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OVERVIEW

We are a company that provides specialized solutions in integrated waste treatment and resource utilization, including the investment, management, and operation of green energy and environmental services projects. According to F&S, our Changsha Environmental Protection Industrial Park, in which our main operations are situated, is among the largest integrated environmental parks in the industry in China, in terms of project scale. Such project scale is measured primarily by designed waste treatment capacity, which is the most common industry metric for benchmarking integrated environmental parks and individual treatment projects. As of the Latest Practicable Date, it housed a multitude of projects, including those in relation to clean waste-to-energy incineration, and the integrated treatment of various types of waste.

Our core business comprises (i) clean waste-to-energy incineration; (ii) the integrated treatment of various types of waste (including sludge, sewage and leachate, fly ash, and others); (iii) the interim treatment, compression, and transfer of household waste; and (iv) the collection, harmless treatment, and resource utilization of food waste. In particular,

- ***Clean waste-to-energy incineration:*** We provide clean waste-to-energy incineration and green energy via our Changsha Waste-to-energy Incineration Project (phases I and II), Liuyang Waste-to-Energy Incineration Project, and Pingjiang Waste-to-Energy Incineration Project. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, such projects had a combined household waste treatment volume 3.2 million, 3.2 million, 3.8 million and 1.0 million tons, respectively, and had generated 1.5 billion, 1.5 billion, 1.8 billion, and 0.5 billion kWh, respectively, of on-grid electricity, at an efficiency of 452 kWh, 460 kWh, 486 kWh, and 509 kWh, respectively, of on-grid electricity per ton of household waste treated. As of the Latest Practicable Date, our clean waste-to-energy incineration projects had a combined daily incineration capacity of 10,600 tons of household waste. Moreover, according to F&S, in terms of the average on-grid electricity generated per ton of waste, we ranked first among all companies that provide waste-to-energy incineration in China in 2025.
- ***The integrated treatment of various types of waste:*** In addition to our Changsha Waste-to-energy Incineration Project, our Changsha Environmental Protection Industrial Park also housed various waste treatment projects in relation to sludge, leachate, fly ash, and others. As of the Latest Practicable Date, projects within our park's campus had a combined daily treatment capacity of 2,700 tons of leachate, 1,000 tons of sludge, and 215 tons of fly ash. Our Liuyang fly ash treatment project commenced operation in May 2026 and, as of the Latest Practicable Date, had a daily treatment capacity of 42 tons of solidified material resulting from the chelation and stabilization of fly ash. In addition, our Projects in Pingjiang and Changsha Transfer Project also housed sewage treatment projects.
- ***The interim treatment, compression, and transfer of household waste:*** Through the Acquisition of Renhe in November 2024, we have further expanded our capabilities, thus covering most of the overall waste management value chain. One of the projects operated by Renhe that had then become a part of our Group is the Changsha Transfer Project, which had a total daily treatment capacity of 10,000 tons of household waste as of the Latest Practicable Date.
- ***The collection, harmless treatment and resource utilization of food waste:*** The other project that is operated by Renhe that had then become a part of our Group since the Acquisition of Renhe is the Changsha Food Waste Project. As of the Latest Practicable Date, this project had a daily treatment capacity of 1,200 tons of food waste. As a by-product of the waste utilization process, our Changsha Food Waste Project can reach an annual output of up to 30,000 tons of industrial-grade mixed oil, with an oil recovery rate exceeding 7%.

As part of our strategic expansion efforts abroad, we have also been establishing a presence in Central Asia. In 2024, we have signed a service concession agreement to develop a green energy and environmental services project in Bishkek, Kyrgyzstan. Phase I of the Bishkek project had commenced operation in December 2025. As of the Latest Practicable Date, we have signed an investment agreement, followed with a service concession agreement, to develop a green energy and environmental services project in Osh City, Kyrgyzstan, and an investment agreement and service concession agreement for two similar projects in the Issyk-Kul Prefecture of Kyrgyzstan. We have also signed a memorandum of understanding in July 2025, an investment agreement in late August 2025, and a waste supply agreement and a power purchase agreement in April 2026, to develop a similar project in Almaty, Kazakhstan. In addition, in April 2026, we received a notice of award for the Changsha Hexi Waste-to-Energy Incineration Power Plant Project (with a planned treatment capacity of 4,000 tons per day).

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Our services

The following table sets forth a summary of our projects that are in operation and in our pipeline as of the Latest Practicable Date:

	Location	Project status	Commissioning date ⁽¹⁾	Treatment capacity ⁽²⁾ (Tons/day)	Operating entity
Projects at our Changsha Environmental Protection Industrial Park					
1. Changsha Waste-to-Energy Incineration Project (phase I)	China	In operation	2018	5,000	Puxiang Bioenergy
2. Changsha Waste-to-Energy Incineration Project (phase II)					
• <i>Waste-to-energy incineration</i>	China	In operation	2021	2,800	Puxiang Environmental Energy
• <i>Sludge treatment</i>	China	In operation	2021	500	Puxiang Environmental Energy
3. Leachate treatment project	China	In operation	2006 ⁽¹⁾	2,700	Our Company
4. Sludge treatment project	China	In operation	2006 ⁽¹⁾	500	Our Company
5. Fly ash treatment project	China	In operation	2021	215 ⁽³⁾	Our Company
6. Changsha Landfill Project	China	In operation	2006 ⁽¹⁾	4,000 ⁽⁴⁾	Our Company
Projects in Liuyang					
7. Liuyang Waste-to-Energy Incineration Project	China	In operation	2025	1,200	Liuyang Junxin
8. Liuyang fly ash treatment project.	China	In operation	2026	42	Liuyang Junxin
Projects in Pingjiang					
9. Pingjiang Waste-to-Energy Incineration Project	China	In operation	2024	600	Pingjiang Junxin
10. Pingjiang Landfill Project.	China	In operation	2012	220 ⁽⁴⁾	Pingjiang Junxin
11. Pingjiang fly ash treatment project.	China	Planning	–	–	Pingjiang Junxin
12. Changsha Transfer Project					
– Household waste interim treatment functions	China	In operation	2005 ⁽¹⁾	10,000	Renhe Environmental Protection
– Sewage treatment functions	China	In operation	2014	1,200	Renhe Environmental Protection
13. Changsha Food Waste Project					
	China	In operation	2012	1,200	Renhe Environment Technology
14. Wangcheng District Waste Transfer Project					
	China	Planning	–	–	Renhe Environmental Industry
Bishkek Project					
15. Phase I	Kyrgyzstan	In operation	2025	1,000	Junxin (Kyrgyzstan)
16. Phase II	Kyrgyzstan	Planning	–	2,000 (est.)	Junxin (Kyrgyzstan)

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	Location	Project status	Commissioning date ⁽¹⁾	Treatment capacity ⁽²⁾ (Tons/day)	Operating entity
17. Osh City Project	Kyrgyzstan	Service concession agreement signed and under construction	–	850 ⁽⁵⁾ (est.)	Junxin (Kyrgyzstan)
Projects in Issyk-Kul					
18. Project in Karakol, Issyk-Kul	Kyrgyzstan	Service concession agreement signed and under construction	–	600 ⁽⁶⁾ (est.)	Junxin (Issyk-Kul)
19. Project in Balykchy, Issyk-Kul	Kyrgyzstan	Service concession agreement signed	–	600 ⁽⁶⁾ (est.)	Junxin (Issyk-Kul)
20. Almaty Project	Kazakhstan	Waste supply agreement and power purchase agreement signed	–	2,000	Junxin (Almaty)

Notes:

1. Certain of our projects have concession periods commencing prior to the establishment of our Company in September 2011. The relevant agreements were initially entered into with the government authorities by our Controlling Shareholder or its related entities, and our Company subsequently carried out modification and upgrade works for the relevant facilities and assumed the obligations and benefits under such agreements.
2. As of the Latest Practicable Date.
3. As a result of the fly ash treatment processes, chelated solids will be produced for safe disposal. As at the Latest Practicable Date, this project had a daily treatment capacity of 410 tons of chelated solids.
4. As of the Latest Practicable Date, the landfill volume of this project was nil, as the waste received at the Changsha Environmental Protection Industrial Park and the projects in Pingjiang would be directly transported to and processed by waste-to-energy incineration, instead of through landfill.
5. This is the estimated capacity of the first phase of the project, the total capacity for the entire Osh City Project is expected to be 2,000 tons/day.
6. This is the estimated capacity for the first phase of the project, the total combined capacity for all projects in Issyk-Kul is expected to be 2,000 tons/day.

Our technologies

Through years of innovation and technical refinement, we have built a foundation of technologies that aims to address real-world operational challenges and enable system-wide optimization. We believe that these innovations have led to improved efficiency across our operations, and have resulted in industry and national acclaim. In particular:

Our technological achievements in clean waste-to-energy incineration

- Our Changsha Waste-to-energy Incineration Project at our Changsha Environmental Protection Industrial Park features a relatively high boiler runtime, low internal energy consumption, large unit capacity, high operational stability and power generation efficiency, and integrated waste treatment capabilities. Technological advancements include digital systems for waste pit management, optimization of thermal system efficiency, enhancement of boiler waste heat recovery, anti-corrosion measures, and improvements in busbar current balancing. We have also developed co-treatment technologies that allow solid waste and sludge to be processed together, improving such system’s efficiency in drying sludge and enhancing its stability. According to F&S, we ranked first among all waste-to-energy incineration companies in China, in terms of the average on-grid electricity generated per ton of waste, in 2025. We also ranked fourth among all waste-to-energy incineration projects in China in terms of daily treatment capacity, in 2025.

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- At the time of its commissioning, phase I of this project was one of the largest single furnace incineration plants in China, according to F&S. It was also the largest in terms of total waste treatment capacity and single furnace treatment scale among comparable projects. Phase I of this project won the China Construction Engineering Luban Prize (National Quality Project) (the "**Luban Prize**") by the China Construction Industry Association in 2019. It also received the China Steel Structure Gold Award and was designated as a provincial and municipal environmental education base and a benchmark project in Hunan's sanitation sector.
- Furthermore, phase II of this project comprised a single waste pit with a net capacity exceeding 100,000 cubic meters, which is among the largest in the world. It also won the Luban Prize in 2023, making us the only company in the solid waste treatment industry to receive two Luban Prizes within the same industrial park, according to F&S. Phase II of this project also received multiple national and provincial honors including China Quality Project Award for Nonferrous Metals Industry, the Hunan Provincial Quality Engineering Award, the Hunan Urban Rural Construction Science and Technology Innovation Award, and the China Installation Association Science and Technology Progress Award.

Our technological achievements in various forms of waste treatment

- In terms of sludge treatment, we have adopted the integration of thermal hydrolysis, high temperature high solid anaerobic digestion, dewatering and drying technologies for sludge treatment. According to F&S, these technologies are among the first of their kind in China and are recognized for their efficiency, energy savings and environmental benefits. Such technologies were recognized as a Major Demonstration Project for Water Pollution Control, and we are a member of the National Strategic Alliance for Technological Innovation in Sludge Treatment and Disposal.
- In terms of leachate treatment, we adopted the MBR and advanced membrane treatment process. We also co-treat high concentration incineration leachate with aged landfill leachate to address carbon nitrogen imbalance and improve wastewater treatment outcomes. Our leachate treatment system can meet stringent discharge standards while maintaining cost efficiency. Our sewage treatment project was recognized by the Ministry of Housing and Urban Rural Development as a Municipal Public Utilities Science and Technology Demonstration Project.

Our technological achievements in household waste interim treatment and transfer

- At our Changsha Transfer Project, we have integrated IoT and big data technologies to develop smart household waste transfer systems in order to reduce labor intensity and improve operational efficiency. According to F&S, this project ranked first in China in 2025 in terms of daily treatment capacity among all waste interim treatment and transfer projects.

Our technological achievements in the harmless treatment and resource utilization of food waste

- At our Changsha Food Waste Project, we adopted multi-level oil water separation and anaerobic digestion technologies to maximize energy output and material reuse. These systems are supported by automation technologies such as secondary extrusion, automated three-phase separation, and distributed energy demonstration projects that can improve oil recovery rates and reduce manual labor. According to F&S, in 2025, this project ranked third in China in terms of daily treatment capacity among food waste treatment projects. It was also awarded the First Prize for Scientific and Technological Progress by the China Circular Economy Association.

Since establishing our R&D center, we have continued to recruit research talents from universities, and we would also collaborate with academic institutions such as Hunan University to conduct R&D in integrated waste treatment and resource utilization. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, our R&D expenses amounted to approximately RMB57.0 million, RMB63.8 million, RMB89.9 million and RMB16.9 million, representing 3.1%, 2.6%, 3.3% and 2.3% of our total revenue, respectively. As of the Latest Practicable Date, we held 534 authorized patents, including 118 invention patents.

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Our track record performance

For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, our gross profits had reached RMB940.1 million, RMB1,000.7 million, RMB1,502.6 million, and RMB416.8 million, at gross profit margins of 51.2%, 41.5%, 55.0% and 56.6%, respectively. During the same periods, our profit for the year/period had reached RMB652.8 million, RMB686.2 million, RMB994.0 million, and RMB304.9 million, at net profit margins of 35.5%, 28.5%, 36.4% and 41.4%, respectively. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, our profit for the year/period attributable to equity shareholders of our Company was RMB513.9 million, RMB536.3 million, RMB716.6 million, and RMB219.7 million, respectively, the year-on-year growth of our profit for the year attributable to equity shareholders of our Company for 2024, and 2025 was 4.4% and 33.6% respectively and our profit for the period attributable to equity shareholders of our Company increased by 27.9% for the three months ended March 31, 2025 and 2026. As further proof of the value we create for shareholders, we declared and paid dividends of RMB369.0 million, RMB369.0 million, RMB507.3 million and RMB502.9 million at a dividend payout ratio of 79.1%, 71.8%, 94.6% and 70.2% in respect of the years ended December 31, 2022, 2023, 2024 and 2025, respectively. On April 21, 2026, we held the Annual General Meeting of 2025 and approved a proposal from our Board of Directors to distribute a dividend of RMB502.9 million in respect of the year ended December 31, 2025. As of the Latest Practicable Date, we had paid the dividend of RMB502.9 million.

OUR COMPETITIVE STRENGTHS

We believe that our achievements to date are driven by the following competitive strengths:

As an established provider of specialized solutions in integrated wasted treatment and resource utilization, we are positioned to drive growth across markets in China and overseas.

We are a company that provides specialized solutions in integrated waste treatment and resource utilization, including the investment, management, and operation of green energy and environmental services projects. According to F&S, our Changsha Environmental Protection Industrial Park, in which our main operations are situated, is among the largest integrated environmental parks in the industry in China, in terms of project scale. We are also the only company in the solid waste treatment sector to receive two Luban Prizes within the same industrial park. In 2025, we ranked first among all solid waste incineration companies in China, in terms of average on-grid electricity generated per ton of waste, and our Changsha Waste-to-energy Incineration Project (located within the park’s campus) ranked fourth among all waste-to-energy incineration projects in China, in terms of waste treatment volume. We also ranked first among all waste interim treatment and transfer projects in China, and third among all food waste treatment projects in China, in terms of daily treatment capacity in 2025.

We believe that our success in Changsha demonstrates not only our technical capabilities, but also our ability to execute complex, large-scale projects within a unified, synergistic platform. Building on this foundation, we have already expanded into nearby locations such as Liuyang and Pingjiang. We believe that these deployments validate the scalability and replicability of our capabilities, and our ability to respond quickly and effectively to new market opportunities. According to F&S, the PRC market for waste-to-energy incineration services grew from RMB37.1 billion in 2020 to RMB53.4 billion in 2025, representing a CAGR of 7.5%, and is forecasted to reach RMB60.8 billion by 2030, growing from 2026 at a CAGR of 2.6%. Moreover, China’s food waste treatment and resource utilization sector expanded from RMB9.7 billion in 2020 to RMB18.8 billion in 2025, at a CAGR of 14.3%, and it is projected to grow from 2026 at a CAGR of 18.3%, reaching RMB39.7 billion by 2030. We believe that, based on our track record and expertise, we are well-positioned to scale our model across other high-potential markets in China.

We also believe that our proven track record in China positions ourselves to drive future growth in emerging markets abroad. To this end, we have signed a concession agreement in 2024 to develop the Bishkek Project. Phase I of this project had commenced operation in December 2025. As of the Latest Practicable Date, we have signed an investment agreement, followed with a service concession agreement, to develop a green energy and environmental services project in Osh City, Kyrgyzstan, and an investment agreement and service concession agreement for two similar projects in the Issyk-Kul Prefecture of Kyrgyzstan. In July 2025, we have also signed a memorandum of understanding, followed with an investment agreement signed in late August 2025

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and a waste supply agreement and a power purchase agreement in April 2026, to develop a similar project in Almaty, Kazakhstan. We are also proud to be ranked, by F&S, the first among Chinese solid waste treatment enterprises that are expanding into Central Asia in 2025, in terms of daily treatment capacity. Such overseas expansion is driven by several factors. First, policy support under China's Belt and Road Initiative and national low-carbon development strategies has created favorable conditions for us to expand our operations. Secondly, according to F&S, the rising pace of urbanization in certain countries has led to a surge in waste generation, while harmless disposal rates and incineration ratios remain significantly below those of developed nations. Thirdly, there is a growing demand for advanced, low-emission waste treatment technologies in the region. For such reasons, we firmly believe that, with a foundation built on our market position in China and a growing international footprint, we are positioned to drive the next wave of growth overseas.

Our specialized solutions in integrated waste treatment and resource utilization are designed to efficiently meet the evolving needs of modern urban environments.

As demonstrated by our Changsha Environmental Protection Industrial Park, by co-locating and co-processing multiple waste within the same campus, we create a unified infrastructure that is capable of covering most of the industry's value chain, and delivering both environmental and economic advantages. We believe that this bundled model allows for one time construction, reduced investments, and shared utilities, thus improving land use efficiency and reducing both capital and operating costs. More importantly, it enables a "treat waste with waste" approach, where the by-products of one treatment process can be used to support another. This minimizes the need for separate transport and transfer infrastructure, lowering logistics costs and enabling larger scale waste treatment within the same collection radius. According to F&S, as urban land becomes increasingly scarce and environmental regulations tighten, the traditional model of treating each waste stream in isolation is no longer viable. Our integrated approach not only reduces the per ton treatment costs, but can also increase load rates and overall system resilience. Our projects achieved operating gross profit margins of 62.9%, 63.6%, 56.6% and 58.5% for the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, respectively. Our Changsha Environmental Protection Industrial Park has been designated as a facility that is open for public access and an environment education case for environmental protection, and our urban sewage and waste treatment projects serve as a key showcase of Changsha's ecological development efforts. This "Changsha Model" is now being shared internationally, with delegations from several Belt and Road Initiative countries visiting the facility.

We drive growth through our technological leadership.

We have built a foundation of proprietary technologies that support our core operations across the waste management value chain. Our innovations aim to address real world operational challenges, improve environmental performance, reduce operational costs, and support long term system optimization. Technological advancements include digital systems for waste pit management, optimization of thermal system efficiency, enhancement of boiler waste heat recovery, anti-corrosion measures, and improvements in busbar current balancing. We have also developed long-distance dry sludge transport technology and co-treatment technologies that allow solid waste and sludge to be processed together, improving combustion efficiency and stability.

