Hong Kong Stock Connect (hereinafter referred to as Shenzhen Hong Kong Stock Connect), and Mutual Recognition of Funds between the Mainland and Hong Kong (hereinafter referred to as Mutual Recognition of Funds) are hereby announced as follows: I. Individual income tax will continue to be temporarily exempted on capital gains derived by mainland individual investors from investments in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, and on capital gains derived from the trading of Hong Kong fund units through mutual recognition of funds. II. This announcement is effective until December 31, 2027.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), the disposal of H-shares by non-mainland investors outside of the mainland China is not subject to the requirements of the Stamp Duty Law of the PRC.

Estate Duty

According to the laws of the PRC, no estate duty is currently levied in mainland China.

MAJOR TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

In accordance with the EIT Law its implementation rules, enterprises established in the territory of China according to law, or enterprises established under the laws of a foreign country (region) but whose actual management body is within the territory of China, shall pay enterprise income tax on their income derived from both within and outside the territory of China. The enterprise income tax rate is 25%. Qualified small low-profit enterprises shall be subject to enterprise income tax at a reduced rate of 20%. High-tech enterprises that are key enterprises supported by the State shall be subject to enterprise income tax at a reduced rate of 15%.

Value-added tax

According to the Provisional Regulations of the PRC on Value-Added Tax (2017 Revision) (《中華人民共和國增值稅暫行條例》), and the Implementation Rules of the Provisional Regulations of the PRC on Value-Added Tax (2011 Revision) (《中華人民共和國增值稅暫行條例實施細則》), entities and individuals engaged in the sale of goods, provision of processing, repair, and replacement services, sale of services, intangible assets, real estate, or importation of goods within China are VAT taxpayers and shall pay value-added tax. The VAT rate for sales or imports of goods by taxpayers is generally 17%, unless otherwise specified in the above regulations. The Value-Added Tax Law of the PRC, promulgated by the Standing Committee of the National People's Congress on December 25, 2024, came into effect on January 1, 2026.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), if taxpayers engage in VAT taxable sales or import goods, with the original applicable tax rates of 17% and 11%, the tax rates will be adjusted to 16% and 10%, respectively.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

According to the Announcement by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs on Relevant Policies for Deepening Value-added Tax Reform 《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》, if general VAT taxpayers engage in VAT taxable sales or imported goods, with the original applicable tax rate of 16%, the tax rate will be adjusted to 13%; and where the original 10% tax rate is applicable, the tax rate will be adjusted to 9%.

Foreign Exchange

The legal currency of the PRC is the Renminbi. The State Administration of Foreign Exchange (“SAFE”) authorized by the People’s Bank of China (“PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

According to the Regulations of the PRC on Foreign Exchange Control (2008 Revision) (《中華人民共和國外匯管理條例》), all international payments and transfers are categorized into current account items and capital account transactions items. Mainland China does not impose restrictions on international payments and transfers under current account items. Foreign exchange income from the current account of enterprises in mainland China may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions of the State. The retention or sale of foreign exchange receipts under capital accounts to financial institutions engaging in settlement and sale of foreign exchange shall be subject to the approval of foreign exchange administrative authorities, unless otherwise stipulated by the State.

Pursuant to the Regulations on the Administration of Foreign Exchange Settlement, Sale, and Payment (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210), the remaining restrictions on convertibility of foreign exchange in respect of current account items are abolished while the existing restrictions on foreign exchange transactions in respect of capital account items are retained.

According to the relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprise that need to distribute profits to their shareholders in foreign exchange and Chinese enterprise that need to pay fixed dividends in foreign exchange in accordance with the requirements shall pay from its foreign exchange account or pay at the designated foreign exchange bank by a resolution of the board of directors on the distribution of profits.

Pursuant to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), the administrative approval of the SAFE and its branches on matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing has been canceled.

According to the Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), the SAFE and its branches and the Foreign Exchange Management Department, or the Foreign Exchange Bureau, supervise, manage and inspect the business registration, account opening and use, cross-border income and expenditure, and capital exchange involved in the overseas listing of domestic companies. A domestic company shall, within 15 working days after the completion of the overseas listing and issuance, register the overseas listing with the local foreign exchange bureau. A domestic company (other than banking financial institutions) shall, by virtue of its registration certificate for overseas listing business, open a “special foreign exchange account for overseas listing of domestic companies” with a domestic bank for its initial offering (or additional offering) and repurchase business to handle the remittance and transfer of funds for the relevant business.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), the SAFE has canceled the confirmation of foreign exchange registration of domestic or overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration of domestic and overseas direct investment, and the SAFE and its branch offices shall indirectly supervise the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Management Policies of Settlement under Capital Account Items (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16), foreign currency earnings under capital account for which voluntary exchange settlement policies have been clearly implemented (including the funds transferred back from overseas listings) may be settled in banks according to actual business needs of domestic entities. The voluntary settlement ratio of foreign currency earnings of domestic institutions under capital account is tentatively set at 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

Pursuant to Notice of the People’s Bank of China on Further Improving Cross-Border RMB Service Policies to Promote Trade and Investment Facilitation (《中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知》) (Yin Fa [2018] No. 3), RMB funds raised by domestic enterprises through share issuance overseas may be remitted into China for domestic use as needed.

According to the Notice by the State Administration of Foreign Exchange Regarding Optimizing Foreign Exchange Administration to Support Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (Hui Fa [2020] No. 8), on the premise of ensuring that the use of funds is true and compliant and complies with the current regulations on the management of capital account income use, qualified enterprises are allowed to use capital account income such as capital, foreign debt and overseas listing for domestic payment without providing authenticity certification materials to banks on case-by case basis in advance.

According to the Notice by the State Administration of Foreign Exchange of Further Deepening Reform and Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (Hui Fa [2023] No. 28), the use of RMB funds derived from the capital, foreign exchange income from foreign debts and their remittances by non-financial enterprises shall follow the principles of truthfulness and self-consumption, and shall not be used, directly or indirectly, for expenditures prohibited by laws and regulations of the State. Unless otherwise expressly provided, the funds shall not be used directly or indirectly for investment in securities or other investment and financial management (except for wealth management products and structured deposits with a risk rating of not more than Level 2); the funds shall not be used to issue loans to unaffiliated enterprises (as well as in the case of those expressly permitted by the scope of business and in the case of the China (Shanghai) Free Trade Pilot Zone Lingang New Area, the China (Guangdong) Free Trade Pilot Zone Guangzhou Nansha New Area, the China (Hainan) Free Trade Harbor, Yangpu Economic Development Zone, and Beilun District of Ningbo City, Zhejiang Province); and shall not be used for the purchase of residential real estate for non-self-use (except for enterprises engaging in real estate development and real estate leasing operations). Foreign exchange funds raised from overseas listings by domestic enterprises can be directly transferred to the capital account settlement account. Funds in the capital account settlement account can be independently converted and used.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company’s operations and business. Laws and regulations related to taxation in the PRC are discussed separately in “Appendix III – Taxation and Foreign Exchange” of this document. This Appendix also contains a summary of laws and regulatory provisions of the PRC Company Law (《中華人民共和國公司法》). The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all the information which is important to potential investors. For a discussion of laws and regulations which are relevant to our Company’s business, see “Regulatory Overview” in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》), or the “**Legislation Law**,” lastly amended by NPC on March 13, 2023 and effective on March 15, 2023, the NPC and the Standing Committee of NPC (“**SCNPC**”) are empowered to exercise the legislative power of the PRC government. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provisions of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into autonomous regions shall be submitted for approval before implementation.

The standing committees of the people’s congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people’s governments of the provinces and

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

autonomous regions is greater than that of the rules enacted by the people’s governments of the cities divided into districts within their respective administrative regions. The NPC has the power to amend or annul any inappropriate laws formulated by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law. The SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to amend or annul any inappropriate ministerial rules and rules of local governments. The people’s congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of the local people’s congresses have the power to annul inappropriate rules enacted by the people’s governments at the corresponding level. The people’s governments of provinces and autonomous regions have the power to amend or annul any inappropriate rules enacted by the people’s governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws belongs to the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on June 10, 1981, the SCNPC shall give interpretation and make provisions by means of decrees on issues related to the further clarification or supplement of laws or decrees. The Supreme People’s Court shall give interpretations on questions involving the specific application of laws and decrees in court trials. The Supreme People’s Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. If there are principled differences in the interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people’s congresses of provinces, autonomous regions and municipalities which have enacted these regulations shall provide interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people’s governments of provinces, autonomous regions and municipalities.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People’s Courts (《中華人民共和國人民法院組織法》), which was latest revised by the SCNPC on October 26, 2018, and took effect on January 1, 2019, the People’s Courts of China consist of the Supreme People’s Court, local people’s courts at all levels, and special people’s courts. Local people’s courts at all levels are divided into higher people’s courts, intermediate people’s courts, and basic people’s courts. Basic people’s courts may establish several people’s tribunals based on the region, population, and case circumstances. The Supreme People’s Court is the highest judicial authority. The Supreme People’s Court supervises the judicial work of local people’s courts at all levels and special people’s courts. Higher people’s courts supervise the judicial work of lower people’s courts. According to the Constitution and the Law of Organization of the People’s Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》), which was latest revised by the SCNPC on October 26, 2018, and took effect on January 1, 2019, the People’s Procuratorate is the law supervision organ of the state. The Supreme People’s Procuratorate is the highest prosecutorial organ. The Supreme People’s Procuratorate shall direct the work of local people’s procuratorates at all levels and special people’s procuratorates, while higher people’s procuratorates supervise the work of lower people’s procuratorates. The People’s Courts implement a two-tier trial system with final adjudication, and the judgment or ruling of the People’s Court in the second instance is the final judgment or ruling. If the parties disagree with the first-instance judgment or ruling of the local

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

people’s court, they have the right to file an appeal. The People’s Procuratorate may, in accordance with procedures prescribed by law, file a protest with the People’s Court. If the parties do not file an appeal and the People’s Procuratorate does not contest it within the prescribed period, the judgment or ruling of the People’s Court shall be final. The judgments or rulings of the Intermediate People’s Courts, the Higher People’s Courts, and the Supreme People’s Court in the second instance, as well as the judgments or rulings of the Supreme People’s Court in the first instance, are final and binding. However, if the Supreme People’s Court or a higher people’s court finds that a legally binding final judgment or ruling of a lower people’s court contains an error, or if the president of a people’s court at any level finds that a legally binding final judgment or ruling of their own court contains an error, the court may conduct a retrial in accordance with the trial supervision procedures. The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”), last amended by the SCNPC on September 1, 2023 and effective from January 1, 2024, stipulates the conditions for filing civil lawsuits, the jurisdiction of the People’s Courts, the procedures to be followed in civil litigation, and the enforcement procedures for civil judgments or rulings. All parties involved in civil litigation within China must comply with the Civil Procedure Law. Civil cases are generally heard in the court where the defendant resides. The parties to a contract or other property rights dispute may agree in writing to select the jurisdiction for civil litigation, provided that the court is located in a place with a substantial connection to the dispute, such as the domicile of the plaintiff or defendant, the place of contract performance or execution, or the location of the subject matter. However, in no case may the choice of court conflict with the provisions regarding hierarchical and exclusive jurisdiction. Foreigners, stateless persons, foreign enterprises, or organizations shall have equal litigation rights and obligations as Chinese citizens, legal persons, and other organizations when filing or responding to lawsuits in the People’s Courts. If a foreign court imposes restrictions on the civil litigation rights of Chinese citizens, legal persons, or other organizations, Chinese courts shall apply the principle of reciprocity regarding the civil litigation rights of that country’s citizens, enterprises, and organizations. If a foreigner, stateless person, foreign enterprise, or organization files or responds to a lawsuit in a people’s court and requires legal representation, they must appoint a Chinese lawyer. In accordance with international treaties to which China is a party or has participated, or based on the principle of reciprocity, the People’s Courts and foreign courts may, upon mutual request, assist each other in serving documents, conducting investigations and collecting evidence, as well as performing other litigation-related actions. The people’s courts shall not comply with a request for assistance from a foreign court if it undermines China’s sovereignty, security, or public interests.

The parties must comply with legally binding civil judgments and rulings. If either party to a civil lawsuit refuses to comply with a judgment or ruling issued by a people’s court or an award rendered by an arbitration institution, the other party may apply to a people’s court for enforcement within two years. The suspension or interruption of the statute of limitations for enforcement applications shall be governed by the legal provisions on the suspension or interruption of the statute of limitations for litigation.

If a legally effective judgment or ruling made by a people’s court is to be executed against a party or property located outside the territory of China, the parties may directly apply to a competent foreign court for recognition and enforcement. Alternatively, the people’s court may request the foreign court to recognize and enforce the judgment or ruling in accordance with the provisions of international treaties to which China is a party or has participated or based on the principle of reciprocity. Where a legally effective judgment or ruling made by a foreign court requires recognition and enforcement by a people’s court, the party concerned may directly apply to an intermediate people’s court with jurisdiction for such recognition and enforcement. Alternatively, the foreign court may, in accordance with the provisions of an international treaty concluded or acceded to by that country and China, or based on the principle of reciprocity, request the people’s court to recognize and enforce the judgment or ruling. However, this shall not apply if the people’s court determines that such recognition and enforcement would violate the fundamental legal principles of the PRC or compromise national sovereignty, security, or public interests.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in China seeking a listing on The Stock Exchange of Hong Kong Limited is mainly subject to the following laws and regulations of the PRC. The PRC Company Law (《中華人民共和國公司法》) (the “**Company Law**”) was adopted by the SCNPC on December 29, 1993, came into effect on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The latest revised Company Law came into effect on July 1, 2024. The Trial Measures for the Administration of Overseas Offering and Listing of Securities by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) promulgated by the CSRC on February 17, 2023, along with its five supporting guidelines, took effect on March 31, 2023. These measures apply to PRC domestic enterprises issuing securities overseas either directly or indirectly, or listing and trading their securities outside the PRC. Pursuant to the Overseas Listing Trial Measures and its supporting guidelines, domestic companies directly listing overseas shall formulate their articles of association by referring to the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”) and other relevant corporate governance regulations issued by the China Securities Regulatory Commission. The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas will cease to apply effective March 31, 2023. The Guidelines for Articles of Association were issued by the CSRC on December 16, 1997 and last amended and came into effect on March 28, 2025.

Set out below is a summary of the principal provisions of the Company Law, the Overseas Listing Trial Measures, and the Guidelines for Articles of Association applicable to the Company.

General provisions

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets. A joint stock limited company shall conduct its business in accordance with laws and regulations as well as public and commercial ethics, be honest and trustworthy and accept the supervision of the government and the public. A company may invest in other companies. If it is prescribed by any law that a company shall not become a capital contributor that shall bear the joint and several liability for the debts of the enterprises it invests in, such provisions shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the Mainland China. The promoters of subscription of a joint stock company shall convene an inaugural meeting of the company within 30 days after the share capital has been paid up and shall notify all subscribers of the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only with the presence of subscribers holding more than 50% of the voting rights. The convening and voting procedures for the inaugural meeting of a joint stock limited company incorporated by promotion shall be stipulated in the agreement of the promoters. Powers to be exercised at the inaugural meeting include but are not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting. Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority

Registered shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property right, land use rights, shareholding or claims.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders, detailing the following information:

- (i) the name and domicile of each shareholder;
- (ii) the class and number of shares subscribed for by each shareholder;
- (iii) the serial number of shares if issued in paper form; and
- (iv) the date on which each shareholder acquired the shares.

Allotment and issue of shares

All issues of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. A joint stock limited company may issue shares at a par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with the Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholders information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer itself shall file with the CSRC.

Increase of share capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders’ meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to original shareholders, if any. If no par value stock is issued, more than one-half of the proceeds from the issuance of the new stocks shall be included in the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Reduction of share capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- (i) to prepare a balance sheet and a property list;
- (ii) a company makes a resolution at shareholders’ meeting to reduce its registered capital;
- (iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital;
- (iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;
- (v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the articles of association of a joint stock limited company.