Such achievements in clean waste-to-energy incineration have earned top national rankings in electricity generation and treatment capacity in 2025. Phase I of our Changsha Waste-to-energy Incineration Project was among China's largest single-furnace incineration plants and received prestigious accolades including the Luban Prize and the China Steel Structure Gold Award. Phase II of the project comprised one of the world's largest single waste pits and also won the Luban Prize in 2023, making us the only company in the industry to receive two such awards within the same park. We also adopted integrated sludge treatment technologies and advanced sewage treatment processes using MBR and advanced membrane treatment. Our Changsha Transfer Project leads the country in daily treatment capacity, owing to IoT-enabled transfer systems. Meanwhile, the oil-water separation and anaerobic digestion technologies that we have applied in our Changsha Food Waste Project have earned us national recognition, including a top-three ranking in terms of daily treatment capacity and a First Prize for Scientific and Technological Progress in China by the China Circular Economy Association.

Our innovation efforts are supported by an R&D center and a collaborative network of academic and industry partners. As of the Latest Practicable Date, we have several ongoing research and development projects. These include research on emission control technology for nitrogen oxides in

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incineration flue gas, which has been commissioned to Harbin Kenen Welding Technology Co., Ltd. and is scheduled to commence from May 2025 to December 2026. We are also working on the development and application of anti-corrosion systems for composite corrosion environments in waste-to-energy incineration with Central South University of Forestry and Technology, with the project period from August 2025 to June 2026. Furthermore, we are collaborating with Central South University on research into microbial identification and bioelectrocatalytic one-step anaerobic hydrogen production technology, which commenced in December 2023 and will continue until November 2026. We also have an industry-academia-research project with Central South University focused on low-temperature biogas-to-hydrogen technology, which will run from July 2025 to December 2026. These collaborations demonstrate our continued commitment to innovation and technological advancement in waste-to-energy, resource recovery and hydrogen production.

As of the Latest Practicable Date, we held 534 authorized patents, including 118 invention patents.

Our capabilities in project operational management have driven strong and resilient financial performance.

Our operational management focuses on efficiency, cost control, and environmental performance. We believe that such operational management capabilities have translated into robust financial results. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, our gross profits had reached RMB940.1 million, RMB1,000.7 million, RMB1,502.6 million, and RMB416.8 million and our projects reached operating gross profit margins of 62.9%, 63.6%, 56.6% and 58.5%, respectively. During the same periods, our profit for the year/period had reached RMB652.8 million, RMB686.2 million, RMB994.0 million, and RMB304.9 million, and we achieved operating net profit margins from our projects of 43.7%, 43.6%, 37.4% and 42.8%, respectively. Our projects consistently generate stable cash flows, and our high dividend payout ratio, at 79.1%, 71.8%, 94.6% and 70.2%, in respect of the years ended December 31, 2022, 2023, 2024 and 2025, respectively. On April 21, 2026, we held the Annual General Meeting of 2025 and approved a proposal by our Board of Directors to distribute a dividend of RMB502.9 million in respect of the year ended December 31, 2025. As of the Latest Practicable Date, we had paid the dividend of RMB502.9 million. We believe that this reflects our ability to deliver long-term value to shareholders.

We are led by experienced leaders, and a corporate culture rooted in integrity, accountability, resilience, and excellence.

Our leadership team brings together decades of experience across environmental protection, green energy, infrastructure development, and corporate management. At the helm is Mr. Dai Daoguo, our Chairman and Executive Director, with experience in the solid waste treatment and green energy industry. He was also named a national-level leading talent by the Changsha Municipality in 2022. Our executive management includes professionals with complementary backgrounds in engineering, waste-to-energy incineration, heat generation, public administration, finance, and environmental operations. For further information, please see the section headed “Directors and Senior Management” in this Document. Our management structure is designed for agility and accountability. Strategic decisions are guided directly by the Chairman and senior executives, who remain closely involved in project development and operational oversight. We believe that this hands-on approach enables us to respond to market changes, maintain standards across all business functions, and drive sustainable growth through disciplined management and strategic foresight.

We believe that many of our senior leaders began their careers in operational roles and advanced through our organization by demonstrating these principles. Our approach to talent development includes providing training programs, mentorship opportunities, and leadership development pathways that support both professional growth and organizational continuity. Our human resources strategy emphasizes competitive compensation, performance-based incentives, and a robust suite of welfare benefits designed to support the well-being and motivation of our workforce.

We believe our corporate culture of “upholding our integrity, taking responsibility, being resilient, and striving for excellence (守正道, 講擔當, 艱苦奮鬥, 追求卓越)” shapes how we work. As we grow and take on more complex projects, we hope that our values will continue to be guiding decisions, uniting teams and driving confident execution.

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OUR FUTURE STRATEGIES

We are committed to preserving our status as a key market player and to fostering our financial and operational expansion via these future strategies:

We will deepen our strategic focus on our core operations while advancing green technology capabilities.

We intend to deepen our strategic focus on core business operations while advancing our capabilities in green technology. Our efforts will concentrate on identifying and executing high-quality large-scale projects aligned with national and Hunan provincial development priorities, as well as emerging opportunities in Belt and Road markets.

To drive new growth, we will be implementing, in some of our future projects, a new “three-center” approach that aims to consolidate green electricity generation, district heating, and computing infrastructure. Electricity produced from our waste-to-energy incineration systems can be supplied to the state grid, or utilized to power high-performance computing infrastructure, which may include AI data centers in the vicinity. Additionally, the heat generated from these systems may be redirected to industrial and mining enterprises and residential communities in the vicinity, enhancing local energy resilience. This integrated model ensures a stable, low-carbon energy supply for digital operations, mitigates inefficiencies inherent in standalone systems, and enables real-time optimization of energy flows through centralized control and shared utilities. It also contributes to reduced land usage, lower capital and operating expenditures, and improved scalability and deployment efficiency. As of the Latest Practicable Date, we have entered into a strategic cooperation agreement with the hopes to adopt this model in the Changsha area by possibly working with AI data centers that may be constructed near our projects. The Strategic Cooperation Agreement entered into between a local digital technology company and our Company in June 2025 on the integration of our Company’s capabilities in environment protection and clean energy sector and this company’s digital resources. The parties propose to collaborate by establishing joint ventures. This three-center model is also a focus on our overseas expansion plans.

We will continue to invest in core infrastructure and heavy-asset capabilities, which remain our core business and long-term strategic focus and will continue to receive priority in our allocation of capital, personnel and R&D resources. For these heavy-asset projects, we manage the associated risks through rigorous project screening, tariff adjustment and payment terms in project agreements, active payment collection, and robust environmental and safety management systems.

In parallel, we are exploring a complementary asset-light strategy for our future development, principally in support of our overseas expansion. This strategy contemplates the provision of technical and operational services to local partners in return for service fees — exporting our management expertise, operational know-how and proprietary equipment, without substantial capital commitment or ownership of the underlying facilities — to help them establish and operate high-performing waste treatment operations. Anchored in the technologies and operational experience accumulated from our own projects, this approach is intended to extend our reach at limited capital cost while keeping our resources concentrated on our core business. Opportunities will be evaluated by reference to their risk profile, including the political and regulatory environment, counterparty profile and technical complexity, and managed through careful counterparty selection, the export of only proven technologies, on-site supervision and periodic review, and contractual safeguards. We believe this strategy will, over time, position us not only as a project developer but also as a technology and service provider, scaling our environmental impact across domestic and international markets.

With regards to advancements in green environmental protection technologies, our priority lies with, among others, reducing pollutant emissions and improving the efficiency of waste-to-energy incineration through R&D and innovation. This focus is central to our strategy of turning waste into a reliable, clean energy source that supports grid stability and reduces dependence on fossil fuels.

We will expand our operations overseas with a focus on Belt and Road markets.

We are committed to expanding our international footprint with a strategic focus on Belt and Road markets. In 2024, we have signed a service concession agreement to develop a waste-to-energy project in Bishkek, Kyrgyzstan. Phase I of the Bishkek project had commenced operation in December 2025. As of the Latest Practicable Date, we have signed an investment agreement,

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followed with a service concession agreement, to develop a green energy and environmental services project in Osh City, Kyrgyzstan, and an investment agreement and service concession agreement for two similar projects in the Issyk-Kul Prefecture of Kyrgyzstan. We have also entered into a memorandum of understanding in July 2025, an investment agreement in late August 2025, and a waste supply agreement and a power purchase agreement in April 2026, to develop a green energy and environmental services project Almaty, Kazakhstan. Building on this foundation, we are actively extending our presence across the region and have hosted delegations from over ten countries, positioning our “Junxin Solution” as a replicable model for environmental improvement and sustainable development.

Looking forward, our future strategic expansion targets may include Uzbekistan, and Turkey, where we aim to address the rising demand for large-scale waste treatment infrastructure. We believe that these countries are experiencing rapid urbanization and population growth, which is driving the need for clean electricity, resilient waste management systems, and sustainable urban services. In parallel, we are preparing to enter Southeast Asia and South America, leveraging our proven capabilities in delivering complex infrastructure projects and our ability to tailor solutions to diverse regulatory and environmental contexts.

We will enhance our operational efficiency through technological innovation and digital transformation.

We are committed to sustained investment in research and development as a cornerstone of our long-term strategy. By prioritizing R&D, we aim to accelerate the development of intelligent, scalable, and environmentally responsible solutions that address both internal performance goals and broader environmental challenges. This commitment reflects our belief that technological leadership is fundamental to delivering consistent value to stakeholders and to shaping the future of sustainable infrastructure.

Our innovation strategy is deeply rooted in the integration of artificial intelligence and digital technologies across all operational domains. In solid waste management, we have deployed combustion control systems and digital twin platforms that enable real-time monitoring and predictive optimization of incineration processes. Machine vision and intelligent robotics are used to automatically detect oversized objects, and dynamically track calorific values, significantly improving the stability and safety of the system and efficiency. In wastewater treatment, we have developed smart cleaning systems and precision dosing technologies that reduce chemical consumption and energy use while extending equipment life. Our centralized digital management platform integrates production, safety, finance, and human resource functions across all projects, enabling unified scheduling, data-driven decision-making, and remote diagnostics. In environmental safety, surveillance systems and methane laser detection platforms provide 24/7 monitoring of critical infrastructure, allowing for early risk identification and rapid response.

These digital and AI-driven initiatives are not only transforming how we operate but also redefining the value we deliver. By automating routine tasks, enhancing process visibility, and enabling predictive maintenance, we are reducing operational costs, minimizing downtime, and improving environmental compliance. The integration of intelligent systems allows us to respond more quickly to changing conditions, optimize resource use, and ensure consistent quality across diverse project environments. As we continue to expand our innovation, we will also grow our talent base, attracting top professionals in AI, environmental engineering, and digital systems to support the next generation of sustainable infrastructure solutions. Through this approach, we are building a smarter, safer, and more adaptive organization prepared to lead in a digitally transformed future.

We will strengthen our talent development and organizational resilience.

We recognize that our long-term success depends on the strength, stability, and adaptability of our people. As we scale our operations and expand into new markets, we are committed to building a future-ready workforce that can sustain innovation, operational excellence, and responsible growth. Our talent strategy focuses on attracting, developing, and retaining high-caliber professionals across R&D, engineering, operations, and management. We are building multi-tiered talent pipelines across all business segments to ensure continuity of expertise and leadership succession. To support this, we are refining our incentive structures, performance evaluation systems, and training programs to foster a culture of accountability, engagement, and continuous learning. By aligning individual growth with organizational goals, we aim to empower employees at all levels to contribute meaningfully to our strategic vision.

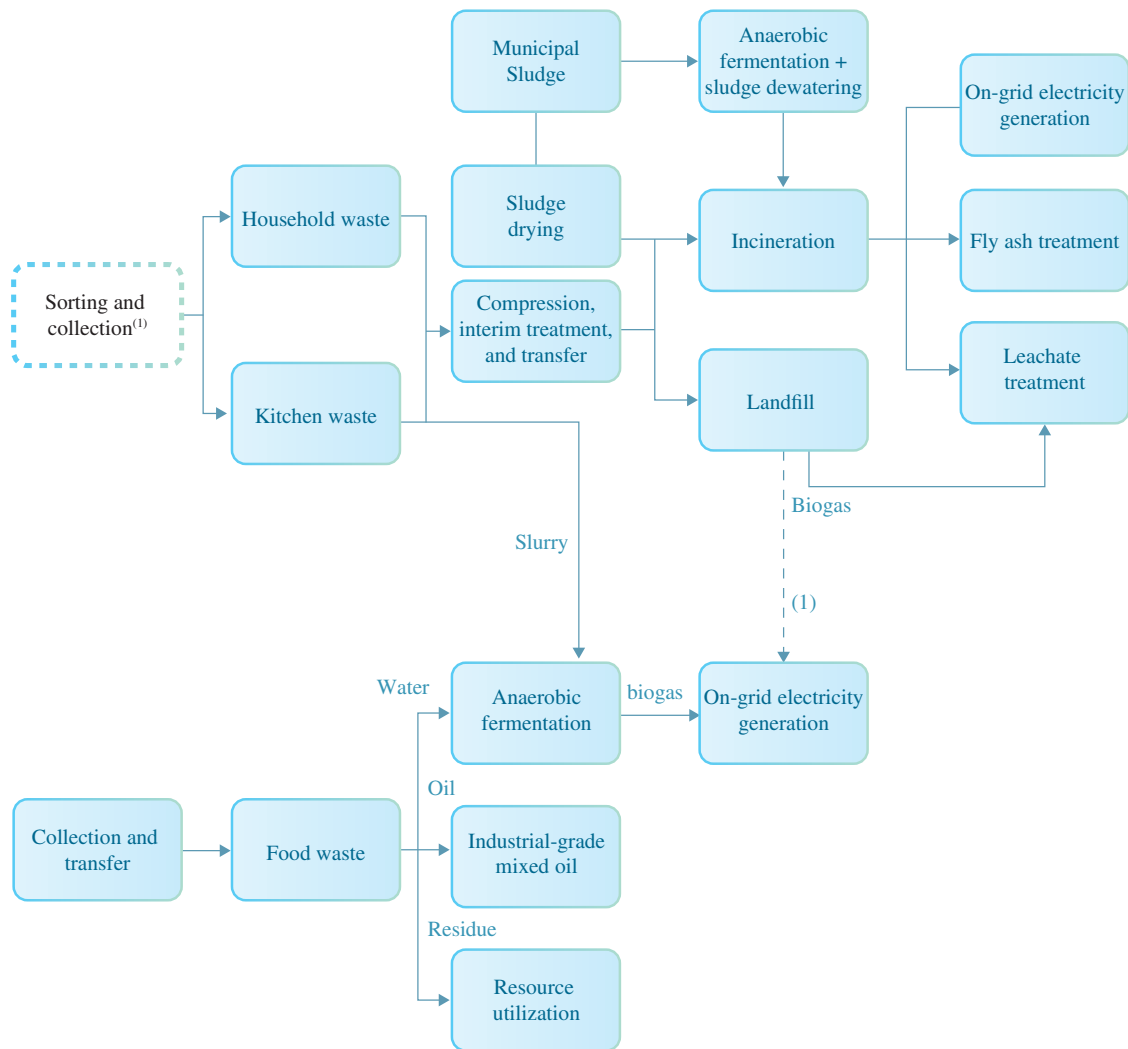
BUSINESS

We believe that organizational resilience is equally critical in a volatile and fast-changing global environment. We are reinforcing our corporate culture and ESG governance framework to embed sustainability, risk management, and ethical conduct into our daily operations. This includes strengthening internal controls, enhancing scenario planning capabilities, and promoting a culture of transparency and shared responsibility. By institutionalizing these values, we aim to build an organization that is not only agile in the face of disruption but also trusted by stakeholders and aligned with long-term societal and environmental goals.

OUR BUSINESS

We are a company that provides specialized solutions in integrated waste treatment and resource utilization, including the investment, management, and operation of green energy and environmental services projects. Our core business comprises (i) clean waste-to-energy incineration; (ii) the integrated treatment of various types of waste (including sludge, sewage and leachate, fly ash, and others); (iii) the interim treatment, compression, and transfer of household waste; and (iv) the collection, harmless treatment, and resource utilization of food waste.

Together, we believe that such services would form a fully integrated waste treatment and resource utilization system which covers the full industry value chain and reflects our commitment to the circular economy, as illustrated by the following diagram:



Note:

1. This is not a part of our Group's operations, but forms a part of the industry's overall value chain.

BUSINESS

Waste collected from residential and commercial sources is first treated and compressed through interim treatment facilities which is then transferred to our waste-to-energy incineration plants, where it is converted into electricity, contributing clean energy to the local grid and reducing reliance on traditional fossil fuels. Whilst in our early days, we would send waste collect to our landfill projects, once a waste-to-energy incineration project commences operations, the waste collected and transferred will be sent to waste-to-energy incineration. During this process, any sewage generated from waste fermentation is captured and treated through our dedicated sewage treatment systems, ensuring environmental protection and regulatory compliance. The incineration process will produce a minimal amount of fly ash and bottom ash. Chelated solids produced after the harmless treatment of fly ash will be sent to landfill for disposal, whereas bottom ash upon treatment are usually repurposed as raw material for construction use. Food waste is managed through a separate treatment stream. Household waste originates from residents daily living, commercial activities, public spaces, and institutional operations. This waste is collected and transported by sanitation fleets managed by third parties, and delivered to designated transfer stations. Food waste, on the other hand, is produced by entities such as restaurants, hotels, workplace canteens, school cafeterias, and food processing factories. This type of waste is mainly collected by our Group, ensuring consistent and regulated transfer for processing. Once collected, it is processed after pre-treatment and three-phase separation to extract multi-purpose industrial-grade mixed oil. Additionally, the biogas generated during the treatment of organic waste is captured and used to produce electricity, further enhancing the sustainability and resource utilization potential of our operations.

By interlinking each stage 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, our revenue mainly comprised (i) revenue from electricity sales from our clean waste-to-energy facilities; (ii) revenue from waste treatment services (comprised those in relation to sludge, sewage and leachate, food waste, fly ash, and others); (iii) revenue from the sales of industrial-grade mixed oil; (iv) revenue from the collection of food waste; and (v) revenue from waste interim treatment and transfer. The following table sets forth such a breakdown during the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
							(unaudited)			
Revenue from the sales of electricity	698,230	38.0	685,285	28.4	837,835	30.7	204,266	29.3	247,461	33.6
Revenue from waste treatment services										
– Waste incineration	355,905	19.4	353,982	14.7	347,050	12.7	94,418	13.6	104,276	14.2
– Sludge	212,748	11.6	203,155	8.4	219,062	8.0	53,157	7.6	52,859	7.2
– Sewage and leachate	88,197	4.8	107,655	4.5	83,881	3.1	17,709	2.5	20,336	2.8
– Food waste ⁽¹⁾	–	–	13,136	0.5	115,614	4.2	33,460	4.8	29,744	4.0
– Fly ash	104,510	5.7	95,384	4.0	68,353	2.5	23,758	3.4	19,988	2.7
– Landfill	34,696	1.9	38,440	1.6	27,384	1.0	7,045	1.0	6,978	0.9
– Others ⁽²⁾	–	–	–	–	1,287	–	319	0.1	413	0.1
Sub-total	796,056	43.4	811,752	33.7	862,631	31.6	229,866	33.0	234,594	31.9
Revenue from household waste interim treatment and transfer services ⁽¹⁾	–	–	54,047	2.2	684,966	25.1	154,393	22.1	171,290	23.3
Revenue from food waste collection ⁽¹⁾	–	–	4,568	0.2	65,404	2.4	16,201	2.3	15,741	2.1
Revenue from sales of industrial-grade mixed oil ⁽¹⁾	–	–	17,280	0.7	198,730	7.3	44,421	6.4	42,281	5.7
Revenue from construction services ⁽³⁾⁽⁴⁾	341,563	18.6	836,939	34.7	76,283	2.8	47,000	6.7	23,624	3.2
Others ⁽⁵⁾	765	–	984	–	4,859	0.2	1,213	0.2	1,362	0.2
Total	1,836,614	100.0	2,410,855	100.0	2,730,708	100.0	697,360	100.0	736,353	100.0

BUSINESS

Notes:

1. These revenue from these service lines became a part of our Group after the Acquisition of Renhe which completed in November 2024. For such reasons, the financial information presented in this table include those for the one month ended December 31, 2024, the year ended December 31, 2025, and the three months ended March 31, 2026. For the financial information relating to these projects prior to the date of the Acquisition of Renhe since the beginning of the Track Record Period, please see the section headed “Financial Information — Financial information of Renhe” in this Document.
2. Primarily included revenue from bottom ash treatment.
3. In rendering construction services, we mainly provide administrative services and hire third-party contractors to outsource most of the work regarding construction, design, supply and installation of machinery. When determining the stand-alone price of construction services, we typically apply a cost-plus basis. Most of the contracts are fixed price contracts, therefore any additional costs such as those caused by changes in salary, equipment and raw material prices during construction period would be borne by the third-party contractors. As such, our Directors are of the view that the construction payment to third party contractors is not entitled to additional profit margin on a cost-plus basis as the cost paid to the third-party contractors has reflected prevailing market rate, and that we are only entitled to the profit attributable to the administration service performed in the course of provision of construction services. In determining the mark-up for the administration service, on which the profit attributable to the administration service was calculated based, we considered prevailing market rate of gross margin applicable to similar services rendered from comparable projects or entities providing similar services. However, as the cost in relation to our administration service only takes up a small portion of total construction costs, the profit attributable to our administration service would be immaterial, and the standalone selling price of the overall construction services is close to the construction cost; therefore, our management determined nil gross profits would be made to the overall construction services.
4. Revenue from construction services in these years/periods was mainly in relation to our clean waste-to-energy incineration projects and flying ash treatment project in Liuyang and Pingjiang projects.
5. Primarily included rental income.

OUR PROJECTS

During the Track Record Period, our projects include (i) projects at our Changsha Environmental Protection Industrial Park; (ii) our Liuyang Waste-to-Energy Incineration Project; (iii) our Projects in Pingjiang; (iv) our Changsha Transfer Project; and (v) our Changsha Food Waste Project.

The following table sets forth the operating revenue from such projects for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
							<i>(unaudited)</i>			
Projects at our Changsha Environmental Protection Industrial Park										
– Changsha Waste-to-Energy Incineration Project (phase I)	640,304	34.9	607,459	25.2	608,654	22.3	155,744	22.3	167,174	22.7
– Changsha Waste-to-Energy Incineration Project (phase II)	544,634	29.7	551,887	22.9	538,452	19.7	137,241	19.7	139,195	18.9
– Sludge, leachate, fly ash, and others	292,547	15.8	303,581	12.6	261,027	9.5	66,945	9.6	64,607	8.8
Liuyang Waste-to-Energy Incineration Project	–	–	–	–	92,195	3.4	22,606	3.2	27,553	3.7
Projects in Pingjiang	17,565	1.0	20,294	0.8	57,835	2.1	15,079	2.2	15,889	2.2
Changsha Transfer Project ⁽¹⁾	–	–	54,959	2.3	699,162	25.6	156,736	22.5	175,108	23.8
Changsha Food Waste Project ⁽¹⁾	–	–	35,736	1.5	383,928	14.1	96,009	13.8	88,599	12.0
Bishkek Project (phase I) ⁽²⁾	–	–	–	–	13,172	0.5	–	–	34,604	4.7
Total operating revenue from our projects	1,495,051	81.4	1,573,916	65.3	2,654,425	97.2	650,360	93.3	712,729	96.8
Revenue from construction services ⁽³⁾	341,563	18.6	836,939	34.7	76,283	2.8	47,000	6.7	23,624	3.2
Total revenue	1,836,614	100.0	2,410,855	100.0	2,730,708	100.0	697,360	100.0	736,353	100.0

BUSINESS

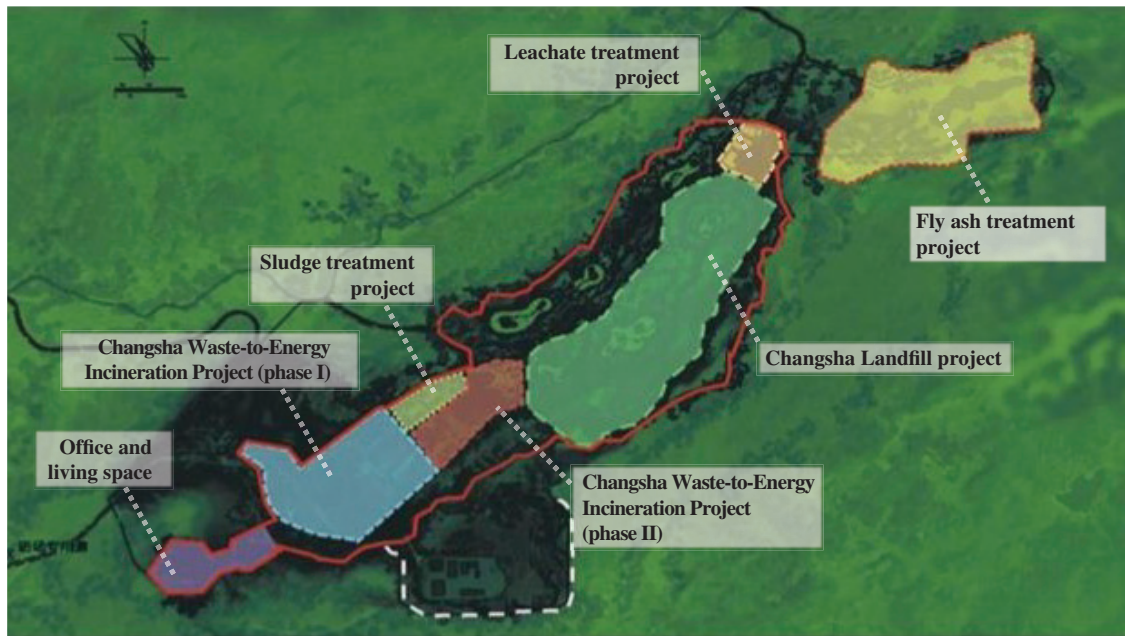
Notes:

1. These projects had only become a part of our Group after the Acquisition of Renhe which completed in November 2024. For such reasons, the financial information presented in this table will include those for the one month ended December 31, 2024, the year ended December 31, 2025, and the three months ended March 31, 2026. For the financial information relating to these projects prior to the date of the Acquisition of Renhe since the beginning of the Track Record Period, please see the section headed “Financial Information — Financial information of Renhe” in this Document.
2. This project was signed in 2024 with the Bishkek City Government and commenced operation in December 2025.
3. Revenue from construction services in these years/periods were mainly in relation to our clean waste-to-energy incineration projects and flying ash treatment project in Liuyang and Pingjiang projects.

Projects at the Changsha Environmental Protection Industrial Park

According to F&S, the Changsha Environmental Protection Industrial Park is among the largest integrated environmental parks in the industry in China, in terms of project scale. We are also the only company in the solid waste sector to receive two Luban Prizes within the same industrial park. As of the Latest Practicable Date, projects that are situated at our Changsha Environmental Protection Industrial park comprised our (i) Changsha Waste-to-Energy Incineration Project (phase I); (ii) Changsha Waste-to-Energy Incineration Project (phase II); and (iii) projects for the treatment of sludge, leachate, fly ash, and others.

The following map illustrates the various facilities at our Changsha Environmental Protection Industrial:



Changsha Waste-to-Energy Incineration Project (phase I)

Phase I of our Changsha Waste-to-Energy Incineration Project is a flagship clean waste-to-energy project developed under a BOT agreement with a concession period from 2014 to 2042. This project is located within the Changsha Environmental Protection Industrial Park in Qiaoyi Town, Wangcheng District, Changsha. The project is equipped with six furnaces and four steam turbine generator units. Construction of this project commenced in 2015 and was successfully connected to the grid in 2018. As of the Latest Practicable Date, phase I of this project had a treatment capacity of 5,000 tons of waste per day.

BUSINESS

The following is a photo of this project:



The following table sets forth selected operating and financial data in relation to this project for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Power generation functions:				
– On-grid electricity sold (kWh'000)	844,264	810,191	894,007	231,631
– Revenue (RMB'000)	422,504	397,284	437,405	116,980
– Average electricity price (RMB/kWh)	0.5	0.5	0.5	0.5
Waste incineration functions:				
– Treatment volume ('000 tons)	1,936	1,819	1,902	474
– Revenue (RMB'000)	217,792	210,104	171,249 ⁽¹⁾	50,194
– Average price (RMB/ton)	112.5	115.4	90.1 ⁽¹⁾	105.9
Others: ⁽²⁾				
– Revenue (RMB'000)	8	71	–	–
Total operating revenue from this project	640,304	607,459	608,654	167,174

Notes:

- The revenue and average price of our waste incineration functions for the year ended December 31, 2025 were relatively lower, primarily attributable to a discrepancy between the applicable tax rates enjoyed by our relevant operating projects and those specified during their initial project approval stage. The unit prices of our waste treatment services were determined with our customers at the project engagement stage with reference to various factors, including the then-prevailing macro policies such as applicable VAT rates. Due to subsequent adjustments in such policies, the actual tax burden of the relevant projects during operation was lower than that assumed in the pricing basis initially. Following negotiations with the relevant government authorities, a retroactive adjustment was made for both the current year and prior years. Accordingly, we recorded a one-time price adjustment, which resulted in short-term fluctuations in our revenue and average price. The impact of such adjustment was reflected in the financial statements for the year ended December 31, 2025 and the three months ended March 31, 2026. We will continue to recognize revenue based on the adjusted unit price going forward, and do not expect such adjustment to have any further material impact on our financial performance.
- Primarily comprised revenue from the sale of scrap materials.

BUSINESS

In accordance with the concession in respect of this project, our fee arrangements comprise charges for the provision of waste-to-energy incineration services calculated on the basis of the verified tonnage of municipal solid waste delivered to the facility. The measurement of waste volume is undertaken through a government-certified metering system to ensure transparency and accuracy. In addition to these service fees, the project generates revenue from the sale of electricity to the local grid under standard power purchase agreements. The payment schedule under the concession agreement provides for monthly settlement by the municipal authority, based on the actual quantity of waste processed during the relevant period. Electricity sales are invoiced and settled in accordance with prevailing tariff regulations and the terms of the applicable power purchase agreements. These arrangements are designed to provide predictable cash flows and align with the long-term nature of the concession, which extends until 2042, at which point the facility will be transferred to the government without consideration.

Owing to the nature of this project and its structure as a BOT concession, we assess that our business risks include exposure to fluctuations in waste volumes, which may affect revenue, and potential changes in regulatory or tariff frameworks that could impact profitability. Credit risk arises primarily from reliance on the municipal government as the counterparty for service fee payments and payments from the state-grid companies in relation to the electricity supplied to them, any delay or default in such payments could adversely affect liquidity. Operational risks include the technical challenges associated with maintaining high utilization rates, which have consistently exceeded 100 per cent of designed capacity, and the need to ensure compliance with stringent environmental standards through continuous investment in emissions control technology. Further, the project is subject to supply chain risks relating to the availability of spare parts and skilled labor for maintenance. These risks are mitigated through the stability afforded by long-term concession agreements, government-backed payment obligations, and the deployment of advanced incineration technology that supports operational efficiency and environmental compliance.

Changsha Waste-to-Energy Incineration Project (phase II)

Phase II is a waste-to-energy and sludge treatment facility developed under a BOT agreement with a concession period from 2019 to 2048. Phase II of this project incorporates several technical innovations, such as a co-incineration process in which sludge is thermally dried and then incinerated with household waste, and it houses one of world's largest single waste pits, with a net capacity exceeding 100,000 cubic meters. It is equipped with four furnaces and two steam turbine generator units. This project was successfully connected to the grid in 2021. As of the Latest Practicable Date, phase II had a treatment capacity of 2,800 tons of waste per day. It also had a treatment capacity of 500 tons of sludge per day. As a testament of our expertise, phase II of this project was awarded the Luban Prize in 2023.

The following is a photo of this project:



BUSINESS

The following table sets forth selected operating and financial data in relation to this project for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Power generation functions:				
– On-grid electricity sold (kWh'000)	616,381	657,307	652,472	167,184
– Revenue (RMB'000)	275,726	285,561	283,760	74,143
– Average electricity price (RMB/kWh)	0.4	0.4	0.4	0.4
Waste incineration functions:				
– Treatment volume ('000 tons)	1,299	1,365	1,278	311
– Revenue (RMB'000)	138,113	142,583	131,322	32,975
– Average price (RMB/ton)	106.3	104.5	102.8	106.1
Sludge treatment functions:				
– Treatment volume ('000 tons)	201	183	177	49
– Revenue (RMB'000)	130,795	123,743	123,370	32,077
– Average price (RMB/ton)	650.7	676.2	697.5	653.5
Total operating revenue from this project	544,634	551,887	538,452	139,195

Pursuant to the concession framework governing this project, revenue generation consists of charges for waste-to-energy incineration and sludge treatment services, determined by reference to the verified quantity of waste received at the facility. Waste volumes are measured using a government approved metering system, ensuring accuracy and transparency in the calculation of service fees. In addition to these charges, the project derives income from electricity generated and supplied to the local grid under standardized power purchase arrangements. Under the terms of the concession, payments are effected on a monthly basis by the municipal authority, calculated on the actual tonnage processed during the relevant period. Proceeds from electricity sales are invoiced and settled in accordance with prevailing tariff rules and the contractual provisions of the applicable power purchase agreements. This structure is intended to provide stable and predictable cash flows and reflects the long-term nature of the concession, which runs until 2048, at which point ownership of the facility will revert to the government without consideration.

Given the characteristics of a BOT arrangement, we assess that the principal business risks include variability in waste volumes, which may influence revenue, and the possibility of regulatory or tariff adjustments that could affect margins. Credit exposure arises primarily from dependence on the municipal government as the obligor for service fee payments; any delay or failure in such payments could have an adverse impact on liquidity. Operational risks encompass the technical demands of sustaining high utilization levels and the ongoing requirement to comply with stringent environmental standards, necessitating continuous investment in emissions control systems.

Sludge, leachate, fly ash, and others

Our projects in relation to the treatment of sludge, leachate, fly ash, and others (that are situated at the Changsha Environmental Protection Industrial Park) began as we entered into a BOT contract for sludge treatment with a concession period from 2006 to 2031, a BOT contract for leachate treatment with a concession period from 2006 to 2031, a BOT contract for fly ash treatment with a concession period from 2019 to 2049, and a TOT contract for landfill services with a concession period from 2006 to 2031.

BUSINESS

The following table sets forth a summary, and the selected financial and operating data, of these projects for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Sludge treatment:				
– Treatment volume ('000 tons)	196	188	188	47
– Revenue (RMB'000)	81,953	79,412	95,692	20,782
– Average price (RMB/ton)	418	422	510 ⁽¹⁾	447
Leachate treatment:				
– Treatment volume ('000 tons)	590	723	521	126
– Revenue (RMB'000)	83,063	101,879	70,231	16,859
– Average price (RMB/ton)	141	141	135	134
Fly ash treatment:				
– Treatment volume ('000 tons)	78	68	67	17
– Revenue (RMB'000)	104,510	95,384	67,693 ⁽²⁾	19,988
– Average price (RMB/ton)	1,340	1,403	1,015 ⁽²⁾	1,187
Landfill:				
– Revenue (RMB'000)	22,961	26,810	27,384	6,978
Others: ⁽³⁾				
– Revenue (RMB'000)	60	96	27	–
Total operating revenue from this project	292,547	303,581	261,027	64,607

Notes:

1. The average price of our sludge treatment service for the year ended December 31, 2025 was relatively higher, as our Group had reached an agreement with the local government during this period to compensate the treatment price for sludge incineration in previous periods.
2. The revenue and average price of our fly ash treatment service for the year ended December 31, 2025 were relatively lower, primarily attributable to a discrepancy between the applicable tax rates enjoyed by our relevant operating projects and those specified during their initial project approval stage. The unit prices of our waste treatment services were determined with our customers at the project engagement stage with reference to various factors, including the then-prevailing macro policies such as applicable VAT rates. Due to subsequent adjustments in such policies, the actual tax burden of the relevant projects during operation was lower than that assumed in the pricing basis initially. Following negotiations with the relevant government authorities, a retroactive adjustment was made for both the current year and prior years. Accordingly, we recorded a one-time price adjustment, which resulted in short-term fluctuations in our revenue and average price. The impact of such adjustment was reflected in the financial statements for the year ended December 31, 2025 and the three months ended March 31, 2026. We will continue to recognize revenue based on the adjusted unit price going forward, and do not expect such adjustment to have any further material impact on our financial performance.
3. Primarily comprised revenue from office rental income.

Under the concession arrangements applicable to these projects, our remuneration structure encompasses charges for the treatment of sludge, leachate, and fly ash, calculated by reference to the verified quantities processed at the respective facilities. Measurement of volumes is conducted through government-approved metering systems, ensuring accuracy and transparency in fee determination. Payments under the concession agreements are based on actual treatment volumes recorded during the relevant period.

Given the nature of these projects, we assess that the principal business risks include variability in waste volumes, which may influence revenue, and potential changes in regulatory or tariff frameworks that could affect profitability. Credit risk arises primarily from reliance on the municipal government as the obligor for service fee payments; any delay or failure in such payments could adversely impact liquidity. Operational risks encompass the technical demands of maintaining high utilization levels and the ongoing requirement to comply with stringent environmental standards, necessitating continuous investment in emissions control and harmless treatment technologies.

BUSINESS

Liuyang Waste-to-Energy Incineration Project

The Liuyang Waste-to-Energy Incineration Project is a waste-to-energy facility developed under a BOT agreement with a concession period from 2023 to 2053. Located in Jianxin Village, Hehua Subdistrict, Liuyang City. The project is equipped with two incineration lines and a steam turbine generator unit. Construction of this project commenced in 2023, and was successfully connected to the grid in January 2025. As of the Latest Practicable Date, this project had a treatment capacity of 1,200 tons of waste per day. We have also entered into a BOT agreement in relation to a fly ash treatment project with a concession period from 2025 to 2053.

The following is a photo of this project:



The following table sets forth selected operating and financial data in relation to this project for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Power generation functions:				
– On-grid electricity sold (kWh'000)	–	–	168,526	50,755
– Revenue (RMB'000)	–	–	65,366	20,235
– Average electricity price (RMB/kWh)	–	–	0.4	0.4
Waste incineration functions:				
– Treatment volume ('000 tons)	–	–	365	99
– Revenue (RMB'000)	–	–	25,906	7,003
– Average price (RMB/ton).	–	–	71.0	71.0
Others: ⁽¹⁾				
– Revenue (RMB'000)	–	–	923	315
Total operating revenue from this project	–	–	92,195	27,553

Note:

- Primarily comprised revenue from the sale of bottom ash.

BUSINESS

Under the current concession framework, charges for waste-to-energy incineration services are calculated based on the verified tonnage of waste delivered to the plant, with measurements conducted through government-certified metering systems to ensure accuracy and transparency. In addition to service fees, the project generates revenue from electricity sales to the local grid pursuant to standard power purchase agreements. Payments for incineration services are settled monthly by the municipal authority, while electricity revenues are invoiced and collected in accordance with prevailing tariff regulations and contractual terms.