Repurchase of shares

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

- (i) reducing the registered capital;
- (ii) merging with other company that holds the shares of the company;
- (iii) using the shares for employee stocks plan or equity incentives;
- (iv) with respect to shareholders voting against any resolution adopted at the shareholders’ meeting on the merger or division of the Company, the right to demand the Company to acquire the shares held by them;
- (v) using the shares for the conversion of convertible corporate bonds issued by the listed company;
- (vi) as required for maintenance of the corporate value and shareholders’ rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the shareholders’ meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the board meetings attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the meeting.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Following the purchase of a company’s shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of the Company held by a company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder of a joint stock limited company should affect a transfer of his shares on securities exchange established according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholders’ meeting or five days prior to the record date for a company’s distribution of dividends. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a securities exchange. The directors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by them shall not be transferred within one year from the date of a company’s listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted transfer period.

Shareholders

Under the Company Law and the Articles of Association Guidelines, the rights of shareholders of a joint stock limited company include:

- (i) the right to attend or appoint a proxy to attend general meetings and to vote thereat;
- (ii) the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- (iii) the right to inspect the Company’s articles of association, share register, counterfoil of Company debentures, minutes of general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports and to make proposals or enquiries on the Company’s operations;
- (iv) the right to bring an action in the people’s court to rescind resolutions passed by general meetings and board of directors where the articles of association is violated by the above resolutions;
- (v) the right to receive dividends and other forms of profit distribution according to the proportion of shares they hold;

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

- (vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the residual properties of the Company in proportion to the number of shares held; and
- (vii) other rights granted by laws, administrative regulations, other regulatory documents and the Company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the Company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the Company's articles of association.

Shareholders' Meeting

Under the Company Law and Guidelines for Articles of Association, the shareholders' meeting exercises the following functions and powers:

- (i) to elect and replace Directors and to decide on matters relating to emolument of Directors;
- (ii) to consider and approve reports of the Board of Directors;
- (iii) to consider and approve the Company's profit distribution proposals and proposals for making up losses;
- (iv) to resolve on the increase or reduction of the Company's registered capital;
- (v) to resolve on the issuance of debentures by the Company;
- (vi) to resolve on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;
- (vii) to amend the Articles of Association;
- (viii) to resolve on the Company's appointment and dismissal of the accounting firm undertaking the Company's audit business;
- (ix) to consider and approve the guarantee matters stipulated in the Articles of Association;
- (x) to consider the purchase or disposal of material assets within one year with an amount exceeding 30% of the latest audited total assets of the Company;
- (xi) to consider and approve the change of use of proceeds;
- (xii) to consider and approve the share incentive scheme and employee stock ownership scheme;
- (xiii) to consider other matters that should be decided by the shareholders' meeting as stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

According to the Company Law and the Guidelines of the Articles of Association, the annual general meeting shall be convened once a year, and shall be held within six months after the prior fiscal year ends.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

An extraordinary general meeting shall be convened within two months of the occurrence of any of the following circumstances:

- (i) the number of Directors is less than the number specified in the Company Law or two-thirds of the number required by the Articles of Association;
- (ii) the uncovered loss of the Company reaches one-third of the total share capital of the Company;
- (iii) at the request of shareholders individually or in aggregate holding at least 10% of the Company's shares (including preference shares with restored voting rights, etc.);
- (iv) the Board considers it necessary;
- (v) the Audit Committee proposes such a meeting be held;
- (vi) any other circumstances stipulated by laws, administrative regulations, departmental rules or the Articles of Association.

Upon approval by a majority of all independent directors, the independent directors have the right to propose that the board of directors convene an extraordinary shareholders' meeting. For the above-mentioned proposals, the Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting within ten days of receiving the proposal. If the Board of Directors agrees to convene the extraordinary general meeting, a notice convening such a meeting shall be issued within five days after the resolution of the Board of Directors is passed. If the Board of Directors does not agree to convene the extraordinary general meeting, it shall give an explanation and make an announcement.

The Audit Committee is authorized to propose in writing to the Board of Directors the convening of an extraordinary general meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting within ten days of receiving the proposal. In case the Board agrees to convene an extraordinary general meeting, the Board of Directors shall issue a notice calling for an extraordinary general meeting within five days since the relevant Board resolution. In case changes are made to the original proposal, agreement on the changes shall be sought from the Audit Committee. In case the Board of Directors disagrees with the Audit Committee on convening an extraordinary general meeting, or it does not give any feedback within ten days after receiving the proposal, the action shall be deemed as incapable of performing or not performing its duty to convene a general meeting. Under these circumstances, the Audit Committee may convene and chair the extraordinary general meeting at its discretion.

Shareholders who individually or collectively hold more than 10% of the Company's shares (including preferred shares with restored voting rights, etc.) have the right to request in writing to the Board of Directors to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting within ten days of receiving the request. In case the Board agrees to convene an extraordinary general meeting, the Board of Directors shall issue a notice calling for a general meeting within five days since the relevant Board resolution. In case changes are made to the original request, agreement on the changes shall be sought from the relevant shareholders. In case the Board does not agree to convene an extraordinary general meeting, or fails to provide feedback within ten days after receiving such request, shareholders who individually or collectively hold 10% or more of the Company's shares (including preferred shares with restored voting rights, etc.) may submit a written proposal to the Audit Committee to convene an extraordinary general meeting. If the Audit Committee agrees to convene an extraordinary general

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

meeting, it shall issue a notice of convening the extraordinary general meeting within five days of receiving such request. In case changes are made to the original request, agreement on the changes shall be sought from the relevant shareholders. If the Audit Committee fails to issue a notice of convening a shareholders' meeting by the prescribed deadline, it shall be deemed to have failed to convene and preside over a shareholders' general meeting, and shareholders individually or jointly holding no less than 10% of the shares (including preferred shares with restored voting rights, etc.) of the Company for at least 90 days in succession may convene and preside over such meeting at their discretion.

The expenses necessary for the shareholders' general meeting convened by the Audit Committee or the shareholders themselves shall be borne by the Company.

Directors

According to the Company Law and the Guidelines of the Articles of Association, a joint stock limited company shall have a board of directors, which shall consist of three or more members. The term of office of a director shall be stipulated in the Articles of Association, but each term of office shall not exceed three years. Directors may be re-elected upon the expiration of their term. However, independent directors may not serve for more than six consecutive years. Director may be the senior management personnel, provided that the total number of directors who concurrently serve as senior management personnel and directors who are employee's representatives shall not exceed half of the total number of Directors of the Company. A company with more than three hundred employees shall include employee representatives in its board of directors. The employee representative(s) on the Board of Directors shall be democratically elected by the Company's employees through staff representative assemblies, general staff meetings or other appropriate means, and such appointment shall not require approval by the general meeting.

The Board of Directors meets at least twice a year, and each meeting shall be notified in writing to all Directors ten days before the meeting. The Board exercises the following powers:

- (i) to convene the shareholders' meeting and report on its work to the shareholders;
- (ii) to implement the resolutions of the shareholders' meeting;
- (iii) to determine the Company's business plans and investment proposals;
- (iv) to formulate the Company's profit distribution proposals and proposals for making up losses;
- (v) to prepare proposals for increasing or reducing the registered capital of the Company and proposals for the issue of debenture or other securities and listing of the Company;
- (vi) to formulate plans for material acquisitions, purchase of shares of the Company, or merger, division and dissolution of the Company as well as change of corporate form;
- (vii) to decide on, within the authority granted by the Shareholders' general meeting, such matters as external investment, acquisition and disposal of assets, asset mortgage, external guarantee, entrusted financial management, connected transactions and external donations;
- (viii) to decide on the establishment of internal management organizations of the Company;

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

- (ix) to decide on the appointment or dismissal of the general manager and secretary to the Board and other senior management officers of the Company, and to determine their remuneration, rewards and punishments; to decide on the appointment or dismissal of the deputy manager, financial controller and other senior management officers based on the nominations by the general manager, and to determine their remuneration, rewards and punishments;
- (x) to set up the basic management system of the Company;
- (xi) to formulate proposals for any amendment to the Articles of Association;
- (xii) to manage information disclosure matters of the Company;
- (xiii) to propose to the Shareholders' general meeting the appointment or replacement of accounting firms which provide audit services to the Company;
- (xiv) to listen to the work reports of general manager of the Company and review their work; and
- (xv) other functions and powers conferred by laws, administrative regulations, departmental rules, Articles of Association or Shareholders' meeting.

Within the scope of authorization by the Shareholders' general meeting, the Board of Directors shall define the authority for matters such as external investments, acquisition or disposal of assets, asset mortgages, external guarantees, entrusted wealth management, connected transactions, and external donations, and establish strict review and decision-making procedures.

If a Director has connection with the enterprise or individual involved in the resolution made at a meeting of the Board of Directors, the said Director shall promptly report the situation in writing to the Board of Directors. The said Director shall not vote on the said resolution for himself/herself or on behalf of another Director. The meeting of the Board of Directors may be held when more than half of the non-connected Directors attend the meeting. The resolution of the meeting of the Board of Directors shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the Shareholders' general meeting for consideration.

According to the Company Law and the Guidelines of the Articles of Association, under any of the following circumstances, no person may serve as a Director or senior management personnel of the Company:

- (i) having no capacity for civil conduct or having limited capacity for civil conduct;
- (ii) having been sentenced to criminal punishment for corruption, bribery, embezzlement of property, misappropriation of property, or disruption of the socialist market economic order, or having been deprived of political rights due to a crime, and less than five years have elapsed since the completion of the sentence, or in case of a probation, less than two years have elapsed since the expiration of the probation period;
- (iii) having served as a director, factory director, or manager of a company or enterprise that underwent bankruptcy liquidation, and bearing personal responsibility for the bankruptcy of such company or enterprise, and less than three years have elapsed since the completion of the bankruptcy liquidation of such company or enterprise;

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

- (iv) having served as the authorized representative of a company or enterprise that had its business license revoked or was ordered to close down due to illegal activities, and bearing personal responsibility therefor, and less than three years have elapsed since the revocation of the business license of or the order to close down for such company or enterprise;
- (v) having been listed by the people's court as a judgment defaulter due to failure to repay a significant amount of due debts;
- (vi) having been subjected to a securities market entry ban by the CSRC, and the ban period has not yet expired;
- (vii) the person is publicly deemed by a stock exchange as unsuitable to serve as a director and senior management of a listed company and the term of prohibition has not expired;
- (viii) other circumstances stipulated by laws, administrative regulations or departmental rules.

The Board of Directors shall have one chairman. The chairman and vice-chairman shall be elected by more than half of all directors.

Audit Committee

In accordance with the Company Law and the Guidelines on Articles of Association, the Company's Board of Directors has established an Audit Committee to exercise the authority of the Supervisory Committee as stipulated in the Company Law. The Audit Committee shall consist of three or more members who are directors not serving as senior management of the Company, with a majority being independent directors. The committee shall be convened by an accounting professional from among the independent directors. Employee representatives on the Board of Directors may serve as members of the Audit Committee.

The Audit Committee meets at least quarterly. An interim meeting may be convened upon the proposal of two or more members or when the convener deems it necessary. Meetings of the Audit Committee shall be held only when at least two-thirds of the members are present. Resolutions of the Audit Committee shall be adopted by a majority vote of its members. Voting on resolutions by the Audit Committee shall be conducted on a one-person-one-vote basis. The manner of conducting business and voting procedures of the Audit Committee shall be governed by the Articles of Association, unless otherwise stipulated in the Company Law.

The Audit Committee is responsible for reviewing the Company's financial information and its disclosures, overseeing and evaluating internal and external audits and internal controls. The following matters shall be submitted to the Board of Directors for deliberation after approval by a majority of all Audit Committee members:

- (i) Disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (ii) Hire or terminate an accounting firm responsible for auditing listed companies;
- (iii) Appoint or dismiss the financial controller of a listed company;
- (iv) Changes in accounting policies, changes in accounting estimates, or corrections of significant accounting errors are made for reasons other than changes in accounting standards;

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

- (v) Other matters as stipulated by laws, administrative regulations, CSRC regulations, and the Articles of Association.

Senior Management

In accordance with the Company Law and the Guidelines on Articles of Association, the Company shall have one manager, who shall be appointed or dismissed by the Board of Directors. The manager is accountable to the Board of Directors and shall exercise authority in accordance with the Articles of Association or as authorized by the Board. The manager attends Board meetings.

According to the Company Law, senior management refers to the manager, deputy manager, financial officer, board secretary of a listed company, and other personnel as stipulated in the Articles of Association.

Duties of Directors and Senior Management

According to the Company Law and the Guidelines on Articles of Association, directors and senior management shall comply with laws, administrative regulations, and the Articles of Association, and owe a duty of loyalty to the Company. They shall take measures to avoid conflicts between their personal interests and the Company’s interests, and shall not exploit their positions to obtain improper benefits. Directors and senior management owe the following fiduciary duties to the Company:

- (i) Do not misappropriate the Company’s property or funds;
- (ii) Company funds shall not be deposited in an account under a personal name or in the name of any other individual;
- (iii) Do not use official position to offer bribes or accept other illegal income;
- (iv) No contract or transaction shall be entered into directly or indirectly with the Company without first being reported to the Board of Directors or the shareholders’ meeting and approved by a resolution of the Board of Directors or the shareholders’ meeting in accordance with the provisions of the Articles of Association;
- (v) Shall not use the convenience of his/her position to seek for himself/herself or others any business opportunities belonging to the Company, unless such business opportunities are reported to the Board of Directors or the shareholders’ meeting and approved by a resolution of the shareholders’ meeting, or unless the Company is prohibited from utilizing such business opportunities under applicable laws, administrative regulations, or the provisions of the Articles of Association;
- (vi) Without reporting to the Board of Directors or the shareholders’ meeting and obtaining approval through a shareholders’ meeting resolution, no one shall operate on their own behalf or on behalf of others a business that is of the same type as the Company’s business;
- (vii) Shall not accept commissions from transactions with the Company for personal gain;
- (viii) Shall not disclose the secrets of the Company without consent;
- (ix) Shall not use their affiliation to harm the Company’s interests;
- (x) Other loyalty obligations as stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Any income obtained by a director in violation of the above provisions shall be returned to the Company; if such violation causes losses to the Company, the director shall be liable for compensation.

Directors and senior management shall comply with the provisions of laws, administrative regulations, and the Articles of Association. They owe a duty of diligence to the Company and shall perform their duties with the reasonable care typically expected of managers, acting in the Company’s best interests. The diligence obligations of directors and senior management to the Company are as follows:

- (i) To exercise prudently, conscientiously and diligently the rights granted by the Company to ensure that the Company’s commercial activities are in compliance with the laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;
- (ii) To treat all shareholders fairly;
- (iii) To understand the operation and management of the Company in a timely manner;
- (iv) To approve regular reports of the Company in written form and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- (v) To provide all relevant information and materials required by the Audit Committee and shall not intervene the performance of duties of the Audit Committee;
- (vi) Other duties of diligence as stipulated by laws, administrative regulations, departmental rules, and the Articles of Association.

Financial Accounting System

In accordance with the Company Law, the Company establishes its financial accounting system in compliance with laws, administrative regulations, and the regulations of relevant state departments.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When the Company distributes its after-tax profits for the year, it must allocate 10% of the profits to the Company’s statutory reserve fund. If the accumulated amount of the Company’s statutory reserve reaches 50% or more of the Company’s registered capital, no further withdrawals are required.

If the Company’s statutory reserve is insufficient to cover the losses from previous years, the Company must first use the current year’s profits to offset the losses before allocating funds to the statutory reserve as stipulated in the preceding paragraph.

After the Company has withdrawn the statutory reserve fund from its after-tax profits, it may also withdraw a discretionary reserve fund from its after-tax profits upon resolution by the shareholders’ meeting.

After-tax profits remaining after covering losses and allocating reserves shall be distributed in proportion to the shares held by shareholders, unless otherwise stipulated in the Articles of Association.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

If a Company violates the above regulations by distributing profits to its shareholders, the shareholders must return the unlawfully distributed profits to the Company. If this causes losses to the Company, the shareholders, along with the responsible directors and senior management, shall be liable for compensation.

The Company's reserve fund is used to cover the Company's losses, expand its production operations, or increase its capital.

Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the provisions.

When statutory reserve is converted to increase registered capital, the retained portion of such reserve shall not be less than twenty-five percent of the Company's registered capital prior to the conversion.

Appointment and retirement of accounting firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

According to the Guidelines for Articles of Association, the company shall guarantee to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the hired accounting firm, and shall not refuse, conceal or make false reports. The audit fee of an accounting firm shall be decided by the shareholders' meeting.

Distribution of profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In the event of a company registration, the amendments to the articles of association shall be registered with the relevant registration authorities.

Pursuant to the Company Law, the resolution of a shareholders' meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

Pursuant to the Guidance for Articles of Association, the company shall amend its articles of association under any of the following circumstances: (i) where, after any amendment to the Company Law or any other applicable law or administrative regulation, the provisions of the articles of association conflict with the law and/or administrative regulations amended; (ii) where the company's circumstances change to such an extent that they are inconsistent with what is recorded in the articles of association; and (iii) where the shareholders' general meeting decides to amend the articles of association.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Dissolution and liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

- (i) the term of business stipulated in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;
- (ii) the shareholders' meeting resolves to dissolve the company;
- (iii) dissolution is necessary due to a merger or division of the company;
- (iv) the business license is revoked, or the company is ordered to close down or is revoked in accordance with laws;
- (v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within 10 days.

Where the company is dissolved in accordance with item (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting. Where the company is dissolved pursuant to items (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation group to conduct liquidation. The people's court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation group shall exercise the following functions and powers during the liquidation period: (i) to liquidate the company's property and respectively prepare balance sheet and list of property; (ii) to notify creditors by notice or public announcement; (iii) to deal with the outstanding business of the company involved in the liquidation; (iv) to pay all outstanding taxes and taxes arising in the course of liquidation; (v) to liquidate claims and debts; (vi) to distribute the remaining property of the company after paying off debts; (vii) to participate in civil litigations on behalf of the company.

The liquidation group shall notify the company's creditors within 10 days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The remaining property of the company after the payment of liquidation expenses, employees’ wages, social insurance expenses and statutory compensation, outstanding taxes and the company’s debts, shall be distributed to shareholders in proportion to their shareholdings. During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company’s assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation group, having thoroughly examined the company’s assets and having prepared a balance sheet and an inventory of assets, discovers that the company’s assets are insufficient to pay its debts in full, it shall file an application to a people’s court for bankruptcy liquidation. After the people’s court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people’s court.

Upon completion of the liquidation, the liquidation group shall prepare a liquidation report to be submitted to the shareholders’ meeting or the people’s court for confirmation, and submit to the company registration authority to apply for cancellation of the company’s registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company’s deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas listing

According to the Overseas Listing Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within three working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of Article 16 of the Overseas Listing Trial Measures.

Loss of share certificates

A shareholder may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people’s court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people’s court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Suspension and termination of listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within three working days from the date of occurrence and announcement of the relevant matters.

Merger and demerger

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or the National Enterprise Credit Information Publicity System within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

SECURITIES LAW AND REGULATIONS

The Securities Law of the People's Republic of China, which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

According to the Securities Law of the PRC (2019 Revision) (《中華人民共和國證券法 (2019修訂)》) and the Administrative Measures on Acquisition of Listed Companies (《上市公司收購管理辦法》), where the shares held by an investor (including an overseas investor) through securities transactions on a stock exchange or jointly with others through an agreement or other arrangements attain 5% of the issued voting rights shares (including A-shares and H-shares) of a listed company, the investor shall submit a written report to the CSRC and SZSE within three days, notify the listed company and make an announcement. Whenever the investor's shares with voting rights in the said listed company are increased or reduced by 1%, the investor shall notify the listed company on the day following such occurrence, and make an announcement.

APPENDIX IV SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the PRC (《中華人民共和國仲裁法》), or the Arbitration Law, last amended by the SCNPC on September 1, 2017 and effective on January 1, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people’s court will refuse to take legal action brought by a party in the people’s court.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement according to the Civil Procedure Law. If there is evidence to prove that any of the following circumstances exists: the parties have not stipulated an arbitration clause in the contract or have not reached a written arbitration agreement afterwards; the respondent has not been notified of the appointment of the Court of Arbitration or the arbitration proceedings or failed to present views for other reasons for which the respondent is not responsible; the composition of the arbitral tribunal or the arbitration procedures are not in accordance with the arbitration rules; the matters awarded are outside the scope of the arbitration agreement, or the arbitration committee has no jurisdiction to arbitrate, the people’s court may rule not to enforce such award. A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the mainland China shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people’s court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People’s Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People’s Court on November 26, 2020 and effective on November 27, 2020, awards made by arbitral authorities in mainland China can be applied for enforcement in Hong Kong, and Hong Kong arbitration awards can also be applied for enforcement in the mainland China.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the mainland China and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People’s Court on January 25, 2024 and implemented on January 29, 2024, in the case of effective judgment of a civil and commercial case or civil damages in a criminal case made by the court of China and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the People’s Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

SHARE ISSUANCE

The issuance of shares by the Company shall follow the principles of fairness and impartiality. Each share of the same class shall carry identical rights. Shares of the same class issued at the same time shall be issued on identical terms and at an identical price; any entity or individual subscribing for shares shall pay the same price per share.

INCREASE, DECREASE, AND REPURCHASE OF SHARES

Increase and Decrease of Shares

To meet operational and development needs, the Company may increase its capital by the following methods upon resolutions passed by the Shareholders’ Meeting respectively in accordance with laws and regulations:

- (1) Issuing shares to non-specific targets;
- (2) Issuing shares to specific targets;
- (3) Distributing bonus shares to existing shareholders;
- (4) Capitalizing capital reserve to increase share capital;
- (5) Other methods stipulated by laws, administrative regulations, the China Securities Regulatory Commission (CSRC), and the securities regulatory authorities of the places where the Company’s shares are listed.

The Company may reduce its registered capital. Any reduction of the Company’s registered capital shall be carried out in accordance with the procedures stipulated in the Company Law and other relevant regulations as well as the Company’s Articles of Association.

Share Repurchase

The Company shall not repurchase its own shares, except under any of the following circumstances:

- (1) To reduce the Company’s registered capital;
- (2) For a merger with another company holding shares of the Company;
- (3) To use the shares for employee stock ownership plans or equity incentive schemes;
- (4) Where shareholders object to resolutions on the Company’s merger or division adopted by the Shareholders’ Meeting and request the Company to repurchase their shares;
- (5) To use the shares for converting corporate bonds issued by the Company that are convertible into shares;
- (6) Where it is necessary for the Company to safeguard its corporate value and shareholders’ rights and interests.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Company may repurchase its own shares through publicly-concentrated trading methods or other methods recognized by laws and regulations, the CSRC, and the securities regulatory authorities of the places where the Company’s shares are listed.

If the Company repurchases its own shares under circumstances specified in items (3), (5), or (6) above, it shall do so through publicly-concentrated trading methods.

If the Company repurchases its own shares under circumstances specified in items (1) or (2) above, it shall be subject to a resolution by the Shareholders’ Meeting. If the Company repurchases its own shares under circumstances specified in items (3), (5), or (6) above, it shall be subject to a resolution by a Board meeting attended by more than two-thirds of all Directors.

After the Company repurchases its own shares in accordance with the above provisions:

For circumstances under item (1), the shares shall be canceled within ten (10) days from the date of repurchase;

For circumstances under items (2) or (4), the shares shall be transferred or canceled within six (6) months;

For circumstances under items (3), (5), or (6), the total number of the Company’s own shares held by the Company shall not exceed ten percent (10%) of the total issued shares of the Company, and such shares shall be transferred or canceled within three (3) years.

TRANSFER OF SHARES

The shares of the Company may be transferred in accordance with the law. All transfers of H Shares shall be effected by an instrument of transfer in writing in the usual or common form or any other form acceptable to the Board (including the standard transfer form or instrument of transfer prescribed from time to time by the Hong Kong Stock Exchange); and such instrument of transfer shall be signed by the transferor and the transferee either manually or, if the transferor or transferee is a corporation, under its common seal. Where the transferor or transferee is a recognized clearing house (as defined in the relevant ordinances effective from time to time in Hong Kong) or its nominee, the instrument of transfer may be signed by manual signature or by mechanical reproduction thereof. All instruments of transfer shall be lodged at the Company’s registered office or such other address as the Board may from time to time determine.

The Company shall not accept its own shares as the subject matter of a pledge.

Shares issued by the Company prior to its initial public offering shall not be transferred within one (1) year from the date the Company’s shares are listed and traded on a stock exchange.

Directors and senior management personnel of the Company shall report to the Company the shares of the Company held by them and any changes therein. During their term of office, the number of shares transferred each year shall not exceed twenty-five percent (25%) of the total number of shares of the Company held by them respectively. The shares of the Company held by them shall not be transferred within one (1) year from the date the Company’s shares are listed and traded. The aforementioned personnel shall not transfer the shares of the Company held by them within six (6) months after leaving their positions.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

If a shareholder, Director, or senior management personnel of the Company holding more than five percent (5%) of the Company's shares sells the Company's shares or other equity securities held by them within six (6) months after purchase, or repurchases them within six (6) months after sale, the proceeds derived therefrom shall belong to the Company, and the Company's Board of Directors shall recover such proceeds, except where a securities firm holds more than 5% of shares due to underwriting and purchasing remaining shares after sale, or under other circumstances stipulated by the CSRC.

The shares or other equity securities referred to in the preceding paragraph held by Directors, senior management personnel, or individual shareholders include those held by their spouses, parents, children, or through accounts held by others.

If the Company's Board of Directors fails to act in accordance with this Article, shareholders are entitled to demand the Board to act within thirty (30) days. If the Board fails to act within the aforementioned period, shareholders are entitled, for the benefit of the Company, to directly initiate legal proceedings in a People's Court in their own name.

If the Company's Board of Directors fails to act in accordance with this Article, the responsible Director(s) shall bear joint and several liability according to law.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

The Company shall maintain a register of shareholders based on the certificates provided by the securities registration and clearing institution. The register of shareholders constitutes sufficient evidence of shareholders' shareholdings in the Company. Shareholders enjoy rights and assume obligations according to the class of shares they hold; shareholders holding the same class of shares enjoy equal rights and assume identical obligations.

The original copy of the H Share register shall be kept in Hong Kong for inspection by shareholders, but the Company may suspend the registration of shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the places where the Company's shares are listed. Any person registered in the H Share register or any person requesting the registration of his/her name (or its name) in the H Share register may, if his/its share certificate is lost, apply to the Company for a replacement share certificate in respect of such shares. If a holder of foreign shares listed overseas loses his/its share certificate and applies for a replacement, the matter may be handled in accordance with the laws, rules of the securities exchange, or other relevant regulations of the place where the original copy of the register for such foreign shares listed overseas is kept.

The transfer and transmission of share certificates shall be registered in the register of shareholders. The Company shall keep a duplicate copy of the H Share register at the Company's domicile; the entrusted overseas agent shall at all times ensure the consistency between the original and duplicate copies of the H Share register. The share register kept in Hong Kong shall be available for inspection by shareholders, but the Company may be permitted to suspend the registration of shareholders in accordance with provisions equivalent to Section 632 of the Hong Kong Companies Ordinance (Cap. 622).

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Shareholders of the Company enjoy the following rights:

- (1) To receive dividends and other forms of benefit distribution according to their shareholding proportion;
- (2) To request, convene, preside over, attend, or appoint a shareholder proxy to attend the Shareholders’ Meeting in accordance with the law, and to exercise corresponding voting rights;
- (3) To supervise the Company’s operations, and to make suggestions or inquiries;
- (4) To transfer, gift, or pledge the shares held by them in accordance with laws, administrative regulations, the securities regulatory rules of the places where the Company’s shares are listed, and the Articles of Association;
- (5) To inspect the Articles of Association, the register of shareholders, counterfoils of corporate bonds, minutes of Shareholders’ Meetings, resolutions of Board meetings, resolutions of Audit Committee meetings, and financial and accounting reports;
- (6) To participate in the distribution of the Company’s remaining assets according to their shareholding proportion upon the termination or liquidation of the Company;
- (7) For shareholders objecting to resolutions on the Company’s merger or division adopted by the Shareholders’ Meeting, to require the Company to repurchase their shares;
- (8) Other rights stipulated by laws, administrative regulations, departmental rules, or the Articles of Association.

If a shareholder requests to inspect or copy the Company’s relevant materials, it shall submit a written request to the Company, stating the purpose and providing written documents proving the class and quantity of shares it holds in the Company. After verification, the Company shall act in accordance with the provisions of the Company Law, the Securities Law, and other laws, administrative regulations, and the securities regulatory rules of the places where the Company’s shares are listed. If the Company has reasonable grounds to believe that the shareholder’s inspection or copying of the Company’s relevant materials involves the Company’s trade secrets, inside information, personal privacy of relevant personnel, violates the principle of fairness in information disclosure to all shareholders, or the shareholder has other improper purposes, the Company may refuse to provide such inspection or copying, and shall provide a written reply to the shareholder stating the reasons within fifteen (15) days from the date the shareholder submits the written request.

If the content of a resolution of the Company’s Shareholders’ Meeting or Board of Directors violates laws or administrative regulations, shareholders have the right to request a People’s Court to declare it invalid. If the convening procedures or voting methods of a Shareholders’ Meeting or Board meeting violate laws, administrative regulations, or the Articles of Association, or if the content of a resolution violates the Articles of Association, shareholders have the right to request a People’s Court to revoke it within sixty (60) days from the date the resolution is made, except where the convening procedures or voting methods involve only minor flaws that have no substantive impact on the resolution.

If a People’s Court renders a judgment or ruling on relevant matters, the Company shall fulfill its information disclosure obligations in accordance with laws, administrative regulations, and the regulations of the CSRC and the stock exchange, fully explain the impact, and actively cooperate with the execution after the judgment or ruling becomes effective. If it involves correcting prior matters, the Company shall handle them promptly and fulfill corresponding information disclosure obligations.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

If the Board of Directors, shareholders, or other relevant parties dispute the validity of a Shareholders' Meeting resolution, they shall promptly initiate legal proceedings in a People's Court. Before the People's Court renders a judgment or ruling such as revoking the resolution, the relevant parties shall execute the Shareholders' Meeting resolution. The Company, Directors, and senior management personnel shall effectively perform their duties to ensure the normal operation of the Company.

If Directors (excluding Audit Committee members) or senior management personnel, in performing their duties for the Company, violate laws, administrative regulations, or the Articles of Association, causing losses to the Company, shareholders who have held, individually or jointly, one percent (1%) or more of the Company's shares for one hundred and eighty (180) consecutive days or more have the right to make a written request to the Audit Committee to initiate legal proceedings in a People's Court. If Audit Committee members, in performing their duties for the Company, violate laws, administrative regulations, or the Articles of Association, causing losses to the Company, the aforementioned shareholders may make a written request to the Board of Directors to initiate legal proceedings in a People's Court.

If the Audit Committee or the Board of Directors, after receiving the written request from shareholders as stipulated above, refuses to initiate proceedings, or fails to do so within thirty (30) days from receiving the request, or if the situation is urgent and failure to initiate proceedings immediately will cause irreparable harm to the Company's interests, the shareholders stipulated above have the right, for the benefit of the Company, to directly initiate legal proceedings in a People's Court in their own name.

If others infringe upon the lawful rights and interests of the Company, causing losses to the Company, the shareholders stipulated in this Article may initiate legal proceedings in a People's Court in accordance with the aforementioned provisions.

If Directors or senior management personnel violate laws, administrative regulations, or the Articles of Association, damaging shareholders' interests, shareholders may initiate legal proceedings in a People's Court.

Shareholders of the Company shall assume the following obligations:

- (1) To comply with laws, administrative regulations, and the Articles of Association;
- (2) To pay the capital contribution according to the shares subscribed for and the method of contribution;
- (3) Not to withdraw capital except under circumstances stipulated by laws and regulations;
- (4) Not to abuse shareholder rights to damage the interests of the Company or other shareholders; not to abuse the Company's independent legal person status and shareholders' limited liability to damage the interests of the Company's creditors;
- (5) Other obligations that shall be borne under laws, administrative regulations, and the Articles of Association.