Given the characteristics of this BOT arrangement, we assess that the principal business risks include fluctuations in waste volumes and potential changes in regulatory or tariff frameworks that could impact profitability. Credit risk arises primarily from reliance on the municipal government as the obligor for service fee payments. Operational risks encompass the technical challenges of sustaining high utilization rates and the need to maintain compliance with stringent environmental standards, requiring ongoing investment in emissions control technology.

Projects in Pingjiang

Our projects in Pingjiang comprise the Pingjiang Waste-to-Energy Incineration Project, which was developed under a BOT agreement with a concession period from 2023 to 2053. The project is located in Yingji Village, Wengjiang Town, Pingjiang County. The project is equipped with one furnace and a steam turbine generator unit. Construction of this project began in 2023 and was successfully connected to the grid in December 2024. As of the Latest Practicable Date, this project had a treatment capacity of 600 tons of household waste, 60 tons of sludge, and 50 tons of food waste per day. Our projects in Pingjiang also comprise a landfill project under a TOT agreement and a fly ash treatment project.

For the year ended December 31, 2025 and the three months ended March 31, 2026, we recorded no revenue from the Pingjiang Landfill Project. This was due to the commencement of the Pingjiang Waste-to-Energy Incineration Project in December 2024, after which the waste collected in Pingjiang and transferred to our projects in Pingjiang will be sent to waste-to-energy incineration. Incineration offers a more efficient and environmentally sustainable solution by converting waste into energy, eliminating the need for landfill disposal. In general, our Group does not allocate waste between landfill and incineration. Once a waste-to-energy facility becomes operational, the waste collected and transferred will be sent for waste-to-energy incineration. The Pingjiang Landfill Project, which was developed before the incineration plant was built, is expected to remain inactive with no plans for future allocation.

The following is a photo of this project:



BUSINESS

The following table sets forth selected operating and financial data in relation to these projects for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
Power generation functions:				
– On-grid electricity sold (kWh'000)	–	5,330	98,069	27,891
– Revenue (RMB'000)	–	2,122	39,054	11,107
– Average electricity price (RMB/kWh)	–	0.4	0.4	0.4
Waste incineration functions:				
– Treatment volume ('000 tons)	–	19	199	56
– Revenue (RMB'000)	–	1,295	13,973	3,792
– Average price (RMB/ton)	–	68.2	67.7	67.7
Landfill:				
– Revenue (RMB'000)	11,735	11,630	–	–
Sewage treatment:				
– Revenue (RMB'000)	5,134	4,864	3,561	681
– Treatment volume ('000 tons)	154	156	114	22
– Average price (RMB/ton)	33	31	31	31
Others: ⁽¹⁾				
– Revenue (RMB'000)	697	383	1,247	309
Total operating revenue from these projects	17,566	20,294	57,835	15,889

Note:

1. Primarily comprised income from biogas resource fees, equipment commissioning income, and revenue from the sale of bottom ash and scrap materials.

Under the terms of the concession, fees for incineration services are determined by the actual tonnage of waste delivered to the facility, as verified through government-approved metering systems to ensure accuracy and transparency. Alongside these service charges, the project earns additional income from electricity supplied to the local grid pursuant to standardized power purchase agreements. Payments for incineration services are made monthly by the municipal authority, while electricity revenues are invoiced and settled in accordance with applicable tariff regulations and contractual provisions. This arrangement is designed to deliver stable and predictable cash flows and reflects the long-term nature of the concession, which concludes with the transfer of the facility to the government without consideration upon expiry.

Given the structure of this build-operate-transfer model, we assess that the key business risks include variability in waste volumes, which may influence revenue, and potential amendments to regulatory or tariff regimes that could affect profitability. Credit exposure arises primarily from dependence on the municipal government as the counterparty for service fee payments; any delay or default could have an adverse impact on liquidity. Operational risks relate to the technical challenges of maintaining high utilization levels and the ongoing obligation to comply with stringent environmental standards, necessitating continuous investment in emissions control technology.

Changsha Transfer Project

The Changsha Transfer Project, located in Changsha, is primarily responsible for the interim treatment and compression of household waste, and transferring it to the Changsha Environmental Protection Industrial Park for clean waste-to-energy incineration. The project operates one of the largest household waste interim treatment, compression, and transfer systems in China. As of the Latest Practicable Date, this project had a treatment capacity of 10,000 tons of household waste per day. This project is operated by Renhe under a BOOT agreement with a concession period from 2005 to 2030. Furthermore, this project also comprise a sewage treatment facility.

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The following is a photo of this project:



The following table sets forth selected operating and financial data in relation to this project for the periods indicated:

	For the years ended December 31,			For the three months ended
	2023	2024 ⁽¹⁾	2025	March 31,
				2026
Waste interim treatment:				
– Treatment volume ('000 tons) . .	–	265	3,251	799
– Revenue (RMB'000)	–	54,047	684,966	171,290
– Average price (RMB/ton)	–	204	211	214
Sewage treatment:				
– Revenue (RMB'000)	–	912	10,089	2,796
– Treatment volume ('000 tons) . .	–	11	126	35
– Average price (RMB/ton)	–	83	80	80
Others ⁽²⁾				
– Revenue (RMB'000)	–	–	4,107	1,022
Total operating revenue from this project	–	54,959	699,162	175,108

Notes:

1. This project had only become a part of our Group after the Acquisition of Renhe, which was completed in November 2024. For such reasons, the information presented in this table will include those for the one month ended December 31, 2024, the year ended December 31, 2025, and the three months ended March 31, 2026. For the financial information relating to this project prior to the date of the Acquisition of Renhe since the beginning of the Track Record Period, please see the section headed “Financial Information — Financial information of Renhe” in this Document.
2. Primarily comprised rental income.

The Changsha Transfer Project is supported by fully enclosed transfer stations, negative pressure odor control systems, and scheduling platforms to optimize logistics and minimize environmental impact. We believe that these features reflect our technical leadership and commitment to innovation in waste transfer and treatment.

Under the concession framework, charges for waste transfer and interim treatment services are determined by reference to the verified tonnage of waste handled at the facility, with measurements conducted through government-certified metering systems to ensure accuracy and transparency. Payments for these services are settled monthly by the municipal authority, while any ancillary revenues are invoiced and collected in accordance with prevailing regulations and contractual provisions. This structure is designed to provide predictable cash flows and reflects the long-term nature of the concession, which culminates in the grantor’s option to purchase the facility at appraised value upon expiry.

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Given the characteristics of this BOOT arrangement, we assess that the principal business risks include variability in waste volumes, which may influence revenue, and potential changes in regulatory or tariff frameworks that could affect profitability. Credit exposure arises primarily from reliance on the municipal government as the counterparty for service fee payments; any delay or default could adversely impact liquidity. Operational risks relate to the technical challenges of maintaining consistent service standards and compliance with stringent environmental requirements, necessitating ongoing investment in equipment and harmless treatment technologies. Supply chain vulnerabilities, particularly in relation to spare parts and skilled labor for maintenance, also represent a material risk. These risks are mitigated through the security afforded by long-term concession rights, government-backed payment undertakings, and the deployment of advanced waste handling systems designed to optimize efficiency and ensure regulatory compliance.

Changsha Food Waste Project

The Changsha Food Waste Project is located in Changsha and is primarily responsible for the collection and treatment of food waste from the urban areas of Changsha, Liuyang, and Ningxiang. During the Track Record Period, our food waste collection operations covered Changsha City, as well as the urban areas of Liuyang City and Ningxiang City, and the number of food waste-generating entities from which we collect food waste (such as restaurants and institutional canteens) was around 34,000, 34,000, 33,000, and 33,000, respectively. As of the Latest Practicable Date, this project had a daily treatment capacity of 1,200 tons of food waste per day. Such capacity ranks this project among the largest of its kind in Hunan and the third largest in China, for the year ended December 31, 2025. Renhe operates this project under a BOO agreement with a concession period from 2012 to 2037.

The Changsha Food Waste Project is supported by various infrastructure and advanced treatment technologies. We have established a full-chain treatment system that includes pre-treatment, anaerobic fermentation, biogas power generation, and waste heat utilization. Our technical capabilities include impurity separation, high oil recovery, high-value solid residue conversion, and pollution mitigation.

The Changsha Food Waste Project has been recognized as a Typical Case of Resource Recycling in Hunan Province and a Benchmark Project in the provincial sanitation industry.

The following is a photo of this project:



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The following table sets forth selected operating and financial data in relation to this project for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,
	2023	2024 ⁽¹⁾	2025	2026
Collection of food waste:				
– Revenue (RMB'000)	–	4,568	65,404	15,741
Treatment of food waste:				
– Treatment volume ('000 tons).	–	39	414	91
– Revenue (RMB'000)	–	13,136	115,614 ⁽²⁾	29,744
– Average price (RMB/ton)	–	337	279 ⁽²⁾	326
Sale of industrial-grade mixed oil:				
– Sales volume (tons)	–	2,849	30,702	6,564
– Revenue (RMB'000)	–	17,280	198,730	42,281
– Average price (RMB/ton)	–	6,065	6,473	6,442
Sale of electricity generated from biogas:				
– Electricity sold ('000 kWh) . .	–	795	9,237	1,250
– Revenue (RMB'000)	–	318	3,678	498
– Average price (RMB/kWh) . . .	–	0.4	0.4	0.4
Others ⁽³⁾				
– Revenue (RMB'000)	–	434	502	335
Total operating revenue from this project	–	35,736	383,928	88,599

Notes:

1. This project had only become a part of our Group after the Acquisition of Renhe, which was completed in November 2024. For such reasons, the financial information presented in this table will include those for the one month ended December 31, 2024, the year ended December 31, 2025, and the three months ended March 31, 2026. For the financial information relating to this project prior to the date of the Acquisition of Renhe since the beginning of the Track Record Period, please see the section headed “Financial Information — Financial information of Renhe” in this Document.
2. The revenue and average price of our food waste treatment service for the year ended December 31, 2025 were relatively lower, primarily attributable to a discrepancy between the applicable tax rates enjoyed by our relevant operating projects and those specified during their initial project approval stage. The unit prices of our waste treatment services were determined with our customers at the project engagement stage with reference to various factors, including the then-prevailing macro policies such as applicable VAT rates. Due to subsequent adjustments in such policies, the actual tax burden of the relevant projects during operation was lower than that assumed in the pricing basis initially. Following negotiations with the relevant government authorities, a retroactive adjustment was made for both the current year and prior years. Accordingly, we recorded a one-time price adjustment, which resulted in short-term fluctuations in our revenue and average price. The impact of such adjustment was reflected in the financial statements for the year ended December 31, 2025 and the three months ended March 31, 2026. We will continue to recognize revenue based on the adjusted unit price going forward, and do not expect such adjustment to have any further material impact on our financial performance.
3. Primarily comprised revenue from the sale of scrap material.

Under the current concession framework, charges for food waste treatment services are calculated based on the verified tonnage of waste delivered to the facility, with measurements conducted through government-certified metering systems to ensure transparency and accuracy. In addition to service fees, the project generates ancillary revenue streams from the electricity generated from biogas and other by-products produced during the treatment process. Payments for treatment services are settled monthly by the municipal authority, while revenues from the sale of electricity and by-products are invoiced and collected in accordance with prevailing regulations and contractual provisions. This structure is intended to provide predictable cash flows and reflects the long-term nature of the concession.

Given the characteristics of this BOO arrangement, we assess that the principal business risks include variability in food waste volumes, which may influence revenue, and potential changes in regulatory or tariff frameworks that could affect profitability. Credit exposure arises primarily from reliance on the municipal government as the counterparty for service fee payments; any delay or default could adversely impact liquidity. Operational risks relate to the technical challenges of maintaining consistent treatment standards and compliance with stringent environmental

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requirements, necessitating ongoing investment in harmless treatment and emissions control technologies. Supply chain vulnerabilities, particularly in relation to spare parts and skilled labor for maintenance, also represent a material risk. These risks are mitigated through the security afforded by long-term concession rights, government-backed payment undertakings, and the deployment of advanced treatment technologies designed to optimize efficiency and ensure regulatory compliance.

Bishkek Project (phase I)

Phase I of the Bishkek Project is a waste-to-energy facility developed under an agreement with a concession period from 2024 to 2059, which was signed in 2024 with the Bishkek City Government. This project is located in the capital city of Bishkek, Kyrgyzstan. It had commenced operation in December 2025, with a waste treatment capacity 1,000 ton per day as of the Latest Practicable Date.

The following is a photo of this project:



	For the years ended December 31,			For the three months ended March 31,
	2023	2024	2025 ⁽¹⁾	2026
Power generation functions:				
– On-grid electricity sold (kWh'000)	–	–	17,105	50,534
– Revenue (RMB'000)	–	–	8,572	24,498
– Average electricity price (RMB/kWh)	–	–	0.5	0.5
Waste incineration functions:				
– Treatment volume ('000 tons)	–	–	40	98
– Revenue (RMB'000)	–	–	4,600	10,106
– Average price (RMB/ton)	–	–	116.5	103.3
Total operating revenue from these projects	–	–	<u>13,172</u>	<u>34,604</u>

Note:

- This project was signed in 2024 with the Bishkek City Government and commenced operation in December 2025.

Under the current concession framework, waste-to-energy service fees will be calculated based on the government-verified tonnage of waste delivered to the plant. The project also earns revenue from electricity sales to the local grid under standard power purchase agreements. Incineration service fees are settled monthly by the municipal authority, and electricity revenues are collected in accordance with applicable tariff regulations and contractual terms.

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Key risks under this BOO arrangement include variability in waste volumes, potential changes in regulatory or tariff policies, and credit exposure arising from reliance on the municipal government for service fee payments. Operational risks relate to maintaining stable treatment performance and complying with stringent environmental standards, as well as supply chain needs for spare parts and skilled maintenance personnel. These risks are mitigated by long-term concession rights, government-backed payment undertakings, and the use of advanced treatment technologies that support efficiency and regulatory compliance. Under a BOO model, the project company is not required to transfer ownership of the facilities at nil consideration expiry of the concession period. As a result, projects structured under this model are exposed to risks associated with the disposal or continued operation of the facilities at the end of the concession term, as well as risks arising from any negotiations with the relevant authorities regarding a potential transfer after the concession expires.

The capacity, volume and load rates of our key services

The following table sets forth a summary of the capacity, volume and load rates of our projects in operation for the periods indicated:

Project	Designed annual treatment capacity	For the years ended December 31,						For the three months ended March 31,	
		2023		2024		2025		2026	
		Actual treatment volume ⁽¹⁾	Annualized load rate	Actual treatment volume ⁽¹⁾	Annualized load rate	Actual treatment volume ⁽¹⁾	Annualized load rate	Actual treatment volume ⁽¹⁾	Annualized load rate
		('000 tons)	(%)	('000 tons)	(%)	('000 tons)	(%)	('000 tons)	(%)
Projects at our Changsha Environmental Protection Industrial Park									
Changsha Waste-to-Energy Incineration Project (phase I) . . .	1,800	1,936	107.6	1,819	101.1	1,902	105.7	474	105.3
Changsha Waste-to-Energy Incineration Project (phase II). . .									
• Waste-to-energy incineration function	1,022	1,299	127.1	1,365	133.6	1,278	125.0	311	121.7
• Sludge treatment function	183	201	109.8	183	100.0	177	96.7	49	107.1
Sludge treatment project .	183	196	107.0	188	102.7	188	102.7	47	102.7
Leachate treatment project	986	590	59.8	723	73.3	521	52.8	126	51.1
Fly ash treatment project	79	78	98.7	68	86.1	67	84.8	17	86.1
Changsha Landfill Project	1,460	4	0.0	0	0.0	0	0.0	0	0.0
Liuyang Waste-to-Energy Incineration Project . .	438	N/A	N/A	N/A	N/A	365	83.3	99	90.4
Projects in Pingjiang									
Pingjiang Waste-to-Energy Incineration Project	219	N/A	N/A	19	104.1	199	90.9	56	102.3
Pingjiang Landfill Project	80	112	140.0	111	138.8	0	0.0	0	0.0

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Project	Designed annual treatment capacity	For the years ended December 31,						For the three months ended March 31,	
		2023		2024		2025		2026	
		Actual treatment volume ⁽¹⁾	Annualized load rate	Actual treatment volume ⁽¹⁾	Annualized load rate	Actual treatment volume ⁽¹⁾	Annualized load rate	Actual treatment volume ⁽¹⁾	Annualized load rate
	('000 tons)	('000 tons)	(%)	('000 tons)	(%)	('000 tons)	(%)	('000 tons)	(%)
Changsha Transfer Project ⁽²⁾									
- Household waste interim treatment functions	3,650	N/A	N/A	265	87.1	3,251	89.1	799	87.6
- Sewage treatment functions	438	N/A	N/A	11	30.1	126	28.8	35	32.0
Changsha Food Waste Project ⁽²⁾	438	N/A	N/A	39	106.8	414	94.5	91	83.1
Bishkek Project (phase I) ⁽³⁾	365	N/A	N/A	N/A	N/A	40	131.5	98	107.4

Notes:

1. The actual waste treatment volume listed in the table above refers to the volume of waste that arrives at our site (i.e., the incoming waste volume). This incoming waste volume is measured by a government-verified metering system and is used to calculate the revenue we earn from waste treatment services. According to the typical treatment processes involved at our waste-to-energy incineration projects, from the time the waste arrives at the site to when it is fed into the furnace for incineration, the waste would be stored and fermented in the waste pit. During this process, there would be a certain degree of leachate loss. Therefore, the volume of waste entering the furnace (i.e., the incineration input volume) is generally lower than the incoming waste volume, due to the leachate loss during storage and fermentation. Our Directors believe that the above discrepancy is normal and according to F&S, such measurements are in line with the common market practices.
2. The operational figures set forth in this table only reflect those subsequent to the Acquisition of Renhe, which was completed in November 2024.
3. This project was signed in 2024 with the Bishkek City Government and commenced operation in December 2025.

During the Track Record Period, some of our Group’s projects have operated above their legal overloading limit when measured by the incineration input volume. Firstly, our Group’s Changsha Waste-to-Energy Incineration Project (Phase II) exceeded the statutory capacity utilization threshold for garbage treatment by less than 30%. According to our PRC Legal Advisor, the Changsha Ecological Environment Bureau Wangcheng Branch, being the relevant competent environmental authority, has confirmed that phase II does not constitute a “major change in construction project” under the relevant regulations, and therefore do not require reapplication for environmental impact assessment approval. Furthermore, such bureau has verified that there has been no excessive discharge of solid waste, wastewater, or exhaust gases, and no environmental violations have occurred, so no administrative penalties will be imposed. Secondly, our Group’s sludge treatment project in the Changsha Environmental Protection Industrial Park recorded utilization rates above the statutory threshold by less than 30%. According to our PRC Legal Advisor, the Changsha Ecological Environment Bureau Wangcheng Branch, being the relevant competent environmental authority, has confirmed compliance with all relevant standards, with no violations or penalties applicable. Thirdly, our Pingjiang Landfill Project operated above the legal limit by less than 30%. According to our PRC Legal Advisor, the Yueyang Ecological Environment Bureau Pingjiang Branch, being the relevant competent environmental authority, has confirmed that all operational indicators, monitoring data, and total emissions are compliant, with no pollution incidents, disputes, or violations identified. Fourthly, Changsha Food Waste Project exceeded the legal limit with rates slightly above 130%. Renhe Environment obtained written approval from the Changsha Municipal Bureau of Ecology and Environment, being the relevant competent environmental authority, for the upgraded technical transformation project, which will allow the treatment capacity to reach 1,560 tons per day upon completion. The upgraded project is still under construction, and the Changsha Municipal Bureau of Ecology and Environment has issued written confirmation that, until the project is completed and environmental acceptance procedures are finalized, Renhe Environment may continue to operate at the current production scale, using existing production methods and pollution control measures.