If a shareholder of the Company abuses its shareholder rights, causing losses to the Company or other shareholders, it shall bear liability for compensation according to law. If a shareholder of the Company abuses the Company's independent legal person status and shareholders' limited liability to evade debts, seriously damaging the interests of the Company's creditors, it shall bear joint and several liability for the Company's debts.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Company’s controlling shareholders and actual controllers shall exercise rights and perform obligations in accordance with laws, administrative regulations, and the regulations of the CSRC and the stock exchange, and safeguard the interests of the listed company.

General Provisions on Shareholders’ Meeting

The Shareholders’ Meeting of the Company consists of all shareholders. The Shareholders’ Meeting is the authority of the Company and exercises the following functions and powers in accordance with the law:

- (1) To elect and replace Directors, and decide on matters concerning their remuneration;
- (2) To review and approve reports of the Board of Directors;
- (3) To review and approve the Company’s profit distribution plan and loss recovery plan;
- (4) To adopt resolutions on increase or decrease of the Company’s registered capital;
- (5) To adopt resolutions on the issuance of corporate bonds;
- (6) To adopt resolutions on the Company’s merger, division, dissolution, liquidation, or change of corporate form;
- (7) To amend the Articles of Association;
- (8) To adopt resolutions on the appointment or dismissal of the Company’s accounting firm;
- (9) To review and approve guarantee matters stipulated in Article 47 of the Articles of Association;
- (10) To review matters concerning the Company’s purchase or sale of major assets exceeding 30% of the Company’s total assets as shown in the latest audited financial statements within one year;
- (11) To review and approve connected transactions between the Company and connected persons with a transaction amount (including assumed debts and expenses) exceeding RMB 30 million and accounting for 5% or more of the absolute value of the Company’s net assets as shown in the latest audited financial statements (except where laws, regulations, and normative documents have separate rules on connected guarantees);
- (12) To review and approve matters concerning changes in the use of funds raised;
- (13) To review equity incentive plans and employee stock ownership plans;
- (14) To review other matters that shall be decided by the Shareholders’ Meeting as stipulated by laws, administrative regulations, departmental rules, or the Articles of Association.

The Shareholders’ Meeting may authorize the Board of Directors to adopt resolutions on the issuance of corporate bonds.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The following external guarantee acts of the Company must be reviewed and approved by the Shareholders’ Meeting:

- (1) Any guarantee provided after the total amount of external guarantees of the Company and its controlling subsidiaries exceeds 50% of the net assets as shown in the latest audited financial statements;
- (2) Any guarantee provided after the total amount of external guarantees provided by the Company and its controlling subsidiaries exceeds 30% of the Company’s total assets as shown in the latest audited financial statements;
- (3) Any guarantee with an amount exceeding 30% of the Company’s total assets as shown in the latest audited financial statements provided by the Company to others within one year;
- (4) Guarantees provided to objects with an asset-liability ratio exceeding 70%;
- (5) Any single guarantee with an amount exceeding 10% of the net assets as shown in the latest audited financial statements;
- (6) Guarantees provided to shareholders, actual controllers, and their connected parties;
- (7) Other guarantee circumstances that shall be reviewed by the Shareholders’ Meeting as stipulated by laws, administrative regulations, rules, securities regulatory rules of the places where the Company’s shares are listed, or other normative documents.

When the Shareholders’ Meeting reviews a proposal to provide guarantees to shareholders, actual controllers, and their connected parties, such shareholders or shareholders controlled by such actual controllers shall not participate in the vote on such proposal. Such proposal shall be passed by more than half of the voting rights held by other shareholders present at the Shareholders’ Meeting. When the Shareholders’ Meeting reviews the guarantee under item (3) above, it shall be passed by more than two-thirds of the voting rights held by shareholders present at the Shareholders’ Meeting.

If the Company engages in transactions such as purchasing or selling assets (excluding the purchase of raw materials, fuel, and power, and the sale of products, goods, and other assets related to daily operations, but including the purchase and sale of such assets involved in asset swaps), external investments (including entrusted wealth management, entrusted loans, investments in subsidiaries, etc.), providing financial assistance, providing guarantees, leasing in or out assets, signing management contracts (including entrusted operation, trust operation, etc.), gifting or receiving assets, debt or asset restructuring, transfer of research and development projects, signing license agreements, etc., and such transactions reach any of the following thresholds, they must be reviewed and approved by the Shareholders’ Meeting:

- (1) The total assets involved in the transaction (taking the higher of book value and appraised value, if both exist) accounts for 50% or more of the Company’s total assets as shown in the latest audited financial statements;
- (2) The net assets (taking the higher of book value and appraised value, if both exist) involved in the transaction target (e.g., equity) accounts for 50% or more of the listed company’s net assets as shown in the latest audited financial statements, and the absolute amount exceeds RMB50 million;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

- (3) The relevant operating income of the transaction target (e.g., equity) in the most recent fiscal year accounts for 50% or more of the Company's operating income in the most recent fiscal year as shown in the audited financial statements, and the absolute amount exceeds RMB50 million;
- (4) The relevant net profit of the transaction target (e.g., equity) in the most recent fiscal year accounts for 50% or more of the Company's net profit in the most recent fiscal year as shown in the audited financial statements, and the absolute amount exceeds RMB5 million;
- (5) The transaction amount (including assumed debts and expenses) accounts for 50% or more of the Company's net assets as shown in the latest audited financial statements, and the absolute amount exceeds RMB50 million;
- (6) The profit generated from the transaction accounts for 50% or more of the Company's net profit in the most recent fiscal year as shown in the audited financial statements, and the absolute amount exceeds RMB5 million.

If data involved in the calculation of the above indicators is negative, its absolute value shall be taken for calculation.

The Company may be exempted from submitting the following transactions to the Shareholders' Meeting for review in accordance with this Article, but shall still fulfill information disclosure obligations in accordance with regulations:

- (1) Transactions such as receiving cash assets or obtaining debt relief by the Company that do not involve payment of consideration or any attached obligations;
- (2) Transactions of the Company that only reach the standard under item (4) or (6) of this paragraph, and the absolute value of the Company's earnings per share in the most recent fiscal year is lower than RMB0.05.

Shareholders' Meetings are divided into annual Shareholders' Meetings and extraordinary Shareholders' Meetings. An annual Shareholders' Meeting shall be held once each year and shall be convened within six (6) months after the end of the previous fiscal year.

An extraordinary Shareholders' Meeting shall be convened within two (2) months from the occurrence of any of the following circumstances:

- (1) When the number of Directors falls below the quorum stipulated in the Company Law or two-thirds of the number stipulated in the Articles of Association;
- (2) When the Company's uncovered losses reach one-third of its total paid-in share capital;
- (3) Upon request by shareholders holding 10% or more of the Company's shares individually or jointly;
- (4) When the Board of Directors deems it necessary;
- (5) Upon proposal by the Audit Committee;
- (6) Other circumstances stipulated by laws, administrative regulations, departmental rules, or the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Convening of Shareholders' Meeting

Upon consent by more than half of all independent directors, the independent directors have the right to propose to the Board of Directors the convening of an extraordinary Shareholders' Meeting. Regarding the proposal by independent directors to convene an extraordinary Shareholders' Meeting, the Board of Directors shall, in accordance with laws, administrative regulations, and the Articles of Association, provide a written feedback within ten (10) days of receiving the proposal, indicating agreement or disagreement to convene the extraordinary Shareholders' Meeting. If the Board agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within five (5) days after making the Board resolution. If the Board disagrees, it shall state the reasons and make an announcement.

The Audit Committee shall submit a proposal to convene an extraordinary Shareholders' Meeting to the Board of Directors in writing. The Board of Directors shall, in accordance with laws, administrative regulations, and the Articles of Association, provide a written feedback within ten (10) days of receiving the proposal, indicating agreement or disagreement to convene the extraordinary Shareholders' Meeting.

If the Board of Directors agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within five (5) days after making the Board resolution. Any changes to the original proposal in the notice shall be subject to the consent of the Audit Committee.

If the Board of Directors disagrees to convene the extraordinary Shareholders' Meeting, or fails to provide feedback within ten (10) days of receiving the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty to convene the Shareholders' Meeting, and the Audit Committee may convene and preside over the meeting on its own.

Shareholders holding 10% or more of the Company's shares individually or jointly have the right to request the Board of Directors to convene an extraordinary Shareholders' Meeting, and shall submit such request to the Board of Directors in writing. The Board of Directors shall, in accordance with laws, administrative regulations, and the Articles of Association, provide a written feedback within ten (10) days of receiving the request, indicating agreement or disagreement to convene the extraordinary Shareholders' Meeting.

If the Board of Directors agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within five (5) days after making the Board resolution. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Board of Directors disagrees to convene the extraordinary Shareholders' Meeting, or fails to provide feedback within ten (10) days of receiving the request, shareholders holding 10% or more of the Company's shares individually or jointly have the right to propose to the Audit Committee the convening of an extraordinary Shareholders' Meeting, and shall submit such request to the Audit Committee in writing.

If the Audit Committee agrees to convene the extraordinary Shareholders' Meeting, it shall issue a notice for convening the Shareholders' Meeting within five (5) days of receiving the request. Any changes to the original request in the notice shall be subject to the consent of the relevant shareholders.

If the Audit Committee fails to issue the Shareholders' Meeting notice within the stipulated time limit, it shall be deemed that the Audit Committee does not convene and preside over the Shareholders' Meeting, and shareholders holding 10% or more of the Company's shares individually or jointly for ninety (90) consecutive days or more may convene and preside over the meeting on their own.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

If the Audit Committee or shareholders decide to convene the Shareholders' Meeting on their own, they shall notify the Board of Directors in writing and, in accordance with the securities regulatory rules of the places where the Company's shares are listed and the regulations of the stock exchange, complete necessary reporting, announcement, or filing procedures.

The Audit Committee or the convening shareholders shall, when issuing the Shareholders' Meeting notice and the announcement of the Shareholders' Meeting resolution, complete necessary reporting, announcement, or filing procedures in accordance with the securities regulatory rules of the places where the Company's shares are listed and the regulations of the stock exchange.

Before the announcement of the Shareholders' Meeting resolution, the shareholding proportion of the convening shareholders shall not be lower than 10%.

For Shareholders' Meetings convened by the Audit Committee or shareholders on their own, the Board of Directors and the Board Secretary shall cooperate, provide necessary support, and promptly fulfill information disclosure obligations. The Board of Directors shall provide the register of shareholders as of the record date.

The necessary expenses for meetings convened by the Audit Committee or shareholders on their own shall be borne by the Company.

Proposals and Notice for Shareholders' Meeting

The content of a proposal shall fall within the scope of authority of the Shareholders' Meeting, have a clear topic and specific resolution matters, and comply with the relevant provisions of laws, administrative regulations, and the Articles of Association.

When the Company convenes a Shareholders' Meeting, the Board of Directors, the Audit Committee, and shareholders holding 1% or more of the Company's shares individually or jointly have the right to submit proposals to the Company.

Shareholders holding 1% or more of the Company's shares individually or jointly may, ten (10) days prior to the convening of the Shareholders' Meeting, submit an extraordinary proposal in writing to the convener. The convener shall, within two (2) days of receiving the proposal, issue a supplementary notice for the Shareholders' Meeting, announce the content of the extraordinary proposal, and submit such extraordinary proposal to the Shareholders' Meeting for review, except where the extraordinary proposal violates laws, administrative regulations, or the Articles of Association, or does not fall within the scope of authority of the Shareholders' Meeting.

Except under the circumstances stipulated above, after issuing the Shareholders' Meeting notice, the convener shall not modify proposals already listed in the Shareholders' Meeting notice or add new proposals.

Proposals not listed in the Shareholders' Meeting notice or not conforming to the provisions of the preceding Article shall not be voted on or resolved at the Shareholders' Meeting.

The convener shall notify each shareholder of the annual Shareholders' Meeting by announcement at least twenty-one (21) days prior to the meeting, and of an extraordinary Shareholders' Meeting at least fifteen (15) days prior to the meeting.

When calculating the starting period, the day of the meeting shall not be included.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The notice for a Shareholders' Meeting shall include the following content:

- (1) The time, place, and duration of the meeting;
- (2) Matters and proposals submitted for review at the meeting;
- (3) A clear statement that all shareholders are entitled to attend the Shareholders' Meeting, and may appoint a proxy in writing to attend the meeting and vote, and such proxy need not be a shareholder of the Company;
- (4) The record date for shareholders entitled to attend the Shareholders' Meeting;
- (5) The name and telephone number of the standing contact person for the meeting affairs;
- (6) If any Director or senior management personnel has a material interest in the matters to be discussed, the nature and extent of such interest shall be disclosed; if the impact of the matters to be discussed on such Director or senior management personnel as a shareholder differs from that on other shareholders of the same class, such difference shall be explained;
- (7) The voting time and voting procedures via network or other means.

The notice and supplementary notice for the Shareholders' Meeting shall fully and completely disclose the entire specific content of all proposals. The start time for voting via network or other means shall not be earlier than 3:00 p.m. on the day before the on-site Shareholders' Meeting is held, nor later than 9:30 a.m. on the day the on-site Shareholders' Meeting is held. The end time shall not be earlier than 3:00 p.m. on the day the on-site Shareholders' Meeting concludes. The interval between the record date and the meeting date shall not exceed seven (7) business days. Once the record date is confirmed, it shall not be changed.

If the Shareholders' Meeting intends to discuss matters concerning the election of Directors, the Shareholders' Meeting notice shall fully disclose the detailed information of the Director candidates, including at least the following:

- (1) Personal background such as education, work experience, and part-time positions;
- (2) Whether there exists any connected relationship with the Company's Directors, senior management personnel, actual controllers, and shareholders holding 5% or more of shares;
- (3) The number of the Company's shares held;
- (4) Whether they have been subject to penalties by the CSRC and other relevant departments or sanctions by the stock exchange;
- (5) Other content required by the CSRC, the stock exchange, or the stock exchange of the listing place.

Except for the election of Directors by cumulative voting, each Director candidate shall be proposed as a separate proposal.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

After the Shareholders’ Meeting notice is issued, the Shareholders’ Meeting shall not be postponed or canceled without proper reason, and proposals listed in the notice shall not be canceled. Once a postponement or cancellation occurs, the convener shall make an announcement and state the reasons at least two (2) business days prior to the originally scheduled convening date. If the securities regulatory rules of the places where the Company’s shares are listed have special provisions on the procedures for postponing or cancelling a Shareholders’ Meeting, such provisions shall be followed provided they do not violate domestic regulatory requirements.

Holding of Shareholders’ Meeting

All shareholders or their proxies registered in the register on the record date are entitled to attend the Shareholders’ Meeting and, in accordance with relevant laws, regulations, and the Articles of Association, speak at the Shareholders’ Meeting and exercise voting rights at the Shareholders’ Meeting (unless individual shareholders are required to abstain from voting on specific matters under the securities regulatory rules of the places where the Company’s shares are listed).

A shareholder may attend the Shareholders’ Meeting in person or appoint a proxy to attend and vote on his/her/its behalf. The proxy need not be a shareholder of the Company.

An individual shareholder attending the meeting in person shall present his/her identity card or other valid documents or certificates that can indicate his/her identity; a proxy attending the meeting on behalf of others shall present his/her own valid identity documents and the power of attorney from the shareholder.

A corporate shareholder shall be represented by its legal representative or a proxy entrusted by the legal representative. If the legal representative attends the meeting, he/she shall present his/her identity card and valid proof of his/her status as legal representative; if a proxy attends the meeting, the proxy shall present his/her identity card and a written power of attorney lawfully issued by the legal representative of the corporate shareholder (except where the shareholder is a recognized clearing house as defined in relevant ordinances effective from time to time in Hong Kong or the securities regulatory rules of the places where the Company’s shares are listed, or its agent). If such corporate shareholder has already appointed a proxy to attend the meeting in accordance with the provisions of the Articles of Association, it shall be deemed to be attending in person.