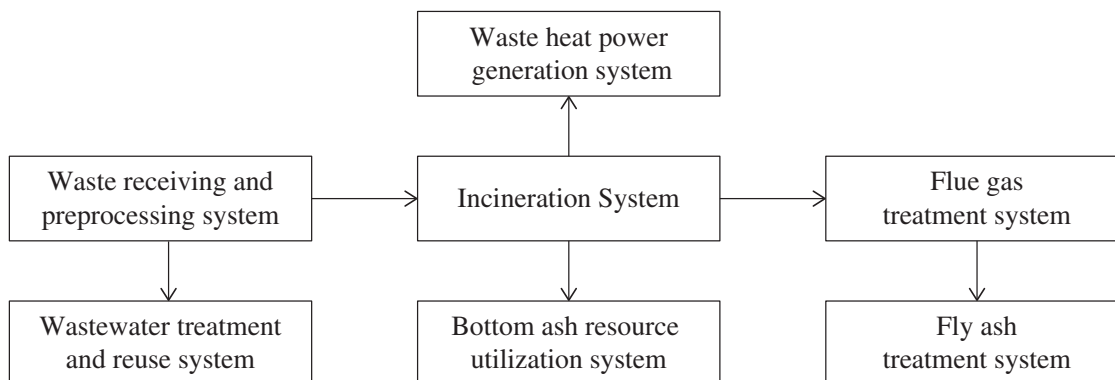
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According to our PRC Legal Advisor, the legal assessment of overloading is determined by whether the actual operational capacity exceeds the limits approved in the environmental impact assessment, which is measured by incineration input volume. According to the Regulations on the Administration of Environmental Protection for Construction Projects (《建設專案環境保護管理條例》), which came into effect on October 1, 2017, and the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which came into effect on December 29, 2018, if, after an ecological-environmental impact report or an ecological-environmental impact report form for a construction project has been approved, material changes occur to the nature, scale, location, production processes, or pollution prevention and ecological damage prevention measures of the construction project, the project-proposing entity shall resubmit the ecological-environmental impact report or ecological-environmental impact report form for approval. On August 15, 2026, the Ecological Environment Code of the PRC (《中華人民共和國生態環境法典》) came into effect, upon which the Environmental Impact Assessment Law of the PRC was repealed. The Ecological Environment Code of the PRC likewise provides that, where material changes occur to a construction project, the ecological-environmental impact report or ecological-environmental impact report form of such project shall be resubmitted for approval. Under the List of Major Changes for Pollution-Impact Construction Projects (Trial) 《污染影響類建設項目重大變動清單(試行)》, a 30% or greater increase in processing capacity constitutes a major change that requires re-approval. As of the Latest Practicable Date, all necessary confirmations from the relevant environmental authorities have been obtained. These confirmations specifically verify that our Group’s operations may continue under existing conditions. On this basis, our PRC Legal Advisor considers the legal risks arising from such overloading to be minimal and not expected to have any material adverse impact on our Group’s operations. According to the List of Major Changes for Pollution-Impact Construction Projects (Trial), only projects with an increase in production, disposal, or storage capacity of 30% or more are considered “major changes” and must reapply for environmental impact assessment approval. For the projects listed above, except for Renhe Environment’s ongoing upgrade, the competent authorities have confirmed that no major change has occurred as of the Latest Practicable Date.

OUR TREATMENT PROCESSES

Waste-to-energy incineration

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



The process of clean 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 Changsha Waste-to-energy Incineration Project, upon the arrival of vehicles transporting waste from interim treatment and transfer facilities, we direct them to enter either phase I or phase II of the site. This allocation is determined based on the storage capacity at each facility. Adjustments are made as needed to accommodate any maintenance or repair activities affecting facility availability.

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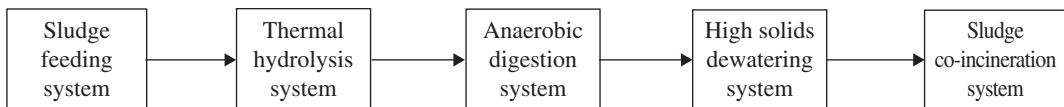
Upon arrival, the waste is first weighed and deposited into a sealed storage pit, where it undergoes a controlled fermentation process lasting three to five days to discharge leachate, thus improving combustion efficiency. For facilities that also manage sludge or kitchen waste, these materials are separately received, dewatered, and treated through thermal drying or co-treatment processes. The unloading area is equipped with air curtains and negative pressure ventilation to prevent odor emissions, with exhaust gases directed into the incinerator for combustion.

2. *Incineration system:* Following preprocessing, the waste is transferred into the incinerator using mechanical grabs. The incineration process occurs on a three-stage grate system, ensuring thorough and stable combustion. The resulting bottom ash, or slag, is discharged via a slag extractor and temporarily stored in a designated pit for further handling.
3. *Waste heat power generation system:* The high-temperature flue gases produced during incineration are utilized to generate electricity. These gases pass through a waste heat boiler, where they heat water to produce superheated steam. This steam drives 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.
4. *Flue gas purification system:* To ensure compliance with environmental standards, the flue gas undergoes a multi-stage purification process. This includes selective non-catalytic reduction (“SNCR”) for nitrogen oxide removal, dry or semi-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.
5. *Bottom ash resource utilization system:* After waste incineration, the resulting bottom ash is transported to a third-party facility for comprehensive resource utilization.
6. *Fly ash treatment system:* Fly ash generated during the flue gas purification process is also treated and disposed of. Once the fly ash has undergone chelation and solidification treatment and passes inspection, it is safely disposed of at a dedicated landfill site.
7. *Wastewater treatment and reuse system:* The wastewater generated by the project is treated using a combined process that includes anaerobic reactor, two-stage denitrification and nitrification, ultrafiltration membrane, nanofiltration membrane, and reverse osmosis membrane. Once the treatment meets the required standards, all of the water is reused. The concentrated liquid is re-injected into the incinerator.

Sludge treatment

Our technical capabilities include the integration of advanced processes such as thermal hydrolysis, high-temperature high-solid anaerobic digestion, and advanced dewatering process. The processes involved at our Changsha Environmental Protection Industrial Park for sludge treatment comprise “thermal hydrolysis + high-temperature, high-solid anaerobic digestion + deep dewatering, followed by integrated incineration with household waste”. This process begins with thermal hydrolysis to break down complex organic matter, followed by high-temperature, high-solid anaerobic digestion to generate biogas and reduce sludge volume. The digested sludge is then deeply dewatered and co-incinerated with household waste. This pathway supports circular waste management, particularly in the form of renewable energy.

The following flowchart and summary illustrates the processes involved at our sludge treatment facilities:

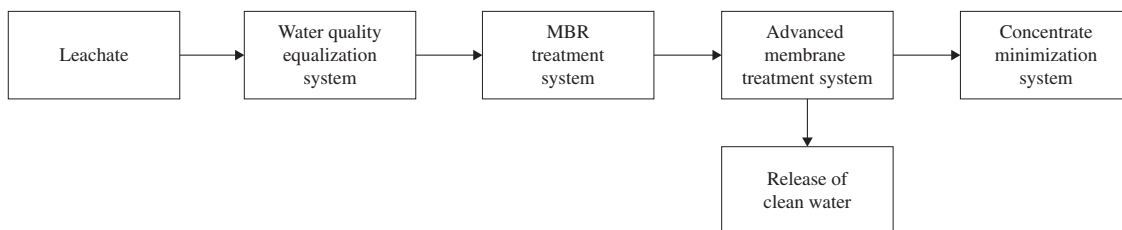


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1. *Sludge feeding system:* This system manages the reception, storage, and dilution of sludge. Upon arrival, the sludge is stored in a dedicated silo and diluted through a controlled piping network. The diluted sludge is then pumped into the thermal hydrolysis system. This initial stage ensures that the sludge is properly conditioned for subsequent treatment.
2. *Thermal hydrolysis system:* The thermal hydrolysis system prepares the sludge for digestion by breaking down complex organic compounds. The process begins with slurry formation and conditioning, where the sludge is heated using saturated steam and pumped into the thermal hydrolysis system for treatment. The heated sludge is transferred to a conditioning tank and mixed with cooling water and alkaline agents.
3. *Anaerobic digestion system:* This system is the core of the sludge treatment process. The thermal hydrolysis system is introduced into sealed digesters, where anaerobic microorganisms decompose the organic matter in the absence of oxygen. This biological reaction generates biogas, primarily methane. A portion of the biogas is reused to power the digester’s mixing system, while the remainder is purified and stored in a gas holder. The stored biogas is then used to fuel the steam boiler that supports the thermal hydrolysis system.
4. *High solids dewatering system:* The sludge from the digesters is adjusted and then dewatered by the plate and frame filter press. The resulting filtrate is sent to the wastewater treatment system for further processing, ensuring that all liquid by-products are properly managed.
5. *Sludge co-incineration system:* Once dewatered, the sludge cake, now with a moisture content suitable for combustion, is transported to a waste-to-energy incineration facility.

Leachate treatment

The following flowchart and summary illustrates the processes involved at our leachate treatment facilities:

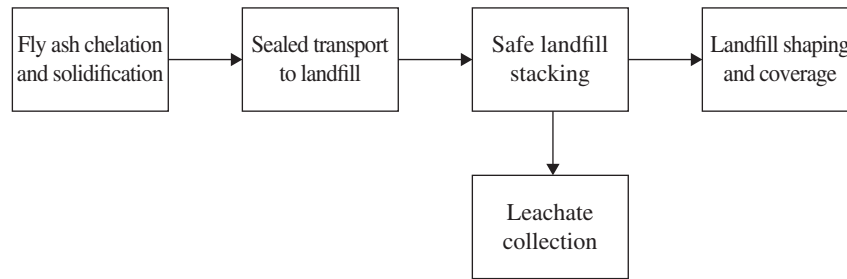


1. *Water quality equalization system:* This system is responsible for mixing and regulation of leachate from landfills and incineration plants.
2. *MBR treatment system:* This system performs biological nitrogen removal and organic pollutant degradation. It includes two-stage denitrification and an ultrafiltration unit. Leachate enters the biological system where nitrogen compounds and chemical oxygen demand are reduced, and then separated using ultrafiltration. The filtered water is adjusted for pH and directed to the advanced membrane treatment system.
3. *Advanced membrane treatment system:* This system uses reverse osmosis membranes to efficiently retain pollutants from the ultrafiltration effluent. The produced water meets relevant regulatory standards and is discharged to the municipal sewage treatment plant through a dedicated pipeline.
4. *Concentrate minimization system:* This system consists of a nanofiltration unit. It further concentrates the reverse osmosis reject stream to reduce the volume of concentrate. The concentrated brine is transported off-site for specialized treatment, while the clarified liquid is returned to the adjustment tank for reprocessing.

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Fly ash treatment

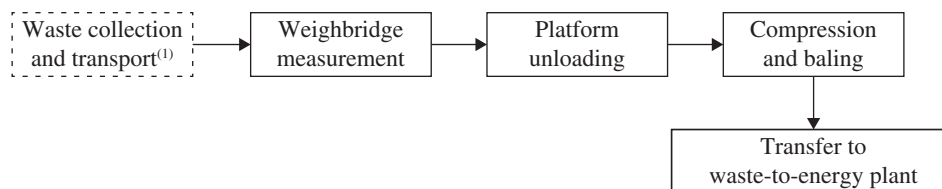
The following flowchart and summary illustrates the processes involved in fly ash treatment:



1. *Fly ash chelation and solidification:* Fly ash is first weighed and blended with chelating agent solution. After sufficient mixing time, the stabilized mixture is discharged into one-ton bags. These bags are then moved by forklift to a designated curing area, where they are stacked and left to cure. Once the curing process is complete and the material passes quality inspection in accordance with relevant standards, it is cleared for off-site transport.
2. *Sealed transport to landfill:* Once certified, the chelated and solidified ash solids is loaded onto special transport vehicles. The cargo is securely covered with tarpaulin to prevent leakage or exposure during transit, and then dispatched to the designated ash landfill site.
3. *Safe landfill stacking:* After solidification, the fly ash is unloaded into a slag landfill site. As at the Latest Practicable Date, this project has a designed processing capacity of 410 tons of chelated solids.
4. *Landfill shaping and coverage:* At the end of each day’s landfill operation, the filled area is covered, sealed, and weighted to prevent erosion or leachate escape. Once a section of the landfill reaches its planned capacity, it undergoes final shaping, covering, and ballast placement to complete that phase of the landfill.
5. *Collection and centralized treatment of leachate:* The leachate from ash flows into a regulating tank through sewage drainage system, and will be treated centrally once it accumulates to a certain volume. After meeting the relevant standards, it will be discharged through an existing tail water discharge pipeline to a sewage treatment plant for further treatment.

Interim treatment, compression, and transfer of household waste

The following flowchart illustrates the processes involved at our Changsha Transfer Project in relation to household solid waste:



Note:

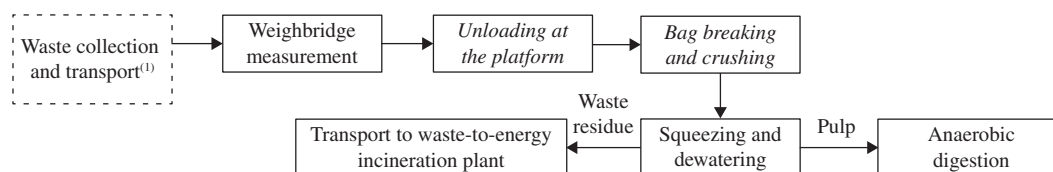
1. Not operated by Renhe, but constitutes a part of the overall value chain.
1. *Waste collection and transport:* Residents dispose of household waste at designated collection points. Sanitation departments in each district or county are responsible for collecting the waste using specialized vehicles. These vehicles transport the waste to a centralized transfer and processing facility.

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2. *Weighbridge measurement:* This system includes an electronic truck scale and weighing software. It enables automatic vehicle identification and weight recording. Upon arrival at the facility, each collection vehicle is weighed, and its license plate is scanned to upload the data. The vehicle then proceeds to the unloading area for waste compression.
3. *Platform unloading:* After weighing, the collection vehicle enters the unloading platform. Under the guidance of signal lights and personnel, the vehicle is directed to a designated unloading position where the waste is discharged into a storage pit. Both the unloading platform and the pit are equipped with dust and odor control systems to prevent environmental impact. Once unloading is complete, the vehicle is weighed again before exiting the facility.
4. *Compression and baling:* Waste temporarily stored in the pit is moved forward evenly by a plate conveyor. It falls into the receiving chamber of the compactor in batches, where it is compressed in cycles. When the compressed waste reaches a preset weight, the conveyor stops feeding.
5. *Transfer to waste-to-energy plant:* Once pre-compacted and baled, the waste is transferred into a container truck that docks with the compactor. The compactor’s gate and sealing mechanism open automatically, and the waste block is pushed into the container. The container truck then transports the waste to a waste-to-energy incineration plant for power generation.

Another aspect of our Changsha Transfer Project is the interim treatment, and transfer of kitchen waste. The processes involved are slightly different to those concerning household solid waste owing to the nature of the kitchen waste.

The following flowchart illustrates the processes involved at our Changsha Transfer Project in relation to kitchen waste:



Note:

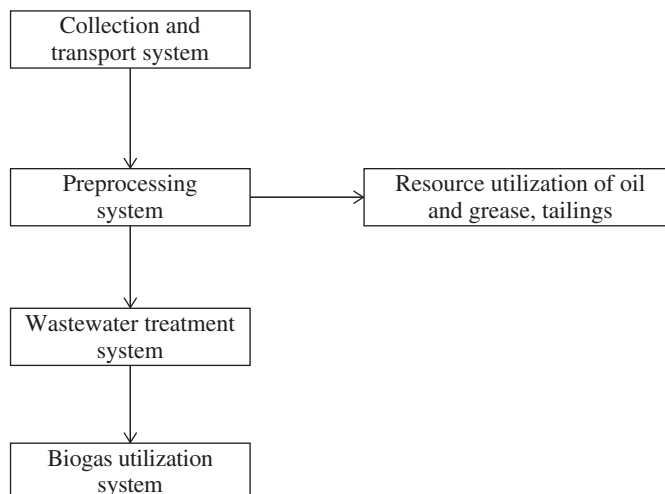
1. Not operated by Renhe, but constitutes a part of the overall value chain.
1. *Waste collection and transport:* Residents deposit kitchen waste at designated drop-off points. Sanitation centers in each district or county use specialized kitchen waste vehicles to collect the waste and transport it to the treatment facility.
2. *Weighbridge measurement:* Upon arrival, vehicles are weighed using an electronic weighbridge system that includes automatic vehicle recognition and smart metering software. After weighing and license plate recognition, the vehicles proceed to the unloading area.
3. *Unloading at the platform:* Vehicles enter the unloading platform, guided by signal lights and staff, and empty the kitchen waste into a receiving pit. Both the pit and platform are equipped with dust and odor control systems to minimize environmental impact. Vehicles are weighed again before exiting the facility.
4. *Bag breaking and crushing:* The waste is dropped into a receiving pit and processed by a bag-breaking machine that crushes the waste to the required particle size. The crushed material is then transferred to a temporary storage chamber connected to the pressing system.
5. *Pressing and dehydration:* When the pressing system detects that the chamber has reached a set weight, the press compresses the waste to remove excess water. The resulting slurry and solid residues are then directed to separate processing stages.

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6. *Transport to waste-to-energy incineration plant:* The solid residues are loaded into container trucks by the press and transported to a waste-to-energy incineration plant, where they are temporarily stored and used for power generation.
7. *Anaerobic digestion and biogas production:* The slurry is directed to an anaerobic digestion system. Microbial communities break down the high-concentration organic matter in the liquid, producing biogas. This biogas is then used for electricity generation.

Collection, harmless treatment, and resource utilization of food waste

The following flowchart illustrates the processes involved at our Changsha Food Waste Project:



1. *Collection and transport system:* Food waste is collected using dedicated vehicles and transported to the treatment facility. Upon arrival, the vehicles are weighed at the weighbridge to record the incoming waste volume. The waste is then unloaded in the reception hall of the preprocessing workshop.
2. *Preprocessing system:* This system includes unloading, sorting, crushing and pulping, thermal conditioning, and three-phase separation. Food waste is first discharged into a receiving hopper in the unloading area. It then passes through a sorting stage to remove large contaminants, ensuring efficient separation of food waste from impurities. The sorted material is crushed and pulped, followed by a secondary impurity removal process to eliminate sand and debris. The slurry is then heated through pipeline systems and conveyed to the three-phase separation unit. In this stage, a high-speed centrifuge separates the slurry into three components: oil, water, and residue. The recovered oil is sold to grease processing facilities, the wastewater is directed to the on-site wastewater treatment system, and the solid residue is transported to insect farming operations for reuse.
3. *Wastewater treatment system:* This system includes anaerobic digestion, aerobic aeration, and advanced treatment processes. The treated effluent must meet regulatory discharge standards before being released into the sewer network. Biogas generated during anaerobic digestion is collected for energy use.
4. *Biogas utilization system:* This system includes biogas purification and energy conversion. The biogas produced from anaerobic fermentation is purified and sent to a combined cooling, heating, and power (“CCHP”) station for efficient resource utilization. A portion of the purified biogas is used to generate electricity, while the remainder is burned in a gas boiler to produce steam, which supplies heat for the preprocessing system.