A power of attorney issued by a shareholder for appointing another person to attend the Shareholders’ Meeting shall specify the following:

- (1) The name of the principal and the class and quantity of the Company’s shares held;
- (2) The name of the proxy;
- (3) Specific instructions of the shareholder, including instructions to vote for, against, or abstain on each review matter included in the agenda of the Shareholders’ Meeting;
- (4) The date of issuance and the validity period of the power of attorney;
- (5) Signature (or seal) of the principal. If the principal is a corporate shareholder, it shall be affixed with the seal of the corporate entity.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

If a proxy voting authorization is signed by the principal authorizing another person, the authorization letter or other authorization document for such authorization signature shall be notarized. The notarized authorization letter or other authorization document and the proxy voting authorization shall both be deposited at the Company's domicile or elsewhere as specified in the notice convening the meeting at least before the meeting related to the voting authorized by such authorization is held or before the designated voting time.

If the principal is a legal person, its legal representative or a person authorized by a resolution of its board of directors or other decision-making body shall attend the Company's Shareholders' Meeting as its representative.

The convener and the lawyer engaged by the Company shall jointly verify the legitimacy of shareholder qualifications based on the register of shareholders provided by the securities registration and clearing institution, and register the shareholder's name (or name) and the number of voting shares held. Registration shall cease once the meeting chairperson announces the number of shareholders and proxies present on-site and the total number of voting shares held.

If the Shareholders' Meeting requires Directors or senior management personnel to attend the meeting, such Directors or senior management personnel shall attend and respond to shareholders' inquiries. To the extent permitted by the securities regulatory rules of the places where the Company's shares are listed, the aforementioned persons may attend or be present at the meeting via network, video, telephone, or other means with equivalent effect.

The Shareholders' Meeting shall be presided over by the Chairman of the Board. If the Chairman is unable or fails to perform his/her duties, it shall be presided over by the Vice Chairman. If the Vice Chairman is unable or fails to perform his/her duties, it shall be presided over by a Director jointly recommended by more than half of the Directors.

A Shareholders' Meeting convened by the Audit Committee on its own shall be presided over by the Chairman of the Audit Committee. If the convener of the Audit Committee is unable or fails to perform his/her duties, it shall be presided over by an Audit Committee member jointly recommended by more than half of the Audit Committee members.

A Shareholders' Meeting convened by shareholders on their own shall be presided over by a representative recommended by the convener.

When convening a Shareholders' Meeting, if the meeting chairperson violates the rules of procedure, making it impossible to continue the Shareholders' Meeting, upon consent by shareholders holding more than half of the voting rights present at the on-site Shareholders' Meeting, the Shareholders' Meeting may elect one person to serve as the meeting chairperson and continue the meeting.

The Company shall formulate rules of procedure for Shareholders' Meetings, detailing the procedures for convening and voting at Shareholders' Meetings, including notice, registration, review of proposals, voting, vote counting, announcement of voting results, formation of meeting resolutions, meeting minutes and their signing, etc., as well as the authorization principles of the Shareholders' Meeting to the Board of Directors, and the authorization content shall be clear and specific. The rules of procedure for Shareholders' Meetings shall be an appendix to the Articles of Association, drafted by the Board of Directors and approved by the Shareholders' Meeting.

At the annual Shareholders' Meeting, the Board of Directors shall report to the Shareholders' Meeting on its work over the past year. Each independent director shall also make a work report.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Directors and senior management personnel shall provide explanations and clarifications regarding shareholders’ inquiries and suggestions at the Shareholders’ Meeting.

The meeting chairperson shall announce, before voting, the number of shareholders and proxies present on-site and the total number of voting shares held. The number of shareholders and proxies present on-site and the total number of voting shares held shall be based on the meeting registration.

Voting and Resolutions of Shareholders’ Meeting

Resolutions of the Shareholders’ Meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolution of the Shareholders’ Meeting shall be passed by more than half of the voting rights held by shareholders (including shareholder proxies) present at the Shareholders’ Meeting.

A special resolution of the Shareholders’ Meeting shall be passed by more than two-thirds of the voting rights held by shareholders (including shareholder proxies) present at the Shareholders’ Meeting.

The following matters shall be passed by the Shareholders’ Meeting by ordinary resolution:

- (1) Work report of the Board of Directors;
- (2) Profit distribution plan and loss recovery plan formulated by the Board of Directors;
- (3) Appointment and removal of Directors, and their remuneration and payment methods;
- (4) Other matters besides those that shall be passed by special resolution as stipulated by laws, administrative regulations, the securities regulatory rules of the places where the Company’s shares are listed, or the Articles of Association.

The following matters shall be passed by the Shareholders’ Meeting by special resolution:

- (1) Increase or decrease of the Company’s registered capital;
- (2) Division, spin-off, merger, dissolution, and liquidation of the Company;
- (3) Amendment of the Articles of Association;
- (4) The Company’s purchase or sale of major assets or guarantee amount exceeding 30% of the Company’s total assets as shown in the latest audited financial statements within one year;
- (5) Equity incentive plans;
- (6) Other matters that shall be passed by special resolution as stipulated by laws, administrative regulations, the securities regulatory rules of the places where the Company’s shares are listed, or the Articles of Association, or as determined by the Shareholders’ Meeting by ordinary resolution to have a material impact on the Company and require passage by special resolution.

Shareholders (including shareholder proxies) exercise their voting rights based on the number of voting shares they represent. Each share carries one vote.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

When the Shareholders' Meeting reviews major matters affecting the interests of minority investors, the votes of minority investors shall be counted separately. The results of separate vote counting shall be disclosed publicly in a timely manner.

Shares of the Company held by the Company itself carry no voting rights, and such shares shall not be included in the total number of voting shares present at the Shareholders' Meeting.

If a shareholder's purchase of the Company's voting shares violates Article 63 of the Securities Law, the portion of shares exceeding the stipulated ratio shall not exercise voting rights within thirty-six (36) months after purchase and shall not be included in the total number of voting shares present at the Shareholders' Meeting.

The Company's Board of Directors, independent directors, shareholders holding 1% or more of the voting shares, or investor protection institutions established in accordance with laws, administrative regulations, or CSRC regulations may publicly solicit shareholders' voting rights. When soliciting shareholders' voting rights, specific voting intentions and other information shall be fully disclosed to the solicited parties. Solicitation of shareholders' voting rights on a paid or disguised paid basis is prohibited. Except as stipulated by law, the Company shall not impose minimum shareholding ratio restrictions on the solicitation of voting rights.

When the Shareholders' Meeting reviews matters concerning connected transactions, connected shareholders (including authorized proxies) may attend the Shareholders' Meeting but shall not participate in the voting on such connected matters. The number of voting shares they represent shall not be included in the total number of valid votes. The Shareholders' Meeting resolution shall fully disclose the voting situation of non-connected shareholders.

When the Shareholders' Meeting votes on the election of Directors, cumulative voting may be implemented in accordance with the provisions of the Articles of Association or a resolution of the Shareholders' Meeting.

When the Shareholders' Meeting elects two or more independent directors, cumulative voting shall be implemented.

Except when cumulative voting is implemented, the Shareholders' Meeting shall vote on all proposals item by item. If there are different proposals on the same matter, they shall be voted on in the order of proposal submission. Except where force majeure or other special reasons cause the Shareholders' Meeting to be suspended or unable to make a resolution, the Shareholders' Meeting shall not shelve or refuse to vote on proposals.

When the Shareholders' Meeting reviews a proposal, the proposal shall not be amended. Otherwise, the relevant change shall be deemed a new proposal and cannot be voted on at this Shareholders' Meeting.

The same voting right can only choose one of on-site, network, or other voting methods. If the same voting right is used repeatedly, the first voting result shall prevail.

The Shareholders' Meeting shall vote by named ballot.

Before voting on a proposal at the Shareholders' Meeting, two shareholder representatives shall be recommended to participate in vote counting and supervision. If the matter under review is connected to a shareholder, such shareholder and its proxy shall not participate in vote counting and supervision.

When the Shareholders' Meeting votes on a proposal, a lawyer and shareholder representatives shall jointly be responsible for vote counting and supervision, and the voting result shall be announced on the spot. The voting result of the resolution shall be recorded in the meeting minutes.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Shareholders or their proxies of the Company who vote via network or other means have the right to verify their own voting results through the corresponding voting system.

The end time of the on-site Shareholders’ Meeting shall not be earlier than that of the network or other voting methods. The meeting chairperson shall announce the voting situation and result of each proposal and declare whether the proposal is passed based on the voting result.

Before formally announcing the voting result, the Company, vote counters, vote supervisors, major shareholders, network service providers, and other relevant parties involved in the on-site, network, and other voting methods of the Shareholders’ Meeting all have a duty of confidentiality regarding the voting situation.

Resolutions of the Shareholders’ Meeting shall be announced promptly. The announcement shall list the number of shareholders and proxies present at the meeting, the total number of voting shares held and their proportion to the Company’s total voting shares, voting methods, voting result of each proposal, and detailed content of each resolution passed.

If a proposal is not passed, or if this Shareholders’ Meeting amends a resolution of a previous Shareholders’ Meeting, special note shall be made in the Shareholders’ Meeting resolution.

DIRECTORS AND BOARD OF DIRECTORS

Directors

The company’s directors are natural persons. Whoever falls under any of the following circumstances may not serve as the director of the company:

- (1) he/she has no civil capacity or restricted civil capacity;
- (2) he/she has been subject to criminal penalty due to corruption, bribery, embezzlement or misappropriation of property or disrupting the socialist market economic order, or has been deprived of political rights due to a crime, and not more than 5 years have elapsed since the completion date of the execution of the penalty; where a probation has been declared, and not more than 2 years have elapsed since the expiry date of the probation;
- (3) he/she served as a director, factory director, manager of a company or enterprise subject to bankruptcy liquidation, and was personally liable for the bankruptcy of such company or enterprise, and not more than 3 years have elapsed since the date of completion of the bankruptcy liquidation of the company or enterprise;
- (4) he/she served as a legal representative of a company or enterprise, whose business license was revoked or which was ordered to close down due to a violation of the law, and was personally liable, and not more than 3 years have elapsed since the date of revocation of the business license or closure of the company or enterprise;
- (5) he/she is listed as a dishonest person subject to enforcement by the people’s court due to a relatively large amount of outstanding personal debt;
- (6) he/she has been prohibited from entering into the securities market by the CSRC, and the period has not elapsed;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

- (7) he/she has been publicly determined by the Stock Exchanges to be not suitable to serve as a director or senior executive of a listed company, and the period has not elapsed;
- (8) other contents specified by the laws, administrative regulations or departmental rules.

In the case of an election or nomination of a director that contravenes this Article, such election or nomination or appointment is invalid. If any director falls under the circumstances of this Article during the term of office, the company will remove him/her from office and stop his/her performance of duties.

Directors are elected or replaced by the Shareholders' Meeting and may be removed from office by an ordinary resolution of the Shareholders' Meeting before the expiration of their term. The term of office for each Director is three (3) years, and Directors may serve consecutive terms if re-elected.

The term of office of a Director commences from the date the Shareholders' Meeting resolution is passed and lasts until the expiry of the term of office of the current Board of Directors. If a Director's term expires and no timely reelection is conducted, the original Director shall, before the newly elected Director assumes office, continue to perform the duties of a Director in accordance with laws, administrative regulations, departmental rules, and the Articles of Association.

A Director may concurrently serve as the President or other senior management personnel, provided that the total number of Directors concurrently serving as the President or other senior management personnel and Directors serving as employee representatives shall not exceed one-half of the total number of Directors of the Company.

Directors shall comply with laws, administrative regulations, and the provisions of the Articles of Association, owe a duty of loyalty to the Company, shall take measures to avoid conflicts between their own interests and the interests of the Company, and shall not use their authority to seek improper benefits.

Directors owe the following duties of loyalty to the Company:

- (1) Not to misappropriate Company property or Company funds;
- (2) Not to deposit Company assets or funds in accounts opened in their own names or in the names of other individuals;
- (3) Not to accept bribes or other illegal income by taking advantage of their positions;
- (4) Not to directly or indirectly enter into contracts or conduct transactions with the Company without reporting to the Board of Directors or the Shareholders' Meeting and obtaining approval through a resolution of the Board of Directors or the Shareholders' Meeting in accordance with the provisions of the Articles of Association;
- (5) Not to take advantage of their positions to seize business opportunities of the Company for themselves or others, except where they have reported to the Board of Directors or the Shareholders' Meeting and the Shareholders' Meeting has passed a resolution, or the Company is unable to utilize such business opportunity according to laws, administrative regulations, or the Articles of Association;
- (6) Not to operate, for themselves or others, businesses of the same type as the Company's without reporting to the Board of Directors or the Shareholders' Meeting and obtaining approval through a resolution of the Shareholders' Meeting;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

- (7) Not to accept commissions from transactions with the Company for themselves;
- (8) Not to disclose Company secrets without authorization;
- (9) Not to use their connected relationships to damage the interests of the Company;
- (10) Other duties of loyalty stipulated by laws, administrative regulations, departmental rules, and the Articles of Association.

Any income derived by a Director from violating this Article shall belong to the Company; if losses are caused to the Company, the Director shall bear liability for compensation.

Connected persons of Directors and senior management personnel, including their close relatives, enterprises directly or indirectly controlled by Directors, senior management personnel, or their close relatives, and other connected persons having relationships with Directors or senior management personnel, entering into contracts or conducting transactions with the Company, shall apply the provisions of item (4) of this paragraph.

Directors shall comply with laws, administrative regulations, and the provisions of the Articles of Association, owe a duty of diligence to the Company, and shall exercise the care of a normally prudent manager in performing their duties for the best interests of the Company.

Directors owe the following duties of diligence to the Company:

- (1) To exercise the powers conferred by the Company prudently, diligently, and carefully, to ensure the Company's business activities comply with the requirements of national laws, administrative regulations, and various national economic policies, and that business activities do not exceed the business scope stipulated in the business license;
- (2) To treat all shareholders fairly;
- (3) To keep timely informed of the Company's business operations and management status;
- (4) To sign written confirmation opinions on the Company's periodic reports, ensuring the information disclosed by the Company is true, accurate, and complete;
- (5) To provide the Audit Committee with relevant information and materials truthfully, and not to hinder the Audit Committee from exercising its powers;
- (6) Other duties of diligence stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed, and the Articles of Association.

A Director may resign before the expiration of his/her term. A Director's resignation shall be submitted to the Company in writing. The resignation shall become effective on the date the Company receives the resignation letter. The Company shall disclose relevant information within two (2) days. If the resignation of the Director causes the number of Board members to fall below the statutory minimum, the original Director shall, before the newly elected Director assumes office, continue to perform the duties of a Director in accordance with laws, administrative regulations, departmental rules, and the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Company shall establish a management system for Director departure, clarifying safeguard measures for pursuing responsibility and compensation for unfulfilled public commitments and other unfinished matters. After a Director's resignation becomes effective or his/her term expires, he/she shall complete all handover procedures with the Board of Directors. The duty of loyalty owed to the Company and shareholders does not automatically terminate upon the end of the term and remains valid within a reasonable period stipulated in the Articles of Association. The responsibilities that a Director should bear during his/her term for performing his/her duties shall not be exempted or terminated due to departure.

The Shareholders' Meeting may remove a Director by an ordinary resolution. The removal shall become effective on the date the resolution is made.

If a Director is removed before the expiration of his/her term without proper reason, the Director may require the Company to compensate.

Without authorization stipulated in the Articles of Association or lawful authorization from the Board of Directors, no Director may act in the name of the Company or the Board of Directors in his/her personal capacity. When a Director acts in his/her personal capacity, and a third party would reasonably believe that the Director is acting on behalf of the Company or the Board of Directors, the Director shall declare his/her position and identity in advance.

Board of Directors

The Company shall have a Board of Directors, consisting of ten (10) Directors, including four (4) independent directors. There shall be one (1) Chairman and one (1) Vice Chairman. There shall be one (1) employee representative Director. The Chairman and Vice Chairman shall be elected by a majority vote of all Directors.

The number of independent directors shall not be less than one-third of all Board members and shall include at least one person with appropriate professional qualifications or appropriate accounting or related financial management expertise as required by the securities regulatory rules of the places where the Company's shares are listed. All independent directors must possess the independence required by the securities regulatory rules of the places where the Company's shares are listed.

The Board of Directors exercises the following functions and powers:

- (1) Responsible for convening the Shareholders' Meeting and reporting work to the Shareholders' Meeting;
- (2) Implementing resolutions of the Shareholders' Meeting;
- (3) Deciding on the Company's business plans and investment plans;
- (4) Formulating the Company's profit distribution plan and loss recovery plan;
- (5) Formulating plans for the Company's increase or decrease of registered capital, issuance of bonds or other securities, and listing;
- (6) Drafting plans for the Company's major acquisition, repurchase of the Company's shares, or merger, division, dissolution, or change of corporate form;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

- (7) Within the scope authorized by the Shareholders' Meeting, deciding on matters such as the Company's external investments, acquisition and sale of assets, asset mortgages, external guarantees, entrusted wealth management, connected transactions, external donations, etc.;
- (8) Deciding on the establishment of the Company's internal management structure;
- (9) Deciding on the appointment or dismissal of the Company's Manager, Board Secretary, and other senior management personnel, and deciding on their remuneration, reward and disciplinary matters; based on the nomination of the Manager, deciding on the appointment or dismissal of the Company's Deputy Managers, financial officer, and other senior management personnel, and deciding on their remuneration, reward and disciplinary matters;
- (10) Formulating the Company's basic management systems;
- (11) Drafting amendments to the Articles of Association;
- (12) Managing the Company's information disclosure matters;
- (13) Proposing to the Shareholders' Meeting the appointment or replacement of the accounting firm auditing the Company;
- (14) Listening to work reports from the Company's President and inspecting the President's work;
- (15) Reviewing and approving connected transactions between the Company and connected natural persons with a transaction amount (including assumed debts and expenses) exceeding RMB300,000 (except where laws, regulations, and normative documents have separate rules on connected guarantees); reviewing and approving connected transactions between the Company and connected legal persons (or other organizations) with a transaction amount (including assumed debts and expenses) exceeding RMB3 million and accounting for 0.5% or more of the absolute value of the Company's net assets as shown in the latest audited financial statements (except where laws, regulations, the securities regulatory rules of the places where the Company's shares are listed, and normative documents have separate rules on connected guarantees);
- (16) Reviewing guarantee matters other than those requiring approval by the Shareholders' Meeting;
- (17) Reviewing major investment matters in accordance with the provisions of the relevant rules of procedure attached to the Articles of Association;
- (18) Other functions and powers granted by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed, or the Articles of Association.

Matters exceeding the scope authorized by the Shareholders' Meeting shall be submitted to the Shareholders' Meeting for review.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

When the Board of Directors reviews external guarantee matters stipulated in item (16) of this paragraph, in addition to being passed by a majority of all Directors, it must also be approved by more than two-thirds of the Directors present at the Board meeting.

The Board of Directors shall determine the authority for external investments, acquisition and sale of assets, asset mortgages, external guarantees, entrusted wealth management, connected transactions, external donations, etc., and establish strict examination and decision-making procedures. Major investment projects shall be evaluated by relevant experts and professionals and reported to the Shareholders' Meeting for approval.

The Chairman of the Board exercises the following functions and powers:

- (1) Presiding over the Shareholders' Meeting and convening and presiding over Board meetings;
- (2) Supervising and inspecting the implementation of Board resolutions;
- (3) Other functions and powers granted by the Board of Directors.

The Vice Chairman of the Company assists the Chairman in his/her work. If the Chairman is unable or fails to perform his/her duties, the Vice Chairman shall perform such duties (if the Company has two or more Deputy Chairmen, the Vice Chairman jointly recommended by a majority of Directors shall perform such duties). If the Vice Chairman is unable or fails to perform his/her duties, a Director jointly recommended by a majority of the Directors shall perform such duties.

The Board of Directors shall meet at least once every quarter. Such meetings shall be convened by the Chairman, with written notice to all Directors at least fourteen (14) days prior to the meeting.

Shareholders representing one-tenth (1/10) or more of the voting rights, one-third (1/3) or more of the Directors, one-half (1/2) or more of the independent directors, or the Audit Committee may propose to convene an interim Board meeting. The Chairman shall convene and preside over the Board meeting within ten (10) days of receiving the proposal.

Notice of a Board meeting shall include the following:

- (1) The time and place of the meeting;
- (2) The duration of the meeting;
- (3) Reason(s) and topic(s) for the meeting;
- (4) The date of issuance of the notice.

A Board meeting may be held only if more than half of the Directors are present. A resolution of the Board of Directors must be passed by a majority of all Directors. When external guarantee or financial assistance matters are submitted to the Board for review, in addition to being passed by a majority of all Directors, they must also be approved by more than two-thirds of the Directors present at the Board meeting.

Each Director shall have one vote in Board resolutions.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

If a Director has a connected relationship with an enterprise involved in a matter under consideration at a Board meeting, he/she shall not exercise voting rights on that resolution, nor shall he/she exercise voting rights on behalf of other Directors. Such Board meeting may be held with the attendance of more than half of the non-connected Directors, and resolutions of the Board meeting must be passed by a majority of the non-connected Directors. If the number of non-connected Directors present at the Board meeting is less than three (3), the matter shall be submitted to the Shareholders’ Meeting for review. If laws and regulations and the securities regulatory rules of the places where the Company’s shares are listed impose additional restrictions on Directors’ participation in Board meetings and voting, such provisions shall prevail.

Resolutions of the Board of Directors shall be made by way of written voting via filling out ballot papers. Interim Board meetings may be held and resolutions may be made by means such as fax, circulating a draft Board resolution for signing, telephone or video conference, etc., provided that Directors are given full opportunity to express their opinions, and the attending Directors shall sign.

Board meetings shall be attended by Directors in person. Directors shall attend Board meetings in a conscientious and responsible manner and express clear opinions on matters under discussion. If a Director is unable to attend for any reason, he/she may appoint another Director in writing to attend on his/her behalf. The power of attorney shall specify the name of the proxy, matters to be represented, scope of authorization, and validity period, and shall be signed or sealed by the principal. For matters involving voting, the principal shall specify in the power of attorney his/her opinion of agree, oppose, or abstain on each matter. A Director shall not give or accept a proxy without voting instructions, a general proxy, or a proxy with unclear scope of authorization. A Director’s responsibility for voting matters shall not be exempted due to appointing another Director to attend. The Director attending on behalf of another shall exercise the Director’s rights within the scope of authorization. A Director who neither attends a Board meeting nor appoints a representative to attend shall be deemed to have waived his/her voting rights at that meeting.

The Board of Directors shall record the decisions on matters discussed at the meeting in the minutes. Directors present, the Board Secretary, and the minute-taker shall sign the minutes. The minutes of Board meetings shall be kept as Company archives by the Board Secretary with a retention period of ten (10) years.

The minutes of a Board meeting shall include the following:

- (1) The date, place, and name of the convener of the meeting;
- (2) The names of the Directors present and the names of Directors (proxies) attending on behalf of others;
- (3) The agenda of the meeting;
- (4) Key points of Directors’ speeches;
- (5) The voting method and result for each resolution matter (the voting result shall state the number of votes for, against, and abstained).

Specialized Committees under Board of Directors

The Company’s Board of Directors shall establish an Audit Committee, which exercises the functions and powers of the Supervisory Board as stipulated in the Company Law.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Audit Committee shall have at least three (3) members, who shall be non-executive directors not holding senior management positions in the Company. Independent directors shall constitute the majority. The convener shall be an independent director with professional accounting qualifications that meet the requirements of the securities regulatory rules of the places where the Company’s shares are listed.

The Audit Committee is responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating internal and external audit work and internal control. The following matters shall be submitted to the Board of Directors for review after obtaining the consent of more than half of all members of the Audit Committee:

- (1) Disclosure of financial accounting reports and financial information in periodic reports, internal control evaluation reports;
- (2) Appointment or dismissal of the accounting firm undertaking the listed company’s audit business;
- (3) Appointment or dismissal of the listed company’s financial officer;
- (4) Changes in accounting policies, accounting estimates, or correction of major accounting errors for reasons other than changes in accounting standards;
- (5) Other matters stipulated by laws, administrative regulations, CSRC regulations, the securities regulatory rules of the places where the Company’s shares are listed, and the Articles of Association.

The Audit Committee shall meet at least once every quarter. An interim meeting may be convened upon proposal by two or more members or when the convener deems it necessary. An Audit Committee meeting may be held only if more than two-thirds of its members are present.

A resolution of the Audit Committee shall be passed by a majority of its members.

Each member of the Audit Committee shall have one vote in its resolutions.

Resolutions of the Audit Committee shall be recorded in meeting minutes in accordance with regulations. Audit Committee members present at the meeting shall sign the minutes.

The working procedures of the Audit Committee shall be formulated by the Board of Directors.

The Board of Directors shall establish Strategy Committee, Nomination Committee, and Remuneration and Appraisal Committee, which shall perform their duties in accordance with the Articles of Association and Board authorizations. Proposals of specialized committees shall be submitted to the Board of Directors for review and decision. Working procedures of specialized committees shall be formulated by the Board of Directors. Independent directors shall constitute the majority in the Nomination Committee and Remuneration and Appraisal Committee, and an independent director shall serve as the convener.

The main duties of the Strategy Committee are: to make recommendations to the Board of Directors regarding the Company’s strategic development plans, annual budget, capital allocation plans, major mergers and acquisitions, major investment and financing plans, and major internal reorganizations.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Nomination Committee is responsible for formulating selection standards and procedures for Directors and senior management personnel, screening and reviewing candidates for Directors and senior management personnel and their qualifications, and making recommendations to the Board of Directors on the following matters:

- (1) Nomination or appointment/removal of Directors;
- (2) Appointment or dismissal of senior management personnel;
- (3) Other matters stipulated by laws, administrative regulations, CSRC regulations, the securities regulatory rules of the places where the Company's shares are listed, and the Articles of Association.

If the Board of Directors does not adopt or only partially adopts the recommendations of the Nomination Committee, the Board resolution shall record the Nomination Committee's opinions and the specific reasons for non-adoption, and disclose them.

The Remuneration and Appraisal Committee is responsible for formulating appraisal standards for Directors and senior management personnel and conducting appraisals, formulating and reviewing remuneration policies and plans for Directors and senior management personnel, including remuneration determination mechanisms, decision-making processes, payment and stop-payment recourse arrangements, etc., and making recommendations to the Board of Directors on the following matters:

- (1) Remuneration of Directors and senior management personnel;
- (2) Formulating or altering equity incentive plans, employee stock ownership plans, and when incentive objects obtain rights or the conditions for exercising rights are met;
- (3) Arrangements for Directors and senior management personnel to hold shares in subsidiaries intended to be spun off;
- (4) Other matters stipulated by laws, administrative regulations, CSRC regulations, the securities regulatory rules of the places where the Company's shares are listed, and the Articles of Association.

If the Board of Directors does not adopt or only partially adopts the recommendations of the Remuneration and Appraisal Committee, the Board resolution shall record the Remuneration and Appraisal Committee's opinions and the specific reasons for non-adoption, and disclose them.

PRESIDENT AND OTHER SENIOR MANAGEMENT PERSONNEL

Circumstances under which a person may not serve as a Director as stipulated in the Articles of Association shall also apply to senior management personnel.

Provisions of the Articles of Association regarding Directors' duties of loyalty and diligence shall also apply to senior management personnel.

The President is responsible to the Board of Directors and exercises the following functions and powers:

- (1) Presiding over the Company's production and operation management, organizing the implementation of Board resolutions, and reporting work to the Board of Directors;
- (2) Organizing the implementation of the Company's annual business plans and investment plans;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

- (3) Drafting plans for the establishment of the Company's internal management structure;
- (4) Drafting the Company's basic management systems;
- (5) Formulating the Company's specific rules and regulations;
- (6) Proposing to the Board of Directors the appointment or dismissal of the Company's Vice Presidents and Financial Controller;
- (7) Deciding on the appointment or dismissal of responsible management personnel other than those to be appointed or dismissed by the Board of Directors;
- (8) Other functions and powers granted by the Articles of Association and the Board of Directors. The President shall attend Board meetings.

Vice Presidents are nominated by the President and appointed or dismissed by the Board of Directors. Vice Presidents assist the President in his/her work. Procedures for appointment and removal of Vice Presidents, the relationship between Vice Presidents and the President, and the functions and powers of Vice Presidents shall be stipulated in the detailed rules for the President's work.

The Company shall have a Board Secretary, responsible for the preparation of the Company's Shareholders' Meetings and Board meetings, document custody, management of shareholder information, handling information disclosure matters, etc.

FINANCIAL AND ACCOUNTING SYSTEMS

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations, and relevant provisions of the state.

The Company shall not establish separate accounting books besides the statutory accounting books. The Company's assets shall not be stored in accounts opened in the name of any individual.

When distributing after-tax profits, the Company shall allocate ten percent (10%) of the profits to the Company's statutory surplus reserve. When the accumulated amount of the Company's statutory surplus reserve exceeds fifty percent (50%) of the Company's registered capital, further allocation may be omitted.

If the Company's statutory surplus reserve is insufficient to cover the losses of previous years, before allocating the statutory surplus reserve according to the aforementioned provision, the current year's profits shall first be used to cover the losses.

After allocating statutory surplus reserve from after-tax profits, the Company may also allocate discretionary surplus reserve from after-tax profits upon resolution of the Shareholders' Meeting.

After covering losses and allocating surplus reserve, the remaining after-tax profits shall be distributed according to the shareholding proportion of shareholders, unless otherwise stipulated in the Articles of Association.

If the Shareholders' Meeting violates the Company Law in distributing profits to shareholders, shareholders shall return the profits distributed in violation of the provisions. If losses are caused to the Company, the shareholders and the responsible Directors and senior management personnel shall bear liability for compensation.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Company must appoint one or more receiving agents in Hong Kong for H Shareholders. The receiving agent(s) shall receive and hold on behalf of the relevant H Shareholders any dividends and other amounts payable by the Company in respect of H Shares for payment to such H Shareholders. The receiving agent(s) appointed by the Company shall comply with the requirements of laws and regulations and the securities regulatory rules of the places where the Company's shares are listed.

After the Shareholders' Meeting makes a resolution on the profit distribution plan, or after the Company's Board of Directors formulates a specific plan based on the conditions and cap of interim dividends in the next year approved at the annual Shareholders' Meeting, the dividend (or shares) distribution must be completed within two (2) months.

If it is impossible to implement the specific plan within two (2) months due to laws, regulations, or the securities regulatory rules of the places where the Company's shares are listed, the implementation date of the specific plan may be adjusted accordingly in accordance with such regulations and actual circumstances.

The Company's surplus reserve shall be used to cover the Company's losses, expand the Company's production and operation, or convert into increased share capital.

When using surplus reserve to cover Company losses, discretionary surplus reserve and statutory surplus reserve shall be used first; if still insufficient to cover, capital reserve may be used according to regulations.

When converting statutory surplus reserve to increase registered capital, the amount of such surplus reserve retained shall not be less than twenty-five percent (25%) of the Company's registered capital before the conversion.

DISSOLUTION AND LIQUIDATION

The Company shall be dissolved for any of the following reasons:

- (1) The business term stipulated in the Articles of Association expires or other dissolution causes stipulated in the Articles of Association occur;
- (2) Dissolution by a resolution of the Shareholders' meeting;
- (3) Dissolution due to merger or demerger of the Company;
- (4) The business license is revoked, the Company is ordered to close down, or the Company is revoked in accordance with the law;
- (5) Serious difficulties arise in the Company's operation and management, and continuing its existence would cause significant losses to shareholders' interests, and such difficulties cannot be resolved through other means. Shareholders holding ten percent (10%) or more of the voting rights of all shareholders of the Company may petition a People's Court to dissolve the Company.

If the Company has dissolution causes as stipulated above, it shall publicize the dissolution causes through the National Enterprise Credit Information Publicity System within ten (10) days.