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OUR OVERSEAS EXPANSION

We have made progress in expanding our waste-to-energy model internationally, with a strategic focus on Central Asia. In 2024, we have signed a service concession agreement to invest in, finance, construct, and operate a waste-to-energy facility in the capital city of Bishkek, Kyrgyzstan. Phase I of the Bishkek project had commenced operation in December 2025. As of the Latest Practicable Date, we have signed an investment agreement, followed with a service concession agreement, to develop a green energy and environmental services project in Osh City, Kyrgyzstan, and an investment agreement and service concession agreement for two similar projects in the Issyk-Kul Prefecture of Kyrgyzstan. We have also entered into a memorandum of understanding in July 2025, an investment agreement in late August 2025, and a waste supply agreement and a power purchase agreement in April 2026, to develop a similar project in Almaty, Kazakhstan. Some of our overseas initiatives may involve the design and development of integrated environmental hubs under our “three-center” model. This will combine a green power center (converting waste into clean electricity), a heating center (utilizing steam for district heating), and a computing power center (powered by green electricity and cooled using steam-based technologies).

By exporting our technical expertise, operational excellence, and integrated service model, we believe that we are reinforcing our market position in the solid waste and green energy sectors while contributing meaningfully to global sustainability.

OUR MODE OF OPERATIONS

We operate under a robust concession-based model that forms the foundation of our long-term strategy in the environmental services sector. This model enables us to deliver large-scale, capital-intensive infrastructure projects with long-term revenue visibility, operational autonomy, and alignment with national sustainability goals. Through a combination of BOT, BOO, BOOT, and TOT models, we have established a diversified and resilient project development framework that supports our domestic and international expansion. We have secured exclusive concession rights for a wide range of projects across key jurisdictions in China and abroad. These concession agreements, typically spanning 25 to 35 years, provide a stable foundation for long-term operations, investment planning, and infrastructure lifecycle management.

We believe that our concession-based model offers several key advantages. Firstly, the extended duration of our concession rights ensures predictable and stable cash flows, supporting long-term financial planning and investment returns. Exclusive rights in strategic regions such as Changsha and Pingjiang limit market competition and reinforce our market position. Concession agreements grant us full authority to design, build, operate, and maintain facilities, allowing us to implement advanced technologies and optimize performance. Finally, the success of our concession-based projects provides a replicable model for expansion into other regions and international markets, as demonstrated by our efforts in Kyrgyzstan and Kazakhstan.

Our four project models

To execute our concession projects, we employ such four primary models tailored to the nature of each project and its regulatory environment. Each model as described below is strategically selected based on the nature of the project, the regulatory environment, and the long-term value it can generate for both public stakeholders and our enterprise.

The following table sets forth a comparison of the key characteristics of these models. Some characteristics that are project-specific and cannot be analyzed by models are also included in the table:

	BOT	TOT	BOOT	BOO
Rights and obligations of each party:				
“Build”	We are responsible to build the facilities.	We are not responsible to build the facilities.	We are responsible to build the facilities.	We are responsible to build the facilities.

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	BOT	TOT	BOOT	BOO
“Operate”	We are responsible for operations.	We are responsible for operations.	We are responsible for operations.	We are responsible for operations.
“Ownership”	Pursuant to the concession agreements, we own the relevant facilities within the concession periods.	Pursuant to the concession agreements, we own the relevant facilities within the concession periods.	Pursuant to the concession agreements, we own the relevant facilities within the concession periods.	We obtain the ownership of the relevant facilities developed and operated by us.
“Transfer”	We will transfer our ownership of these facilities after the concession periods usually for nil consideration.	We will transfer our ownership of these facilities after the concession periods usually for nil consideration.	We would normally negotiate for the consideration for transferring the ownership of these facilities after the concession periods.	No transfer required.
Capital and financing arrangements and the associated risks:	As we are responsible for building the facilities, we would utilize internal funds and external financial sources to finance the construction. Hence there would be a certain level of risk in relation to our repayments.	Lower capital requirement than other models. Financial risk centers on operational cash flow and cost control.	As we are responsible for building the facilities, we would utilize internal funds and external financial sources to finance the construction. Hence there would be a certain level of risk in relation to our repayments.	As we are responsible for building the facilities, we would utilize internal funds and external financial sources to finance the construction. Hence there would be a certain level of risk in relation to our repayments.
Internal control measures adopted:	We do not adopt model-specific internal control measures. Instead, we generally adopt internal control measures based on the risks of each project to mitigate operational risks. Such internal control measures also depend on the type of waste treatment processes involved.			
Profitability:	Similarly, we believe that the general profitability would be better analyzed on a project-by-project basis, as it relies on various factors apart from operational model.			

Under both BOT and BOOT arrangements, we are granted operation rights over the relevant facilities during the concession period, which are distinct from ownership rights. In a BOT project, registration of the facilities under our name is generally for operational purposes and we do not have unrestricted control over the facilities, and the facilities are customarily transferred or reverted to the grantor at nil consideration upon expiry. In contrast, a BOOT project involves ownership rights during the concession period, with the transfer arrangement upon expiry, including any consideration, subject to the relevant agreement.

The following sets forth the projects with concession agreements entered under these models as of the Latest Practicable Date:

Project name	Granting authority	Operation model	Concession term	Handover method
Projects at our Changsha Environmental Protection Industrial Park				
– Changsha Waste-to-Energy Incineration Project (Phase I)	Changsha City Government	BOT	2014 – 2042	Free transfer upon expiration
– Changsha Waste-to-Energy Incineration Project (Phase II)	Changsha City Government	BOT	2019 – 2048	Free transfer upon expiration

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Project name	Granting authority	Operation model	Concession term	Handover method
– Sludge treatment project . .	Changsha City Government	BOT	2006 ⁽³⁾ – 2031	Free transfer upon expiration
– Leachate treatment project .	Changsha City Government	BOT	2006 ⁽³⁾ – 2031	Free transfer upon expiration
– Fly ash treatment project . .	Changsha City Government	BOT	2019 – 2049	Free transfer upon expiration
– Changsha Landfill project .	Changsha City Government	TOT	2006 ⁽³⁾ – 2031	Free transfer upon expiration
Project in Liuyang				
– Liuyang Waste-to-Energy Incineration Project	Liuyang City Government	BOT	2023 – 2053	Free transfer upon expiration
– Liuyang fly ash treatment project	Liuyang City Government	BOT	2025 – 2053	Free transfer upon expiration
Projects in Pingjiang				
– Pingjiang Waste-to-Energy Incineration Project ⁽¹⁾	Pingjiang County Government	BOT	2023 – 2053	Free transfer upon expiration
– Pingjiang Landfill Project .	Pingjiang County Government	TOT	2012 – 2037	Free transfer upon expiration
– Pingjiang fly ash treatment project	Pingjiang County Government	BOT	2026 – 2053	Free transfer upon expiration
Changsha Food Waste Project . .	Changsha City Government	BOO	2012 – 2037	Self-disposal upon expiration
Changsha Transfer Project				
– Household waste interim treatment project	Changsha City Government	BOOT	2005 ⁽³⁾ – 2030	Grantor’s option to purchase with appraised value upon expiration
– Sewage treatment project . .	Changsha City Government	BOT	2014 – 2030	Free transfer upon expiration
Bishkek Project				
– Phase I	Bishkek City Government, Kyrgyzstan	BOO	2024 – 2059	Negotiated upon expiration
Wangcheng District Waste Transfer Project ⁽²⁾	Wangcheng District Government, Changsha City	BOT	30 years ⁽²⁾	Free transfer upon expiration
Osh City Project	Osh City Government, Kyrgyzstan	BOT	2026 – 2061	Free transfer upon expiration
Projects in Issyk-Kul				
– Project in Karakol, Issyk-Kul	Issyk-Kul Region Government, Kyrgyzstan	BOO	2026 – 2061	Negotiated upon expiration
– Project in Balykchy, Issyk-Kul	Issyk-Kul Region Government, Kyrgyzstan	BOO	35 years	Negotiated upon expiration

Notes:

1. This project also comprised sludge and food waste treatment capacities of 60 tons and 50 tons per day, respectively.
2. These projects, while having concession agreements entered, had not commenced the necessary planning or construction as they may be still in their preliminary stages.
3. Certain of our projects have concession periods commencing prior to the establishment of our Company in September 2011. The relevant agreements were initially entered into with the government authorities by our Controlling Shareholders, Renhe or their related entities, and our Company subsequently carried out modification and upgrade works for the relevant facilities and assumed the obligations and benefits under such agreements.

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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:

Duration: For BOT contracts, the concession period is about 25 to 30 years.

Construction of facilities and land use right: These agreements would typically include a construction deadline. 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.

Government support: 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 maybe support the construction of water supply infrastructure.

Termination: 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 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 partners indicating any material breach that could lead to termination of these agreements.

Arrangement at the end of the concession period: At the end of the concession period, the grantor will open the concession for public tender. In such tender process, we may be afforded priority in the evaluation process where competing bids are on substantially similar terms. Such priority is not absolute and remains subject to the government's obligation to consider more competitive proposals. Should another party wins the tender, ownership may be transferred at nil as stipulated in the agreement. BOT concession agreements may impose on us additional requirements in relation to the transfer of ownership of the BOT facilities to the local government.

TOT

The TOT model is a project structure in which the government 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

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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 period is about 25 to 30 years.
<i>Government support:</i>	The local government or original asset owner 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 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 partners indicating any material breach that could lead to termination of these agreements.
<i>Arrangement at the end of the concession period: . . .</i>	At the end of the concession period, the grantor will open the concession for public tender. In such tender process, we may be afforded priority in the evaluation process where competing bids are on substantially similar terms. Such priority is not absolute and remains subject to the government's obligation to consider more competitive proposals. Should another party wins the tender, ownership may be transferred at nil consideration, as stipulated in the agreement. TOT concession agreements may impose on us additional requirements in relation to the transfer of ownership of the TOT facilities to the local government at the end of the concession period.

BOOT

The BOOT model is a project delivery framework in which the private enterprise is responsible for financing, designing, constructing, owning, and operating the infrastructure for a specified concession period. Ownership is retained by the enterprise throughout the term, and the facility is transferred to the government at the end of the concession. We believe that this model grants us full control over the asset during its operational life, allowing for greater flexibility in design, technology integration, and performance optimization. It also enables us to align long-term operational strategies with asset lifecycle planning. The BOOT model is particularly suitable for projects that require significant upfront investment and long-term operational stability, while still ensuring eventual public ownership.

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

<i>Duration:</i>	For BOOT contracts, the concession period is about 25 to 30 years.
<i>Construction of facilities and land use right:</i>	These agreements typically specify a construction deadline and 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.

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Government support: 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 collection, transportation, and storage systems, facilitate grid connection, assist in securing electricity offtake agreements with local power grid companies, and support the construction of water supply infrastructure.

Termination: 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 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 partners indicating any material breach that could lead to termination of these agreements.

Arrangement at the end of the concession period: At the end of the concession period, the grantor will open the concession for public tender. In such tender process, we may be afforded priority in the evaluation process where competing bids are on substantially similar terms. Such priority is not absolute and remains subject to the government’s obligation to consider more competitive proposals. Should another party wins the tender, ownership may be transferred at an appraised value and upon negotiation, as stipulated in the agreement. BOOT concession agreements may impose on us additional requirements in relation to the transfer of ownership of the BOOT facilities to the local government at the end of the concession period.

BOO

The BOO model is a fully private project structure in which the enterprise is responsible for the entire lifecycle of the infrastructure, from investment and design to construction, ownership, operation, and maintenance, without any obligation to transfer the asset back to the government. Under this model, the project company is responsible for designing, financing, constructing, operating and managing the project. Our management and key technicians are actively involved in each step, assuring a high level of business efficiency and regulatory compliance throughout our operations. During the operating period, the project company owns and operates the facility independently and retains all operation revenue. Under the BOO model, we obtain the ownership of the relevant facilities developed and operated by us. The relevant central or local government authorities may offer financial incentives for BOO projects, such as preferential on-grid tariffs, mandatory electricity offtake, tax exemptions and refunds, and governmental subsidies. We believe that this BOO model is ideal for projects that demand continuous innovation, frequent upgrades, and long-term operational autonomy. It allows us to retain full control over the asset, enabling rapid adaptation to technological advancements and evolving regulatory requirements.

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

Duration: For BOO contracts, the concession period is about 25 to 35 years.

Construction of facilities and land use right: These agreements would typically specify a construction deadline. We would usually 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.

Government support: 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 collection, transportation, and storage systems, facilitate grid connection, assist in securing electricity offtake agreements with local power grid companies, and support the construction of water supply infrastructure.

Termination: 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 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 partners indicating any material breach that could lead to termination of these agreements.

Arrangement at the end of the concession period: For our BOO projects, we will retain the ownership of the relevant facilities developed and operated by us. However, the continuation of our operational rights is not automatic. Upon expiry of the concession period, the government would ordinarily initiate a new tender process for the operational rights, in which we may be required to participate on competitive terms. As such, our operational control remains subject to market competition and regulatory oversight, rather than being guaranteed solely by virtue of our ownership. Our BOO projects are not accounted for as service concession arrangements under IFRIC 12, as the government is unable to control any residual interest of relevant facilities.

The following table sets forth a breakdown of the number of projects in operation and the corresponding contract and revenue contribution by source of project for the periods indicated:

	For the years ended December 31,						For the three months ended March 31,	
	2023		2024		2025		2026	
	No. of projects	Revenue	No. of projects	Revenue	No. of projects	Revenue	No. of projects	Revenue
		(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)
Direct negotiation.	8	1,551,902	10	1,890,173	12	2,188,151	12	597,666
Public tender . .	1	284,712	2	520,682	2	542,557	2	138,687
Total	9	1,836,614	12	2,410,855	14	2,730,708	14	736,353
	=	=	=	=	=	=	=	=

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Project lifecycle

The following illustrates the typical lifecycle of our projects:

Stage 1	Stage 2	Stage 3	Stage 4
<ul style="list-style-type: none"> a. Initiative from government through negotiations or public tender b. Budgeting and proposal review c. Project acquisition and negotiation d. Funding and capital structure <p>Typical time required: Dependent on the laws and regulations of the country in which the project is located</p>	<ul style="list-style-type: none"> a. Obtain approval and proceed with construction (not applicable to TOT projects) b. Trial operations and operational readiness <p>Typical time required: 24 months</p>	<ul style="list-style-type: none"> a. Project operations and maintenance b. Facility-specific practices <p>Typical time required: The span of the concession</p>	<ul style="list-style-type: none"> a. Project transfer (not applicable for BOO projects) <p>Typical time required: Until the end of the concession period</p>

1a. 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.

During the Track Record Period, certain procedural irregularities occurred in the tender stage of the concession grant process for the Changsha Landfill Project, the Pingjiang Landfill Project and the Changsha Transfer Project. These irregularities relate solely to administrative steps taken by the tenderer during the original tender process and do not affect the legality or validity of the concession agreements, which remain in full force and effect. Our PRC Legal Advisor considers that, although procedural irregularities were present, they do not materially increase the risk of termination of the concession agreements. This view is based on (i) the written confirmations from each concession grantor stating that the concession rights do not contravene any mandatory provisions of laws or administrative regulations, are valid and effective, free from defects or disputes, and that the concession agreements have been duly performed without any termination triggered by breach or non-performance; (ii) the operational history of these projects, with concessions granted in 2004 for the Changsha Transfer Project, 2006 for the Changsha Landfill Project and 2012 for the Pingjiang Landfill Project, where the facilities within the concession scope have been constructed and operating for many years, and continuous operation serves the public interest; (iii) the uninterrupted performance of these concession agreements up to the Latest Practicable Date, where all projects have operated without interruption, no grantor has raised objections or alleged breach, and no administrative penalties have been imposed; and (iv) the confirmations from each grantor that there are no disputes regarding the acquisition or performance of the concessions and, provided the company complies with the agreements and fulfils its obligations, the grantors will not unilaterally terminate the agreements. Nevertheless, to ensure continued validity of the concession agreements and prevent early termination due to its own fault, the company has adopted measures including (i) strict compliance with technical standards, laws, regulations and supervisory requirements during construction and operation, alongside enhanced environmental protection and safety management; (ii) strengthened communication with grantors to monitor regulatory developments and ensure contractual compliance; and (iii) close monitoring of industry policy trends and timely response to policy changes.

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1b. 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.

1c. Project acquisition and negotiation

As of the Latest Practicable Date, a majority of our projects were secured through local government procedures, including direct negotiations with the local governments or through public tender. In relation to direct negotiations, the government issues internal approval documents, such as requests concerning the construction and future operation of the project, and matters related to investment and management for their review. On the other hand, the public tender process typically begins with a public bidding phase, including online announcements and auction materials, followed by a qualification review to assess the eligibility of potential bidders. Once qualified, bidders receive formal invitations and submit their proposals, which are evaluated based on tender documents issued by the government. The successful bidder is then notified through an official award notice.

1d. Funding and capital structure

We are responsible for securing financing for the development and construction of our BOT, BOO and BOOT projects. During the Track Record Period, we financed our projects through a combination of internal resources and loans. For details of our funding and capital structure, please see the section headed "Financial Information — Capital expenditure" in this Document.

2a. 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. This team is 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.

According to our PRC Legal Advisor, as of the Latest Practicable Date, our Group had obtained all necessary regulatory approvals prior to the commencement of construction for each of its projects. The key regulatory approvals required before construction typically include project approval documents, environmental impact assessment approval documents, land use planning permits, construction project planning permits, and construction permits. Except for projects where construction has not yet commenced, we have obtained such approvals prior to the start of construction of all of our projects.

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.

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2b. 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.

3a. Project operation 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.

3b. Facility-specific practices

For clean waste-to-energy facilities, 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 facilities, we ensure that emissions and discharges remain within permitted limits through periodic inspections, system upgrades, and adherence to regulatory standards.

4a. Facility transfer obligations

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. For BOOT projects, the structure is similar, but with the added element of ownership of facilities during the concession period. We retain full ownership and operational control throughout the term, and upon expiration, the government has the option to obtain ownership of the facilities with an appraised value, typically also under terms that include technical support and documentation. The BOOT model allows us to optimize operations during the lifecycle of the project while preparing for eventual transfer. 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.

In contrast, under the BOO model, we retain full ownership and control of the facilities indefinitely, with no obligation to transfer them to the government. This model is typically used for projects where long-term operational autonomy and asset control are critical to performance and innovation.

CUSTOMERS, PRICING, AND COMPETITION

Our major customers

Our sales to the five largest customers in each year/period during the Track Record Period amounted to RMB1,832.1 million, RMB2,334.5 million, RMB2,521.9 million, and RMB667.8 million, representing 99.7%, 96.8%, 92.5%, and 90.6% of our total revenue, respectively. Our sales to the largest customer in each year/period during the Track Record Period amounted to RMB778.5 million, RMB819.1 million, RMB1,432.6 million, and RMB368.2 million, representing 42.4%, 34.0%, 52.5%, and 50.0% of our total revenue for the same periods, respectively. During the Track Record Period, such customers mainly comprise municipal government agencies and state electricity grid authorities.

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The following table sets forth details of our five largest customers during the year ended December 31, 2023:

Customer	Revenue	Percentage of total revenue of our Group	Business relationship since	Major services provided by our Group	Credit period (contractual) ⁽⁶⁾	Payment method
	<i>RMB'000</i>	<i>%</i>				
Customer A ⁽¹⁾ . .	778,483	42.4	2006 ⁽⁷⁾	Waste-to-energy incineration	30 days	Bank transfer
Customer B ⁽²⁾ . .	698,230	38.0	2017	Sales of electricity	30 days	Bank transfer and bills
Customer C ⁽³⁾ . .	284,712	15.5	2023	Construction services	30 days	Bank transfer
Customer D ⁽⁴⁾ . .	51,729	2.8	2012	Landfill and construction services	30 days	Bank transfer
Customer E ⁽⁵⁾ . .	18,975	1.0	2020	Landfill and construction services	15 days	Bank transfer
Total	<u>1,832,129</u>	<u>99.7</u>				

Notes:

- Customer A is a municipal government agency located in Changsha, Hunan Province, responsible for urban infrastructure, sanitation, and city appearance management. It oversees public services such as waste collection, street maintenance, and environmental enforcement.
- Customer B is a state electricity corporation headquartered in Changsha. It manages power transmission, distribution, and grid operations across Hunan Province, serving millions of residential and industrial users.
- Customer C is a municipal department under the Liuyang City Government in Hunan Province. It is responsible for urban sanitation, municipal infrastructure, and law enforcement related to city management.
- Customer D is a county-level government department in Pingjiang County, Hunan Province. It handles urban planning enforcement, sanitation, and municipal facility oversight within the county jurisdiction.
- Customer E is a company that is based in Hunan which specializes in water supply, wastewater treatment, and environmental infrastructure investment. It plays a key role in regional water environment improvement projects.
- Notwithstanding that our contractual credit term is generally 30 days, our trade receivable turnover days may substantially exceed such credit term as a result of prevailing settlement practices in the waste-to-energy industry. The actual settlement of service fees by our government customers follows a budgetary process and our trade receivables turnover days were 137.5 to 242.5 days during the Track Record Period, and renewable energy tariff subsidies are settled upon central disbursement. According to F&S, trade receivables of waste-to-energy operators typically comprise service fees receivable from local governments and renewable energy tariff subsidies settled through grid companies, and the settlement of service fees by local governments may extend beyond 180 days due to government budgetary policies and fiscal arrangements, while renewable energy tariff subsidies may also remain outstanding for over 180 days due to the relevant settlement and fund allocation process. Our settlement pattern is consistent with industry norms. See “Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position of Our Group — Prepayment, trade and other receivables.”
- Our relationship with Customer A commenced prior to the establishment of our Company in September 2011. The relevant agreements were initially entered into with the government authorities by our Controlling Shareholders, or their related entities, and our Company subsequently carried out modification and upgrade works for the relevant facilities and assumed the obligations and benefits under such agreements.

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The following table sets forth details of our five largest customers during the year ended December 31, 2024:

Customer	Revenue	Percentage of total revenue of our Group	Business relationship since	Major services provided by our Group	Credit period (contractual) ⁽¹⁾	Payment method
	<i>RMB'000</i>	<i>%</i>				
Customer A . . .	819,075	34.0	2006 ⁽²⁾	Waste-to-energy incineration, waste treatment	30 days	Bank transfer
Customer B . . .	685,278	28.4	2017	Sales of electricity	30 days	Bank transfer and bills
Customer C . . .	484,946	20.1	2023	Construction services	30 days	Bank transfer
Customer D . . .	330,174	13.7	2012	Waste-to-energy incineration, landfill and construction services	30 days	Bank transfer
Customer E . . .	15,038	0.6	2020	Sludge treatment	15 days	Bank transfer
Total	<u>2,334,511</u>	<u>96.8</u>				

Notes:

- Notwithstanding that our contractual credit term is generally 30 days, our trade receivable turnover days may substantially exceed such credit term as a result of prevailing settlement practices in the waste-to-energy industry. The actual settlement of service fees by our government customers follows a budgetary process and our trade receivables turnover days were 137.5 to 242.5 days during the Track Record Period, and renewable energy tariff subsidies are settled upon central disbursement. According to F&S, trade receivables of waste-to-energy operators typically comprise service fees receivable from local governments and renewable energy tariff subsidies settled through grid companies, and the settlement of service fees by local governments may extend beyond 180 days due to government budgetary policies and fiscal arrangements, while renewable energy tariff subsidies may also remain outstanding for over 180 days due to the relevant settlement and fund allocation process. Our settlement pattern is consistent with industry norms. See “Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position of Our Group — Prepayment, trade and other receivables.”
- Our relationship with Customer A commenced prior to the establishment of our Company in September 2011. The relevant agreements were initially entered into with the government authorities by our Controlling Shareholders or their related entities, and our Company subsequently carried out modification and upgrade works for the relevant facilities and assumed the obligations and benefits under such agreements.

The following table sets forth details of our five largest customers during the year ended December 31, 2025:

Customer	Revenue	Percentage of total revenue of our Group	Business relationship since	Major services provided by our Group	Credit period (contractual) ⁽³⁾	Payment method
	<i>RMB'000</i>	<i>%</i>				
Customer A . . .	1,432,609	52.5	2006 ⁽⁴⁾	Waste-to-energy incineration and waste treatment	30 days	Bank transfer
Customer B . . .	829,264	30.4	2017	Sales of electricity	30 days	Bank transfer and bills
Customer F ⁽¹⁾ . .	95,043	3.5	2024	Sales of industry-grade mixed oil	Prepayment	Bank transfer
Customer C . . .	92,340	3.4	2023	Waste-to-energy incineration, waste treatment and construction services	30 days	Bank transfer
Customer G ⁽²⁾ . .	72,649	2.7	2024	Sales of industry-grade mixed oil	Prepayment	Bank transfer
Total	<u>2,521,905</u>	<u>92.5</u>				

Notes:

- Customer F is a company based in Jiangsu province that focuses on the R&D of technologies for the comprehensive utilization of waste oils, acquisition of waste oils, production of industrial oils and fractionated fatty acid monomers, fatty acid methyl esters from waste oils, and sales of the above products.

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2. Customer G is a company based in Jiangsu province that focuses on the treatment and resource recovery of household waste.
3. Notwithstanding that our contractual credit term is generally 30 days, our trade receivable turnover days may substantially exceed such credit term as a result of prevailing settlement practices in the waste-to-energy industry. The actual settlement of service fees by our government customers follows a budgetary process and our trade receivables turnover days were 137.5 to 242.5 days during the Track Record Period, and renewable energy tariff subsidies are settled upon central disbursement. According to F&S, trade receivables of waste-to-energy operators typically comprise service fees receivable from local governments and renewable energy tariff subsidies settled through grid companies, and the settlement of service fees by local governments may extend beyond 180 days due to government budgetary policies and fiscal arrangements, while renewable energy tariff subsidies may also remain outstanding for over 180 days due to the relevant settlement and fund allocation process. Our settlement pattern is consistent with industry norms. See “Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position of Our Group — Prepayment, trade and other receivables.”
4. Our relationship with Customer A commenced prior to the establishment of our Company in September 2011. The relevant agreements were initially entered into with the government authorities by our Controlling Shareholder or its related entities, and our Company subsequently carried out modification and upgrade works for the relevant facilities and assumed the obligations and benefits under such agreements.

The following table sets forth details of our five largest customers during the three months ended March 31, 2026:

Customer	Revenue	Percentage of total revenue of our Group	Business relationship since	Major services provided by our Group	Credit period (contractual) ⁽²⁾	Payment method
	<i>RMB'000</i>	<i>%</i>				
Customer A . . .	368,190	50.0	2006 ⁽³⁾	Waste-to-energy incineration, waste treatment	30 days	Bank transfer
Customer B . . .	222,466	30.2	2017	Sales of electricity	30 days	Bank transfer and bills
Customer C . . .	29,538	4.0	2023	Construction services	30 days	Bank transfer
Customer H ⁽¹⁾ . .	24,498	3.3	2025	Sales of electricity	30 days	Bank transfer
Customer F . . .	23,118	3.1	2024	Sales of industry-grade mixed oil	Prepayment	Bank transfer
Total	<u>667,810</u>	<u>90.6</u>				

Note:

1. Customer H is a state-owned company in the Kyrgyz Republic, primarily engaged in the supply and sale of electricity.
2. Notwithstanding that our contractual credit term is generally 30 days, our trade receivable turnover days may substantially exceed such credit term as a result of prevailing settlement practices in the waste-to-energy industry. The actual settlement of service fees by our government customers follows a budgetary process and our trade receivables turnover days were 137.5 to 242.5 days during the Track Record Period, and renewable energy tariff subsidies are settled upon central disbursement. According to F&S, trade receivables of waste-to-energy operators typically comprise service fees receivable from local governments and renewable energy tariff subsidies settled through grid companies, and the settlement of service fees by local governments may extend beyond 180 days due to government budgetary policies and fiscal arrangements, while renewable energy tariff subsidies may also remain outstanding for over 180 days due to the relevant settlement and fund allocation process. Our settlement pattern is consistent with industry norms. See “Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position of Our Group — Prepayment, trade and other receivables.”
3. Our relationship with Customer A commenced prior to the establishment of our Company in September 2011. The relevant agreements were initially entered into with the government authorities by our Controlling Shareholders or their related entities, and our Company subsequently carried out modification and upgrade works for the relevant facilities and assumed the obligations and benefits under such agreements.

Our Directors confirm that, as of the Latest Practicable Date, the five largest customers of our Group during each year of the Track Record Period were all Independent Third Parties and, during the Track Record Period and up to the Latest Practicable Date, none of our Directors or their respective close associates or any of our Shareholders, to the knowledge of our Directors, owned more than 5% of our issued Shares, had any interest in any of such customers. During the Track Record Period, to the best knowledge of our Directors, our Group did not have any material disputes with our customers.

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Relationship with our largest customers during the Track Record Period

Customer A, an independent third party and a local government department in PRC, has been a key strategic partner of our Group since the inception of our business relationship in 2006, when we entered into a service concession agreement to provide waste treatment services to the locality. During the Track Record Period, Customer A was our largest customer, with revenue contributions of RMB778.5 million, RMB819.1 million, RMB1,432.6 million, and RMB368.2 million, representing 42.4%, 34.0%, 52.5%, and 50.0% of our total revenue for the respective periods. These revenues were primarily derived from our projects executed under long-term concession agreements with Customer A.

Our relationship with Customer A is defined by mutual dependence and strategic collaboration. The nature of service concession arrangements inherently fosters long-term engagement, as these projects involve substantial capital investment, regulatory coordination, and infrastructure development. As of the Latest Practicable Date, we had nine concession agreements entered with Customer A, with durations of 16 years, 25 years, 25 years, 25 years, 25 years, 25 years, 28 years, 30 years, and 30 years with corresponding remaining durations of approximately 3.6 years, 3.6 years, 4.8 years, 4.8 years, 4.8 years, 10.8 years, 16.2 years, 22.3 years and 22.4 years, respectively. Once a project is initiated, both parties are contractually and operationally committed to its success. For the local government, withdrawing from such a project would not only disrupt essential public services but also entail significant financial and reputational costs. For our Group, the long-term nature of these agreements ensures revenue visibility and operational stability. This mutual reliance creates a foundation of trust and continuity that is not easily altered.

While we acknowledge that any material change in our relationship with Customer A could have a significant impact on our operations, we have proactively adopted a dual strategy to mitigate customer concentration risk. This strategy involves maintaining Customer A as an anchor client while simultaneously expanding our customer base across multiple regions and sectors. By diversifying our portfolio of clients, we aim to reduce dependency on any single customer and enhance our resilience to potential disruptions. Our Directors believe that the likelihood of significant adverse changes or termination of our relationship with Customer A is low. This assessment is based on several factors, including the long-standing trust between the parties, the contractual obligations under existing concession agreements, and the mutual benefits derived from the continued success of our projects. These factors collectively support the view that our partnership with Customer A will remain stable and enduring.

On the other hand, Customer B, an independent third party and a state-grid electricity corporation in the PRC, has been a stable and long-standing customer of our Group since 2017. During the Track Record Period, revenue contributions from Customer B amounted to RMB698.2 million, RMB685.3 million, RMB829.3 million and RMB222.5 million, representing 38.0%, 28.4%, 30.4%, and 30.2% of our total revenue for the respective periods. Our relationship with Customer B is governed by annually renewed agreements, which have consistently been executed without any material hurdles or disruptions. Our agreement with Customer B does not contain any provisions for automatic renewal or related conditions. However, pursuant to the "Measures for the Supervision of Guaranteed Purchase of Renewable Energy Power", grid enterprises are required to coordinate with relevant power market participants to ensure the consumption of guaranteed purchase volumes from renewable energy generation projects. Where the parties involved in grid connection for renewable energy generation fail to reach an agreement, thereby affecting the normal consumption of renewable energy power, the power regulatory authority shall intervene to coordinate; if coordination fails, the authority shall make a determination in accordance with applicable regulations. We also confirm that our agreements with Customer B are conducted on normal commercial terms and reflect a high level of operational continuity and mutual understanding.

Importantly, our obligation to supply electricity to Customer B is also anchored in our service concession agreement with Customer A, as the on-grid electricity that we generate through waste-to-energy incineration under our agreement with Customer A is supplied to Customer B. We believe that this framework reinforces the stability of our engagement with Customer B, as it is both directly and indirectly supported by institutional commitments. While Customer B does not operate under a concession agreement or any long-term agreements with our Group, the nature of our relationship remains highly dependable. Moreover, under our agreement with Customer B, if our waste-to-energy incineration project is procured through a concession-based tender, the corresponding concession agreement must have entered into effect as a precondition. The annual

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renewal of agreements since 2017 demonstrates a pattern of trust and reliability. The absence of such types of arrangements does not diminish the strategic importance of Customer B, particularly given the essential nature of electricity supply and the regulatory oversight involved.

Our Directors believe that the likelihood of any material adverse change in our relationship with Customer B is low. This assessment is based on several factors, including the enduring contractual history, the operational obligations stemming from our concession agreement with Customer A, and the critical public utility role played by Customer B. These elements collectively contribute to a stable and predictable business environment.

Our Directors confirm that all transactions with Customers A and Customers B during the Track Record Period were conducted on normal commercial terms. The enduring nature of our collaboration reflects a high level of mutual confidence and institutional alignment. The long-term commitment embedded in our agreements underscores the reliability and credibility of both parties, contributing to a stable and predictable business environment.

Pricing and payment

We regularly review our operating costs and prevailing market conditions to ensure that our pricing remains competitive, cost-reflective, and compliant with applicable regulations. This process allows us to make timely adjustments to our rates so that we can maintain financial sustainability and operational efficiency. Furthermore, follow a standard practice of requesting payment promptly while granting a credit period of 15 to 30 days. The length of this credit period depends on factors such as the customer's background, reputation within the industry, payment history, creditworthiness, and the duration of our business relationship. Although our trade receivables turnover days exceeded such credit period during the Track Record Period due to government budgetary policies and fiscal appropriation arrangements, which is consistent with industry norms according to F&S, we consider our exposure to credit or payment collection risks to be manageable, as our customers primarily comprise government departments and state-owned enterprises with strong credit profiles, and they have continued to settle amounts past due, with substantially all of our trade receivables aged over one year settled within the following year. For our collection process, the difficulties encountered and the basis of this view, see "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position of Our Group — Prepayment, trade and other receivables."

In relation to our revenue from the sale of electricity, tariffs are based on fixed rates determined by government-published feed-in tariff schedules and renewable energy policies applicable to waste-to-energy projects. These rates reflect national or provincial standards for renewable energy generation and incorporate adjustments for policy-driven changes, such as updates to renewable energy subsidies or grid connection charges. Moreover, we closely monitor regulatory announcements to ensure timely compliance with any revisions to tariff structures.

As for revenue derived from waste treatment services, our pricing approach varies according to the nature of the service. For waste incineration, rates are reviewed every three to five years, and adjustments take into account changes in operating costs, including fuel, chemicals, and labor, as well as compliance with updated environmental standards, tax policy changes, and inflation. In addition, benchmarking against similar projects in the region and guidance issued by government authorities on waste disposal fees informs our rate-setting process. With respect to sludge treatment, fees are set for a defined contractual period and are subject to government audits. These audits typically examine cost components such as energy consumption, chemical usage, labor costs, and compliance with discharge standards. If the audited rate is lower than the current standard, the revised rate applies, and adjustments also consider inflation and contractual references. Similarly, sewage and leachate treatment fees are calculated based on output volume and transport distance, with adjustments occurring every three years to reflect changes in material costs, electricity tariffs, labor expenses, and any regulatory updates on wastewater treatment standards. For food waste treatment, fees include a base amount with annual adjustments linked to consumer price indices and tax changes, while reviews also consider changes in operating costs and any new environmental compliance requirements. Furthermore, fly ash treatment fees depend on actual output relative to a design baseline, with different rates applied for overproduction or underproduction. Adjustments every three years reflect cost changes, tax updates, and any new safety or disposal regulations. Lastly, landfill service fees are generally fixed under long-term agreements, as landfill operations are stable and subject to strict government oversight. In addition, for household waste interim treatment and transfer services, fees are determined by contract and reviewed annually through

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financial assessments. These assessments typically cover cost structures such as transport, handling, and labor, as well as market benchmarks and compliance with municipal waste management policies. Similarly, food waste collection fees are contract-based and reviewed every one to three years, with financial assessments considering fuel costs, vehicle maintenance, labor, and inflation. Revenue from the sale of industrial-grade mixed oil is priced through competitive bidding, with contracts signed per batch. Bidding reflects prevailing market prices for recycled oil products and quality specifications.

Finally, government audits generally focus on verifying actual operating costs, including energy consumption, chemical usage, labor expenses, and compliance with environmental discharge standards. Financial assessments for contract reviews typically evaluate cost structures, inflationary trends, market benchmarks, and adherence to municipal waste management policies. These processes collectively ensure that our pricing remains fair, transparent, and aligned with both regulatory requirements and market practices.

Market competition

According to F&S, China's green energy and environmental services, and resource utilization sectors are undergoing major transformation, driven by national policy, innovation, and changing market needs. With the introduction of the Dual Carbon goals and the Zero Waste City initiative, the industry is moving from fragmented treatment models to integrated systems that handle multiple waste streams. This shift improves efficiency and creates new value through the combined treatment of household waste, food waste, sludge, sewage and leachate. Our company is well-positioned in this evolving landscape, having adopted a vertically integrated model that spans interim treatment and transfer, waste treatment, waste-to-energy incineration, and resource utilization. Our ability to maintain stable operations and generate diverse revenue from electricity, industrial-grade mixed oil, and thermal energy strengthens both resilience and profitability. In terms of market competition, according to F&S, our Changsha Environmental Protection Industrial Park, in which our main operations are situated, is among the largest integrated environmental parks in the industry in China, in terms of project scale. We are also the only company in the solid waste sector to receive two Luban Prizes within the same industrial park. For further details, please see the section headed "Industry Overview" in this Document.

RESEARCH AND DEVELOPMENT

For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, our R&D expenses amounted to RMB57.0 million, RMB63.8 million, RMB89.9 million, and RMB16.9 million, representing 3.1%, 2.6%, 3.3% and 2.3% of our total revenue, respectively. We plan to maintain high levels of investment to ensure continuous innovation and enhance our core competitiveness. We collaborate with leading suppliers and academic institutions such as Hunan University, jointly developing core technologies that address key industry challenges. Since establishing our R&D center, we have recruited top-tier talent from leading universities to conduct R&D in integrated waste treatment and resource utilization. We have built a highly capable team with strong problem-solving abilities.

Our technologies

We strive to integrate various technologies and equipment, tailoring them to address challenges in our operations. In particular:

- **Waste-to-energy incineration:** Our Changsha Waste-to-Energy Incineration Project (phases I and II) adopted technologies such as digital twin systems for waste pits, thermal system efficiency, boiler waste heat recovery, anti-corrosion and capacity enhancement, and busbar current balancing. These innovations have resulted in proprietary intellectual property with high application value. We have also optimized sludge drying and conveying systems to improve mixing uniformity and system stability, increasing the sludge co-incineration ratio while minimizing the environmental impacts of boilers and flue gas treatment.
- **Sludge treatment:** Our sludge treatment technologies are among the first of their kind in China and are characterized by high efficiency, energy savings, and environmental benefits. We have automated sludge unloading, developed flexible treatment processes for filtrates, and implemented comprehensive odor control systems using chemical and biological deodorization methods.