If the Company falls under items (1) or (2) of the preceding Article and has not yet distributed property to shareholders, it may continue to exist by amending the Articles of Association or through a resolution of the Shareholders' Meeting.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

Amending the Articles of Association or making a resolution by the Shareholders’ Meeting according to the aforementioned provisions must be passed by more than two-thirds of the voting rights held by shareholders present at the Shareholders’ Meeting.

If the Company is dissolved under items (1), (2), (4), or (5) of Article 189 of the Articles of Association, liquidation shall be conducted. Directors are the liquidation obligors of the Company and shall form a liquidation group to conduct liquidation within fifteen (15) days from the date the dissolution cause occurs.

The liquidation group shall consist of Directors, unless otherwise stipulated in the Articles of Association or the Shareholders’ Meeting resolves to select others.

If liquidation obligors fail to perform liquidation duties in a timely manner, causing losses to the Company or creditors, they shall bear liability for compensation.

During the liquidation period, the liquidation group exercises the following functions and powers:

- (1) liquidating the property of the company, preparing a balance sheet and an inventory of property, respectively;
- (2) notifying the company’s creditors by mail or public announcement;
- (3) handling and liquidating the unfinished business of the company;
- (4) paying off the taxes overdue by the company and the taxes incurred in the process of liquidation;
- (5) liquidation of claims and debts;
- (6) distributing the remaining property after all the debts of the company are paid off;
- (7) representing the company in civil litigation activities.

The liquidation group shall notify creditors within ten (10) days from the date of its establishment and make an announcement in Shanghai Securities News and China Securities News within sixty (60) days. Creditors shall declare their claims to the liquidation group within thirty (30) days from the date of receiving the notice, or within forty-five (45) days from the date of the announcement for those who have not received the notice.

When declaring claims, creditors shall explain the relevant matters of the claims and provide supporting materials. The liquidation group shall register the claims.

During the claim declaration period, the liquidation group shall not make repayments to creditors.

The liquidation group shall, after liquidating the property of the company and preparing a balance sheet and an inventory of property, make a plan of liquidation and report the same to the shareholders’ meeting or the people’s court for confirmation.

After paying off liquidation expenses, employees’ wages, social insurance premiums and statutory economic compensation, paying off outstanding taxes, and repaying Company debts in sequence from the Company’s property, the remaining property shall be distributed by the Company according to the shareholding proportion of shareholders.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

During the liquidation period, the Company continues to exist but shall not engage in business activities unrelated to the liquidation. The Company's property shall not be distributed to shareholders before being paid off according to the aforementioned provisions.

Where the liquidation group finds that the property of the company are not sufficient for paying off the debts after liquidating the property of the company and preparing a balance sheet and an inventory of property, it shall file an application to a people's court for bankruptcy liquidation.

After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

After the Company's liquidation concludes, the liquidation group shall prepare a liquidation report, submit it to the Shareholders' Meeting or the People's Court for confirmation, submit it to the Company registration authority to apply for cancellation of Company registration, and announce the termination of the Company.

If the Company is declared bankrupt according to law, bankruptcy liquidation shall be implemented in accordance with the laws on enterprise bankruptcy.

AMENDMENT OF ARTICLES OF ASSOCIATION

The Company shall amend its Articles of Association under any of the following circumstances:

- (1) After the Company Law or relevant laws, administrative regulations, or the securities regulatory rules of the places where the Company's shares are listed are amended, matters stipulated in the Articles of Association conflict with the amended provisions of laws or administrative regulations;
- (2) Changes occur in the Company's circumstances, inconsistent with matters recorded in the Articles of Association;
- (3) The Shareholders' Meeting decides to amend the Articles of Association.

A resolution of the Shareholders' Meeting must be passed by more than two-thirds of the voting rights held by shareholders present at the Shareholders' Meeting. If the amended matters of the Articles of Association passed require approval by the competent authority, they shall be submitted to the original competent authority for approval. If Company registration matters are involved, change registration shall be handled according to law.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the PRC as a state-owned enterprise on August 28, 1992 and was converted into a limited liability company on December 29, 2001. Subsequently, our Company was converted to a joint stock liability company with limited liability on December 7, 2009 under the Company Law.

We have established a principal place of business in Hong Kong at Unit 1901, 19th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 10, 2025. Mr. Chow Chi Wing (our independent non-executive Director) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong, whose correspondence address is the same as our principal place of business in Hong Kong.

As our Company was incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant PRC Law. A summary of the relevant PRC Law and of the Articles of Association is set out in “Regulatory Overview” and Appendix V, respectively.

2. Changes in the share capital of our Company

Save as disclosed in “History, Development and Corporate Structure – Corporate Development and Major Shareholding Changes of our Company” and below, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this document.

Our Company’s predecessor was Beijing High-Energy Liner Engineering Office* (北京高能墊襯工程處) which was established on August 28, 1992 as a state-owned enterprise with approval of the High-Tech Enterprise Bureau of the Chinese Academy of Sciences* (中國科學院高技術企業局) and funded by the Institute of High Energy Physics of the Chinese Academy of Sciences (中國科學院高能物理研究所). In December 2001, Beijing High-Energy Liner Engineering Office was restructured and converted into a limited liability company with a registered capital of RMB8.0 million which was fully paid. From 2002 to 2007, our Company went through several rounds of share capital change. When our Company was converted into a joint stock liability company with limited liability under the PRC Company Law, our initial registered capital was RMB30,000,000 divided into 30,000,000 Shares with a nominal value of RMB1.00 each. Following a series of capital increases, our registered capital was RMB121,200,000 divided into 121,200,000 shares with a nominal value of RMB1.00 each immediately before listing of our Shares on the Shanghai Stock Exchange.

On December 29, 2014, we completed the initial public offering and listing on the Shanghai Stock Exchange of our A Shares (stock code: 603588). Immediately after the listing of our A Shares, our registered capital was RMB161,600,000 divided into 161,600,000 Shares with a nominal value of RMB1.00 each. Subsequently and as at the Latest Practicable Date, following a series of capital increases, our registered capital was RMB1,523,234,457 divided into 1,523,234,457 Shares with a nominal value of RMB1.00 each.

Save as disclosed above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

3. Changes in the Share Capital of our Major Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I to this document.

The following sets out the changes in the share capital of our Company’s major subsidiaries during the two years immediately preceding the date of this document:

- (a) on December 31, 2024, the registered share capital of Jiangxi Xinke increased from RMB1,000 million to RMB1,500 million; and
- (b) on February 21, 2024, the registered share capital of Jiangxi Xinke increased from RMB500 million to RMB1,000 million.

Save as disclosed above, there had been no other alterations of share capital of our major subsidiaries within the two years preceding the date of this document.

4. Resolutions of our Shareholders

Pursuant to the Shareholders’ meeting held on December 19, 2025, the following resolutions, among others, were duly passed:

- (a) the [REDACTED] by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Stock Exchange;
- (b) the number of H Shares to be issued before the exercise of the [REDACTED] shall not be more than [REDACTED]% of the total issued share capital of our Company as enlarged by the [REDACTED], and granting the [REDACTED] the [REDACTED] of no more than 15% of the number of H Shares issued pursuant to the [REDACTED];
- (c) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on the [REDACTED], and the authorization to the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities; and
- (d) authorization to the Board and its authorized person(s) to handle all matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Material Contract

The following contract (not being contract entered into in the ordinary course of business) was entered into by our Group within the two years preceding the date of this document and is or may be material:

- (a) the [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

2. Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

Trademarks

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Registered owner	Trademark	Registration number	Class	Registration date	Expiry date
1.	Company	高能环境	20373085	1,24,37,40,42	August 7, 2017	August 6, 2027
2.	Company	 BGE	20373086A	1,24,37,40,42	October 14, 2017	October 13, 2027
3.	Company	ChemOx	22031651	1	January 14, 2018	January 13, 2028
4.	Company	CrySeal	22031652	1,19	February 21, 2018	February 20, 2028
5.	Company	BioRe	22031650	1,5,31	January 14, 2018	January 13, 2028
6.	Company	SludgeImmo	22031653	1,19	January 14, 2018	January 13, 2028
7.	Company		25396628	7,40	November 21, 2018	November 20, 2028
8.	Company	高能环境	25396626	7,37,40	November 21, 2018	November 20, 2028
9.	Company	BGE	25396625	7,2,40	November 21, 2018	November 20, 2028
10.	Company	 BGE	25396627	37	November 21, 2018	November 20, 2028
11.	Company	高能时代	10478842	40	June 14, 2013	June 13, 2033
12.	Company		8076694	42	August 28, 2014	August 27, 2034
13.	Company		8076689	37	April 7, 2011	April 6, 2031
14.	Company		8076686	24	August 28, 2014	August 27, 2034
15.	Company		8076683	19	June 7, 2011	June 6, 2031
16.	Company		8076673	1	June 7, 2011	June 6, 2031
17.	Company	BGE	8076641	42	June 7, 2011	June 6, 2031
18.	Company	BGE	8076622	37	June 7, 2011	June 6, 2031
19.	Company	BGE	8066111	24	March 28, 2015	March 27, 2035
20.	Company	BGE	8066091	19	June 7, 2011	June 6, 2031
21.	Company	BGE	8066063	1	June 7, 2011	June 6, 2031
22.	Company	高能垫衬	8066023	37	April 21, 2012	April 20, 2032
23.	Company	高能垫衬	8065962	1	March 7, 2011	March 6, 2031
24.	Company	高能垫衬	8065933	42	April 7, 2015	April 6, 2035
25.	Company	高能垫衬	8065918	37	March 28, 2015	March 27, 2035
26.	Company	高能垫衬	8063367	24	February 28, 2011	February 27, 2031
27.	Company	高能垫衬	8063352	19	February 14, 2011	February 13, 2031
28.	Company	高能垫衬	8063312	1	February 28, 2011	February 27, 2031
29.	Company	BGE	30990941	1,2,7	July 28, 2019	July 27, 2029
30.	Company	高能环境	30990942	1,37,40	October 28, 2019	October 27, 2029
31.	Company	 BGE	20373086	1,24,37,40,42	May 7, 2020	May 6, 2030
32.	Company	BGE-SZ	33578964	1,19,40	June 7, 2019	June 6, 2029
33.	Company	BGE-MF*	33602040	1,19,40	June 7, 2019	June 6, 2029
34.	Company	高能材料	62411208	6	August 14, 2022	August 13, 2032
35.	Company	BGECL	62791556	6	August 28, 2022	August 28, 2032
36.	Company	BGE	63802406	4	October 7, 2022	October 6, 2032
37.	Company	BGE	63797204	5	October 7, 2022	October 7, 2032
38.	Company		64066390	4	October 14, 2022	October 13, 2032
39.	Company		64079736	12	October 14, 2022	October 13, 2032
40.	Company		64082030	16	October 14, 2022	October 13, 2032
41.	Company		64089982	6	October 14, 2022	October 13, 2032
42.	Company	 BGE	64210352	4	October 14, 2022	October 13, 2032

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Registered owner	Trademark	Registration number	Class	Registration date	Expiry date
43.	Company		64241261	16	October 14, 2022	October 13, 2032
44.	Company	BGE	63826382	16	October 7, 2022	October 6, 2032
45.	Company		64094057	10	December 14, 2022	December 13, 2032
46.	Company	BGE	63889780	40	November 21, 2022	November 20, 2032
47.	Company	BGE	63889395	22	November 14, 2022	November 13, 2032
48.	Company	BGE	63895568	39	November 14, 2022	November 13, 2032
49.	Company		64221778	12	December 21, 2022	December 20, 2032
50.	Company	BGE	63825643	12	December 21, 2022	December 20, 2032
51.	Company	BGE	69363536	14	March 14, 2024	March 13, 2034
52.	Company		69368408	14	July 7, 2024	July 6, 2034
53.	Company	BGE	68538438	6	May 28, 2023	May 27, 2033
54.	Company	BGE	63876206	17	November 7, 2022	November 6, 2032
55.	Company	BGE	63198907	40	November 14, 2022	November 13, 2032
56.	Company	BGE	63186484	6	May 7, 2023	May 6, 2033
57.	Company		30990943	1	October 28, 2019	October 27, 2029

Patents

As of the Latest Practicable Date, we had registered the ownership of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Place of registration	Registration number	Registration Date	Grant date	Registered owner
1.	A device and method for reducing the external discharge of heavy metals from smelting flue gas	PRC	ZL202111500829.4	December 9, 2021	February 7, 2025	GeoEnviron Zhongse, Company
2.	A resource utilization method for the collaborative disposal of lead-containing waste residue in steel dust and sludge	PRC	ZL202410889060.7	July 4, 2024	September 10, 2024	Company, Jingyuan GeoEnviron
3.	A resource treatment system and method for waste incineration soot	PRC	ZL202010778326.2	August 5, 2020	July 19, 2024	Company, Beijing GeoEnviron Huanshun Engineering Company Limited* (北京高能環順環境工程有限公司)
4.	A method of building a new sintering furnace oven	PRC	ZL202111500824.1	December 9, 2021	September 15, 2023	GeoEnviron Zhongse, Company
5.	A dust reducer and its preparation method	PRC	ZL202010099761.2	February 18, 2020	December 20, 2022	Company, GeoEnviron Pengfu
6.	An indium-germanium joint immersion and extraction process	PRC	ZL202110032089.X	January 11, 2021	December 13, 2022	Company, GeoEnviron Pengfu
7.	A purification process of indium reflux extract	PRC	ZL202110032123.3	January 11, 2021	November 15, 2022	Company, GeoEnviron Pengfu
8.	A secondary aluminum ash treatment method with enhanced nitrogen removal and salination	PRC	ZL202210799363.0	July 8, 2022	October 25, 2022	Company, Jingyuan GeoEnviron
9.	A crude lead fire refining copper remover, preparation method and application	PRC	ZL2020111457697.7	December 10, 2020	October 18, 2022	Company, GeoEnviron Pengfu
10.	A high-temperature visual detection method and detection system for side blowing furnace	PRC	ZL202011249256.8	November 10, 2020	August 23, 2022	Company, GeoEnviron Pengfu
11.	A sintering method of copper-containing sludge	PRC	ZL202011550841.1	December 24, 2020	July 22, 2022	Company, GeoEnviron Pengfu
12.	A method for producing high-alumina inorganic materials based on pelletizing method using aluminum ash	PRC	ZL202210029127.0	January 12, 2022	April 19, 2022	Company, Jingyuan GeoEnviron
13.	A method of selenium extraction of selenium-containing smelting slag	PRC	ZL202110024274.4	January 8, 2021	April 19, 2022	Company, GeoEnviron Pengfu
14.	A resource utilization method of electroplating sludge	PRC	ZL202010871975.7	August 26, 2020	March 29, 2022	Company, GeoEnviron Pengfu

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of registration	Registration number	Registration Date	Grant date	Registered owner
15.	A sintering pretreatment method for nickel-containing sludge	PRC	ZL202111217995.3	October 20, 2021	February 22, 2022	Company, Jinchang GeoEnviron, GeoEnviron Pengfu
16.	A treatment method for desulfurization wastewater	PRC	ZL202110700783.4	June 24, 2021	January 4, 2022	Company, GeoEnviron Pengfu
17.	An anti-bonding automatic spraying device for nickel-containing wet solid waste material brick making machine	PRC	ZL202210933817.9	August 4, 2022	September 19, 2023	GeoEnviron Zhongse
18.	A method for producing nickel-copper alloy particles from low-grade nickel-copper solid and hazardous waste materials	PRC	ZL202010870649.4	August 26, 2020	February 28, 2023	GeoEnviron Zhongse
19.	A method for producing nickel block materials from nickel-containing solid hazardous waste materials	PRC	ZL202010871971.9	August 26, 2020	August 12, 2022	GeoEnviron Zhongse
20.	A method for producing sintered blocks from complex nickel-containing wet materials	PRC	ZL202010870643.7	August 26, 2020	May 20, 2022	GeoEnviron Zhongse
21.	Recycling methods of Cu, Pb, Zn and Fe in slag in metal smelting process	PRC	ZL201710370239.1	May 23, 2017	May 17, 2019	GeoEnviron Zhongse
22.	A method for recovering rare precious metals from acid sludge	PRC	ZL201610252644.9	April 21, 2016	February 13, 2018	GeoEnviron Zhongse
23.	A comprehensive recovery method for precious metal tailings	PRC	ZL201510517284.6	August 21, 2015	December 22, 2017	GeoEnviron Zhongse
24.	Comprehensive recovery process of polymetallic polymetallic soot containing arsenic	PRC	ZL201410189851.5	May 7, 2014	April 13, 2016	GeoEnviron Zhongse
25.	A hazardous waste and solid waste treatment and recycling melting furnace	PRC	ZL202411819005.7	December 11, 2024	September 26, 2025	GeoEnviron Pengfu
26.	A pretreatment method and application of high-sulfur sludge	PRC	ZL202211280155.6	October 19, 2022	August 16, 2024	GeoEnviron Pengfu
27.	Hazardous waste sludge drying system and its use	PRC	ZL201811240656.5	October 24, 2018	July 16, 2024	GeoEnviron Pengfu
28.	A heat exchange system and process for SCR-RTO outlet flue gas	PRC	ZL202011617030.9	December 30, 2020	April 22, 2022	GeoEnviron Pengfu
29.	An online cleaning method for whitening heat exchange system and whitening heat exchanger	PRC	ZL202011576243.1	December 28, 2020	April 19, 2022	GeoEnviron Pengfu
30.	A method for collecting and treating soot in a melting furnace	PRC	ZL201911248043.0	December 9, 2019	February 15, 2022	GeoEnviron Pengfu
31.	A comprehensive recycling method of copper and nickel sludge fire method	PRC	ZL201910547220.9	June 24, 2019	April 30, 2021	GeoEnviron Pengfu
32.	A solid waste/hazardous waste smelting formula using iron and its smelting method	PRC	ZL201811378364.8	November 19, 2018	June 12, 2020	GeoEnviron Pengfu
33.	A smelting process for hazardous/solid waste containing magnesium	PRC	ZL201811377026.2	November 19, 2018	June 12, 2020	GeoEnviron Pengfu
34.	A brick-making process for solid waste or hazardous waste treatment	PRC	ZL201610425945.7	June 16, 2016	September 4, 2018	GeoEnviron Pengfu
35.	A thermal remediation device and thermal remediation method for in-situ treatment of volatile organic polluted soil	PRC	ZL201810752794.5	July 10, 2018	April 26, 2024	Company
36.	A wastewater reduction treatment device and method	PRC	ZL201810875965.3	August 2, 2018	February 23, 2024	Company
37.	A sealing system for rigid landfill units of hazardous waste	PRC	ZL202110455817.8	April 26, 2021	April 4, 2023	Company
38.	Stabilization treatment method of waste incineration fly ash agent	PRC	ZL202011562757.1	December 25, 2020	September 16, 2022	Company
39.	A graded purification system and method for waste incineration flue gas	PRC	ZL202210062912.6	January 20, 2022	April 19, 2022	Company

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of registration	Registration number	Registration Date	Grant date	Registered owner
40.	A method for preparing composite quartz slabs from arsenic-containing waste slag and flotation tailings	PRC	ZL201811544841.3	December 17, 2018	July 6, 2021	Company
41.	A harmless treatment method for the collaborative disposal of incineration fly ash using chromium slag	PRC	ZL201910790837.3	August 26, 2019	July 6, 2021	Company
42.	A method for vitrifying and solidifying arsenic-containing waste residue by flotation tailings	PRC	ZL201811543759.9	December 17, 2018	December 29, 2020	Company
43.	A method for transformation of arsenic sulfide slag and microcapsule curing and stabilization	PRC	ZL201811417846.X	November 26, 2018	May 15, 2020	Company
44.	Stabilizing agent for lead-zinc waste rock tailings and its preparation and application	PRC	ZL201611015867.X	November 18, 2016	June 4, 2019	Company
45.	Linkage stabilizers and remediation methods for remediation of heavy metal contaminated soil	PRC	ZL201510739620.1	November 4, 2015	August 24, 2018	Company
46.	Secondary air device for domestic waste grate furnace	PRC	ZL201510659883.1	October 14, 2015	May 10, 2017	Company
47.	A chemical oxidation remediation method for organically polluted soil	PRC	ZL201810270720.8	March 29, 2018	August 21, 2020	Company
48.	A method for remediating nitrobenzene contaminated soil	PRC	ZL201810750372.4	July 10, 2018	August 21, 2020	Company
49.	A system for desulfurization wastewater softening using flue gas	PRC	ZL201710832594.6	September 15, 2017	June 5, 2020	Company
50.	Zero discharge system and method of concentrated brine based on atomized evaporation	PRC	ZL201610025925.0	January 15, 2016	December 29, 2020	Company

Software Copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be or may be material to our business:

No.	Software copyrights	Registered owner	Registration number	Registration date
1	Intelligent vehicle monitoring system software [abbreviation: intelligent vehicle monitoring system] V1.0	The Company	2025SR2420664	December 15, 2025
2	Intelligent medical waste collection and transportation monitoring platform software [abbreviation: intelligent medical waste collection and transportation monitoring platform] V1.0	The Company	2025SR2420667	December 15, 2025
3	Enterprise automated posting system V1.0	The Company	2025SR2420648	December 15, 2025
4	Unmanned weighbridge system software [abbreviation: unmanned weighbridge system] V1.0	The Company	2025SR2420641	December 15, 2025
5	Sludge equipment online monitoring system software [abbreviation: sludge equipment online monitoring system] V1.0	The Company	2025SR2420660	December 15, 2025

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Software copyrights	Registered owner	Registration number	Registration date
6	Wastewater Treatment plant 306 cloud vision remote monitoring system software [abbreviation: wastewater treatment plant 360 cloud vision remote monitoring system] V1.0	The Company	2025SR2420637	December 15, 2025
7	Project materials management platform V1.0	The Company	2025SR2420631	December 15, 2025
8	Domestic waste landfill anti-seepage software V1.0	Company	2009SR10655	March 20, 2009
9	HDPE geomembrane application software V1.0	Company	2009SR10656	March 20, 2009
10	Hazardous waste disposal project anti-seepage system V1.0	Company	2009SR10657	March 20, 2009
11	Ecological anti-seepage software V1.0 for garden engineering applications	Company	2009SR10693	March 20, 2009
12	Pool membrane floating cover anti-seepage adjustment system V1.0	Company	2009SR10694	March 20, 2009
13	Anti-seepage software V1.0 for the expansion project of the old landfill	Company	2009SR10695	March 20, 2009
14	Intelligent operation system of high-energy sewage treatment plant (abbreviation: intelligent operation system) V1.0	Company	2022SR0946463	July 19, 2022
15	MVR evaporation operating system for high-energy landfill leachate (abbreviation: MVR evaporation operating system) V1.0	Company	2022SR0946867	July 19, 2022
16	Aeration precise control operating system of high-energy sewage treatment plant (abbreviation: aeration precise control system) V1.0	Company	2022SR0946292	July 19, 2022
17	High-energy landfill leachate full quantification treatment system software (abbreviation: full quantification treatment system) V1.0	Company	2022SR0946291	July 19, 2022
18	Ectopic direct thermal desorption operation software (abbreviation: ectopic direct thermal desorption operation) V1.0	Company, Beijing GeoEnviron Environmental Remediation Co., Ltd.* (北京高能時代環境修復有限公司)	2019SR0948213	September 11, 2019
19	Digital platform for soil and groundwater remediation V1.0	Company, Beijing GeoEnviron Environmental Remediation Co., Ltd.* (北京高能時代環境修復有限公司)	2021SR1536130	October 20, 2021
20	Soil and Groundwater Remediation System V1.0	Company, Beijing GeoEnviron Environmental Remediation Co., Ltd.* (北京高能時代環境修復有限公司)	2021SR1536090	October 20, 2021
21	High-energy environmental MES system	Company	2023SR0473768	April 17, 2023
22	Supply chain management integration platform V1.0	Company	2025SR1698324	September 4, 2025
23	Equipment Management System V1.0	Company	2025SR1697722	September 4, 2025
24	Multi-parameter real-time monitoring and analysis system for thermal desorption exhaust gas V1.0	Company, Anqing Normal University* (安慶師範大學), Hefei Eastern New Center Construction Investment Conoabyt Limited* (合肥東部新中心建設投資有限公司)	2025SR0814231	May 19, 2025
25	In-situ thermal desorption integration and collaborative remediation system V1.0 suitable for complex polluted sites	Company, Anqing Normal University* (安慶師範大學), Hefei Eastern New Center Construction Investment Conoabyt Limited* (合肥東部新中心建設投資有限公司)	2024SR1653915	October 31, 2024
26	Centralized procurement platform V1.0	Tibet Yuneng	2017SR634920	November 20, 2017

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

No.	Software copyrights	Registered owner	Registration number	Registration date
27	Sludge disposal Internet of Things management and control system software V1.0	Tibet Yuneng	2017SR455117	August 17, 2017
28	Sewage treatment plant information management and control system software V1.0	Tibet Yuneng	2017SR451930	August 16, 2017
29	High-energy unique Tara weighing unattended system V1.0	Tibet Yuneng	2017SR325983	June 29, 2017
30	High-energy Guilin Medical Waste Collection and Transportation Supervision System V1.0	Tibet Yuneng	2017SR324032	June 29, 2017
31	Enterprise performance appraisal information system 1.0	Tibet Yuneng	2017SR252029	June 9, 2017
32	Enterprise Payment Information System 1.0	Tibet Yuneng	2017SR245809	June 8, 2017
33	Comprehensive CT electrolysis automated control and intelligent operation and maintenance software V1.0	Jiangxi Xingke	2024SR0811861	June 14, 2024
34	Visualized System for treating smelting flue gas from recycled metal metal furnaces V1.0	Jiangxi Xingke	2024SR0239897	February 6, 2024
35	Oxygen-enriched side-blown furnace hazardous waste disposal sampling and identification system V1.0	Jiangxi Xingke	2024SR0221579	February 2, 2024
36	Auxiliary interaction system for oxygen-enriched side-blown furnace treatment of high-melting-point hazardous waste materials V1.0	Jiangxi Xingke	2024SR0219880	February 2, 2024
37	Oxygen-enriched side-blown furnace for treating hazardous waste flue gas: Early warning and inspection auxiliary system V1.0	Jiangxi Xingke	2024SR0221585	February 2, 2024

Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Expiry date
1.	bgechina.cn	Company	January 18, 2031
2.	hbpengfu.com	GeoEnviron Pengfu	April 11, 2033
3.	hbpengfu.cn	GeoEnviron Pengfu	September 18, 2028

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors and chief executive in the Company and our associated corporations

Save as disclosed below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors and chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules:

Name	Position	Nature of interest	Description of Shares	Number of Shares	Approximate Percentage of Shareholding in the A Shares Immediately after Completion of the [REDACTED] (assuming the [REDACTED] is not exercised) %	Approximate Percentage of Shareholding in the Total Share Capital Immediately after Completion of the [REDACTED] (assuming the [REDACTED] is not exercised) %
Mr. Li	Chairman of our Board and executive Director	Beneficial interest	A Shares	[248,714,649]	[REDACTED]	[REDACTED]
Mr. Ling Jinming	Vice-chairman of our Board, executive Director and CEO	Beneficial interest	A Shares	[10,749,250]	[REDACTED]	[REDACTED]
Mr. Sun Min	Executive Director, vice-CEO and chief financial officer	Beneficial interest	A Shares	[100,000]	[REDACTED]	[REDACTED]
Mr. Zhang Huazhen	Executive Director and vice-CEO	Beneficial interest	A Shares	[56,100]	[REDACTED]	[REDACTED]

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in “Substantial Shareholder”, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

2. Particulars of Service Contracts

We have entered into a contract with each of our Directors. The principal particulars of these service contracts include (i) the term of service, and (ii) termination mechanism in accordance with their respective term. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered into any service contracts as a director or supervisor with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

For the years ended December 31, 2023, 2024 and 2025, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors amounted to approximately RMB7.8 million, RMB6.8 million and RMB7.7 million, respectively.

Save as disclosed above, no other payments have been made or are payable, for each year of the Track Record Period, by any of member of our Group to any of our Directors.

4. Directors’ Competing Interests

None of our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this Appendix and in sections headed “Directors and Senior Management” and “Substantial Shareholders” in this document:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED] on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (c) none of our Directors nor any of the persons listed in “D. Other Information – 5. Qualification of experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor any of the persons listed in “D. Other Information – 5. Qualification of experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with the [REDACTED] none of the persons listed in “D. Other Information – 5. Qualification of experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) none of our Directors or their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for [REDACTED] of, and permission to [REDACTED], our H Shares. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The total amount of fees paid and payable to the Sole Sponsor is US\$550,000, in respect of its services as sole sponsor for the proposed [REDACTED].

4. Material Adverse Change

Our Directors confirm that, up to the date of this document and other than disclosed in “Summary – Recent Development and No Material Adverse Change”, there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2025 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
CCB International Capital Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Confucius International CPA Limited	Certified Public Accountants
Zhong Lun Law Firm	Legal advisor as to PRC Law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Tianjian Management Consultation (Hangzhou) Company Limited* (天健管理諮詢(杭州)有限公司)	Internal control consultant

6. Consents of Experts

Each of the experts as referred to in the paragraph headed “– D. Other Information – 5. Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

7. Preliminary Expenses

Our Company has not incurred any material preliminary expense.

8. Promoter

The promoters of our Company are Li Weiguo, Liu Zejun, Xu Limin, Xiang Jinming, Zhong Jiafu, Li Xingguo, Chen Wangming, Du Zhuang, Nie Songlin, Chen Dinghai, Wen Aiguo, Zhen Shengli, Zhang Shuying, Deng Rui, Ling Jinming, Ceng Yuexiang, Hu Guofang, Jiang Guizhi, Zhao Xin, Cai Jianguo, Qi Zhiqi, Xu Jianjun, Liu Yong, Liu Yang, Li Zhicheng, Ruan Hezhang, Tang Simin, Zhang Hongtao, Hou Fanshen, He Yiujun, Li Mijun, He Shaojun, Yang Haocheng, Wei Yijie, Yang Shanhua, Li Guorong and Xu Ning.

Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

11. Miscellaneous

Save as disclosed in this document,

- (a) within the two years immediately preceding the date of this document, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (d) within the two years immediately preceding the date of this document, no commission has been paid or payable (except commission to sub-[REDACTED]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
- (e) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) since December 31, 2025 (being the date on which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in our financial or trading position or prospects;
- (h) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and
- (i) our Company has no outstanding convertible debt securities or debentures.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the material contract referred to in “Appendix VI – Statutory and General Information – B. Further Information about our Business – 1. Material Contract” to this document; and
- (b) the written consents referred to in “Appendix VI – Statutory and General Information – D. Other Information – 6. Consents of Experts” to this document.

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.bgechina.cn up to and including the date which is 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the report on the unaudited [REDACTED] financial information prepared by Confucius International CPA Limited, the text of which is set forth in Appendix II in this document;
- (c) the audited consolidated financial statements of our Company for the Track Record Period;
- (d) the PRC legal opinion issued by Zhong Lun Law Firm, our PRC legal advisor, in respect of certain aspects of our Group in the PRC;
- (e) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant;
- (f) the internal control report issued by Tianjian Management Consultation (Hangzhou) Company Limited* (天健管理諮詢(杭州)有限公司), our internal control consultant;
- (g) the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies 《境內企業境外發行證券和上市管理試行辦法》, together with an unofficial English translation;
- (h) the Shanghai Stock Exchange Listing Rules, together with an unofficial English translation;
- (i) the material contract referred to in “Appendix VI – Statutory and General information – B. Further Information about Our Business – 1. Material Contract” to this document in the form delivered to the Registrar of Companies for registration;
- (j) the written consents referred to in “Appendix VI – Statutory and General Information – E. Other Information – 6. Consents of Experts” to this document; and
- (k) service contracts and letters of appointment referred to in “Appendix VI – Statutory and general information – C. Further Information about Our Directors, Chief Executives and Substantial Shareholders – 2. Particulars of Service Contracts” to this document.