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- **Household waste interim treatment, compression, and transfer:** To mitigate odor emissions during waste transfer, we have implemented fully enclosed systems, negative pressure collection, advanced deodorization technologies, and upgraded in-station spray systems. We have also optimized the structure and reduced the weight of box-type transfer vehicles using new materials, improving corrosion resistance, increasing load capacity, reducing energy consumption and transport costs, and extending vehicle lifespan.
- **Food waste treatment:** We have developed a complete process and management model for food waste treatment, including impurity separation, high oil recovery, high-value solid residue conversion, and pollution mitigation. Our full-chain technologies cover pre-treatment, anaerobic fermentation, biogas power generation, and waste heat utilization. We continue to optimize processes through innovations such as secondary extrusion, automated oil-water separation. These efforts have increased oil recovery rates to exceeding 7%.
- **Leachate treatment:** We adopted the "MBR + advanced membrane treatment" process. Over more than a decade of operation, we have developed patented technologies and control standards that enhance treatment efficiency and stability while reducing costs. We also co-treat high-concentration incineration leachate with aged landfill leachate, addressing carbon-nitrogen imbalance and improving wastewater treatment efficiency and effectiveness.

Intellectual property

As a result of our relentless strive for R&D and advanced technologies, we have continued to enhance our intellectual property portfolio, and we rely on a combination of trademark and domain name registrations to protect our intellectual property rights. Details of our intellectual property rights are set forth in "B. Further information about our business — 2. Intellectual property rights" in Appendix IV to this Document.

We protect our intellectual property rights through a combination of copyrights, trademarks and patents and other forms of intellectual property rights available. We generally require our employees to enter into confidentiality agreements acknowledging that inventions, trade secrets, developments and other processes generated by them on our behalf are our property and assigning to us any ownership rights that they may claim in those works. Despite our precautions, however, third parties may obtain and use intellectual property that we own without our consent. We are not aware of any such breaches of our intellectual property rights during the Track Record Period. For further details of the risks relating to our intellectual property rights, please see the section headed "Risk Factors" in this Document.

Our Directors confirm that, as at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us. Further, as at the Latest Practicable Date, we were not involved in any litigation or legal proceedings in relation to any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.

Our cybersecurity measures

We prioritize our own cybersecurity to protect our assets and we believe by implementing the following measures, we can maintain a robust and resilient IT infrastructure that safeguards our business operations:

- **Access controls and authentication:** We believe that implementing access controls and authentication mechanisms can ensure that only authorized personnel can access sensitive systems and data. Role-based access control limits access based on the user's role within the organization, minimizing the risk of unauthorized access.
- **Regular updates and patches:** Keeping our software and hardware up to date is crucial. We should apply updates and patches to protect against known vulnerabilities, mitigating the risk of cyberattacks that exploit outdated software. Our dedicated team will monitor for recent updates and patches from vendors and ensures they are applied promptly. Additionally, we should test updates in a controlled environment before deployment to ensure they do not disrupt our operations.

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- **Network monitoring:** Continuous monitoring and auditing of network activities can help us detect and respond to suspicious activities promptly. We use monitoring tools to track network traffic and identify anomalies that may indicate a security threat.
- **Firewalls and intrusion detection systems:** Implementing firewalls and intrusion detection systems may help us prevent and detect unauthorized access attempts. Firewalls act as a barrier between our internal network and external threats, filtering incoming and outgoing traffic based on predefined security rules. These systems monitor network traffic for suspicious activities and generate alerts when potential threats are detected.
- **Employee training:** We will hold regular security awareness training for our employees to ensure they are knowledgeable about the latest security threats and best practices.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations.

ACQUISITION OF RENHE

Overview

In November 2024, our Company successfully completed the acquisition of a 63% equity interest in Renhe, marking a significant milestone in our strategic expansion into the upstream segment of the waste management value chain. Our Directors believe that this acquisition has broadened our core business to include the interim treatment, compression, and transfer of household waste, as well as the harmless treatment and resource utilization of food waste. Strategically aligned with our long-term development objectives, the transaction was designed to enhance our market capitalization and profitability, thereby attracting new institutional investors. It was also driven by the complementary nature of the two companies' operations and the mutual understanding between their respective management teams. The acquisition was structured to generate synergistic benefits that exceed the sum of the individual entities.

Market position and strategic rationale

Prior to the acquisition, we conducted comprehensive market analysis and industry research. Renhe's technological capabilities, operational expertise, and brand reputation positioned it as a market leader in Hunan Province and across China. According to F&S, the Changsha Transfer Project ranked first in China in 2025 in terms of daily treatment capacity among all waste interim treatment and transfer projects, while the Changsha Food Waste Project ranked third nationwide among food waste treatment projects.

We believe that Renhe's competitive advantages include a well-established collection and transportation network covering Changsha, Liuyang, and Ningxiang, as well as a digital monitoring platform for food waste management. Renhe has also developed proprietary technologies that have significantly enhanced its operational efficiency and performance. As of the Latest Practicable Date, the Changsha Transfer Project had a total daily treatment capacity of 10,000 tons, and the Changsha Food Waste Project had a daily treatment capacity of 1,200 tons. Additionally, it is capable of producing up to 30,000 tons of industrial-grade mixed oil annually, with an oil recovery rate of exceeding 7%.

Valuation and transaction structure

The valuation of Renhe was conducted by an independent third-party appraisal firm, which adopted both the asset-based approach and the income approach, with the latter serving as the final valuation basis. The valuation was based on several key assumptions, including business continuity, macroeconomic stability, and the consistency of accounts receivable and payable turnover ratios with historical levels. The transaction price for the 63% equity interest was determined at RMB2.2 billion, based on the appraised value and mutual agreement among the parties. The acquisition was executed through a combination of share issuance and cash payment, which were fully settled in November 2024 and January 2025, respectively.

The acquisition agreement also included a provision granting us the right of first refusal for the potential acquisition of the remaining 37% equity interest in Renhe. The purchase price for the remaining equity interest will be determined based on a valuation report jointly commissioned by both parties at the time of the transaction. Renhe has already met the performance targets set at the time of acquisition for the year ended December 31, 2024, and exceeding its annual performance commitments for the same year.

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Post-acquisition integration

Following the completion of the acquisition, Renhe became a subsidiary of our Company. We implemented a comprehensive integration strategy covering organizational structure, human resources, financial systems, business processes, and brand management. In particular,

- The board of directors of Renhe was reconstituted to include seven members, four of whom were nominated by our Company. We established a governance and performance evaluation framework to ensure strategic alignment, while retaining Renhe’s original management team to maintain operational continuity.
- We also appointed key personnel in finance and procurement, to oversee the integration process and ensure effective control over personnel, finance, operations, assets, and organizational structure.
- Operationally, we initiated several measures to optimize synergies between the two entities, including refining waste composition to reduce the presence of bulky foreign objects, thereby enhancing the safety and efficiency of waste incineration.
- On the technological front, we integrated research and development resources, launched joint R&D projects, and incorporated Renhe’s personnel into our incentive system. These efforts have strengthened our technological capabilities and expanded our market reach.
- In procurement and supply chain management, we centralized the procurement of engineering services, equipment, materials, and consumables to improve bargaining power and reduce costs. By establishing a lean and efficient supply chain system, we aim to consolidate our cost advantages and enhance profitability and competitiveness. Our robust operational management experience, sound corporate governance, and effective internal controls have enabled us to optimize Renhe’s business architecture and governance framework, while continuously advancing institutional innovation and digitalization.

Financial impact and performance

From a financial perspective, Renhe has demonstrated strong performance and met its contractual commitments. The acquisition has positively impacted our financial position and operating results, expanding our business scope to include the investment, construction, and operation of household waste transfer and food waste treatment projects.

As a result, our revenue, profit attributable to equity shareholders of our Company, net assets per share, and net cash flow generated from operating activities have all improved. The transaction also resulted in the recognition of goodwill amounting to RMB146 million. The integration has successfully established a full-industry-chain model, enabling us to extend our operations both upstream and downstream and reinforcing our position as a comprehensive solid waste management service provider.

For financial information of Renhe from the beginning of the Track Record Period to the completion date of the Acquisition of Renhe, please refer to the section headed “Financial Information — Financial Information of Renhe” in this Document.

Strategic synergies and outlook

Our Directors believe that the acquisition has created substantial synergies with our existing operations. Renhe’s household waste transfer business complements our waste-to-energy operations, while its food waste treatment capabilities fill a critical gap in our service portfolio.

The combined entity now operates a full-industry-chain waste management model, with demonstration projects in Changsha serving as benchmarks for nationwide replication. The acquisition has also enhanced the renewal prospects of Renhe’s concession rights and strengthened our procurement capabilities through economies of scale. By building a lean and efficient supply chain, we have reinforced our cost advantages and improved our profitability and market competitiveness.

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Conclusion

In conclusion, the Acquisition of Renhe represents a strategic and transformative step for our Company. It has expanded our operational scope, enhanced our technological capabilities, and strengthened our market position. Through effective integration and strategic alignment, we have realized significant synergies and laid a solid foundation for sustainable growth in the environmental services sector.

PROCUREMENT AND SUPPLIERS

We have established a procurement system which standardizes procurement procedures, maintains a list of qualified suppliers, and ensures full-process supervision. The objective is to procure goods and services that meet production and operational needs in a timely, location-appropriate, quality-assured, and cost-effective manner. For projects under construction, we select suppliers for surveying, design and construction services. We manage and coordinate all aspects of supplier performance, including timelines, quality, safety, and cost, to ensure that project delivery meets contractual and technical requirements. For routine operational, administrative, and facility needs, the procurement process follows a structured workflow. It begins with the requesting department submitting a procurement application. We then conduct price inquiries and evaluate technical specifications and pricing. Once a supplier is selected, a procurement contract is signed, and the supplier delivers the goods or services. This process applies not only to construction-related procurement but also to the acquisition of engineering services, production materials and equipment.

Our procurement procedures vary depending on the category of goods or services. For instance, the procurement of engineering labor and bulk production materials involves four key steps: inquiry, comparison, negotiation, and final pricing. During the inquiry phase, we select at least three qualified suppliers from the approved supplier list. For engineering services, suppliers are provided with construction drawings and acceptance criteria. For production materials, detailed technical specifications and usage conditions are outlined. In the comparison phase, submitted quotations are reviewed for cost-effectiveness. The negotiation phase involves discussions with shortlisted suppliers, subject to internal approval. Once negotiations conclude, the final pricing is approved, and the procurement process proceeds. For smaller equipment and spare parts, we contact qualified suppliers directly to obtain quotations and terms. If a preferred supplier is unavailable or cannot meet service requirements, a nearby qualified vendor may be selected. In such cases, the procurement process may follow the same procedures used for bulk materials. In addition, we would identify long-term, stable suppliers through comparative evaluation. These suppliers are subject to regular assessments based on pricing, quality, delivery timelines, and service performance. Only suppliers that meet evaluation standards remain on the approved list.

After procurement, all goods are subject to a two-tier acceptance process. Warehouse staff verify quantities, while the requesting department inspects product quality, specifications, and model compliance. For critical equipment and bulk materials, we also participate in the inspection. If the goods pass inspection, the warehouse issues a storage receipt. For major equipment, a formal acceptance report is required; for bulk materials, a quality inspection report must be provided. If any item fails inspection, the warehouse has the authority to reject the delivery and to coordinate returns or replacements with the supplier.

Our major suppliers

Our supplier network consists of independent contractors, and equipment vendors, and service firms specializing in repair and maintenance. Independent contractors support our project development by delivering a range of services, including feasibility studies, engineering design, construction, supervision, environmental assessments, and technical consulting. We would select contractors through a structured procurement process to ensure compliance with project specifications and regulatory standards. We expect our equipment suppliers to provide essential systems and components for our facilities, along with after-sales support to ensure operational continuity. These include both large-scale machinery and modular units tailored to the specific needs of each project. All suppliers are subject to a qualification and approval process before engagement, and their performance is monitored to ensure adherence to quality, delivery, and service expectations.

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During the Track Record Period, our major suppliers mostly comprised independent contractors. Our purchases from the five largest suppliers in each year/period during the Track Record Period amounted to RMB171.3 million, RMB429.3 million, RMB344.2 million, and RMB40.9 million, representing 33.5%, 37.1%, 32.7% and 24.0% of our total purchases, respectively.

The following table sets forth details of our five largest suppliers during the year ended December 31, 2023:

Supplier	Purchase amount (RMB'000)	Percentage of total purchase (%)	Business relationship since	Types of procurement	Credit term	Payment method
Supplier A ⁽¹⁾ . .	98,231	19.2	2016	Construction services	30 days	Bank transfer
Supplier B ⁽²⁾ . .	21,193	4.1	2011	Electricity	30 days	Bank transfer
Supplier C ⁽³⁾ . .	19,712	3.9	2017	Construction services and repair	30 days	Bank transfer
Supplier D ⁽⁴⁾ . .	18,573	3.6	2013	Construction services	7 days	Bank transfer
Supplier E ⁽⁵⁾ . .	13,571	2.7	2018	Construction services	30 days	Bank transfer
Total	<u>171,280</u>	<u>33.5</u>				

Notes:

- Supplier A is company group based in Hunan that specializes in the installation of industrial equipment and infrastructure. It provides services across sectors such as energy, environmental protection, and manufacturing.
- Supplier B is also Customer B, please see the sub-section headed “— Overlapping customers and suppliers” in this section.
- Supplier C is a company based in Hunan that is engaged in the construction of nuclear power plants, industrial facilities, and environmental engineering projects, with a strong presence in national infrastructure development.
- Supplier D a company based in Hunan that is engaged in contracting construction services, design and providing engineering services.
- Supplier E is a construction firm in Jiangsu that undertakes civil engineering, municipal infrastructure, and environmental project development, with a focus on quality and compliance.

The following table sets forth details of our five largest suppliers during the year ended December 31, 2024:

Supplier	Purchase amount (RMB'000)	Percentage of total purchase (%)	Business relationship since	Types of procurement	Credit term	Payment method
Supplier A	192,722	16.7	2016	Construction services	30 days	Bank transfer
Supplier D	63,494	5.5	2013	Construction services	7 days	Bank transfer
Supplier C	61,537	5.3	2017	Construction services and repair	30 days	Bank transfer
Supplier F ⁽¹⁾ . . .	60,505	5.2	2015	Construction services, equipment procurement and repair	20 days	Bank transfer
Supplier G ⁽²⁾ . .	51,030	4.4	2015	Equipment procurement	Not determined	Bank transfer
Total	<u>429,288</u>	<u>37.1</u>				

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Notes:

- Supplier F is a company based in Wuxi that specializes in waste-to-energy solutions, environmental protection engineering, and energy recovery systems. It is a key player in China’s solid waste treatment and clean energy sectors.
- Supplier G is a company based in Wuxi that focuses on environmental technology solutions, particularly in flue gas purification, solid waste treatment, and integrated environmental services.

The following table sets forth details of our five largest suppliers during the year ended December 31, 2025:

Supplier	Purchase amount (RMB’000)	Percentage of total purchase (%)	Business relationship since	Types of procurement	Credit term	Payment method
Supplier A	232,272	20.6	2016	Construction services	30 days	Bank transfer
Supplier H ⁽¹⁾ . .	33,094	2.9	2015	Equipment procurement and installation	30 days	Bank transfer
Supplier I ⁽²⁾ . . .	31,797	2.8	2024	Construction services	30 days	Bank transfer
Supplier F	26,100	2.3	2015	Construction services, equipment procurement and repair	20 days	Bank transfer
Supplier B	20,894	4.1	2011	Electricity	30 days	Bank transfer
Total	<u>344,157</u>	<u>32.7</u>				

Notes:

- Supplier H is a company based in Japan that is engaged in the manufacture, sale, brokerage, leasing, installation, repair, dismantling, operation, and management of various environmental protection/pollution control devices such as waste incineration facilities and industrial waste treatment equipment, as well as related integrated systems and products.
- Supplier I is a company in Zhuhai, China that is engaged in providing glassware-related engineering and construction services.

The following table sets forth details of our five largest suppliers during the three months ended March 31, 2026:

Supplier	Purchase amount RMB’000	Percentage of total purchase %	Business relationship since	Types of procurement	Credit term	Payment method
Supplier A	17,413	10.2	2016	Construction services	30 days	Bank transfer
Supplier J ⁽¹⁾ . . .	9,538	5.6	2025	Construction services	30 days	Bank transfer
Supplier K ⁽²⁾ . .	5,399	3.2	2025	Construction services	30 days	Bank transfer
Supplier L ⁽³⁾ . .	3,487	2.1	2024	Construction services	30 days	Bank transfer
Supplier B	5,037	3.0	2011	Electricity	30 days	Bank transfer
Total	<u>40,874</u>	<u>24.0</u>				

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Notes:

1. Supplier J is a company in China engaged in construction contracting, engineering project management, engineering design, and related technical services across building construction, municipal works, transportation infrastructure, water conservancy and hydropower, and electromechanical installation.
2. Supplier K is a company based in Hunan Province, China, engaged in construction works, interior decoration, engineering design, landscaping works, earthwork construction, and related engineering services.
3. Supplier L is a company based in Hunan Province, China, engaged in building construction, municipal works, landscaping engineering, water conservancy and hydropower construction, environmental engineering construction, and related services.

Our Directors confirm that, as of the Latest Practicable Date, the five largest suppliers of our Group during each year of the Track Record Period were all Independent Third Parties and, during the Track Record Period and up to the Latest Practicable Date, none of our Directors or their respective close associates or any of our Shareholders, to the knowledge of our Directors, owned more than 5% of our issued Shares, had any interest in any of our such suppliers. During the Track Record Period, to the best knowledge of our Directors, our Group did not have any material disputes with our suppliers.

Our independent contractors

Most of construction activities for our facilities are carried out by independent contractors. We engage these contractors through formal agreements that define the scope of services required for project development and construction. Under the terms of our construction agreements, we are generally responsible for providing the necessary construction drawings and technical designs, preparing and leveling the construction site, securing all required permits, and ensuring the availability of utilities such as water, electricity, and telecommunications.

Contractors, in turn, are required to complete construction in accordance with the approved designs and within the agreed timeline. If a contractor fails to meet the agreed timeline or quality standards, resulting in project delays or deficiencies, they may be liable for penalties as stipulated in the contract. In cases of material breach, we reserve the right to terminate the agreement and seek compensation for any resulting economic losses.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not had any disagreements or disputes with such suppliers that had resulted in a material adverse impact on our results of operations and financial condition.

Our equipment suppliers

We may source a wide range of equipment to support the construction and operation of our facilities across various business segments, including waste-to-energy, waste treatment, and others. In our waste-to-energy incineration projects, we may procure core equipment such as boilers from both independent and affiliated suppliers, depending on the project structure and technical requirements. We may enter into purchase agreements with equipment suppliers on a project-by-project basis. These agreements typically include provisions for delivery, installation, and commissioning.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not had any disagreements or disputes with such suppliers that had resulted in a material adverse impact on our results of operations and financial condition. During the Track Record Period and up to the Latest Practicable Date, we also did not experience any quality issues or shortages of parts or components that adversely impacted our operations.

OVERLAPPING CUSTOMERS AND SUPPLIERS

In-line with the common industry practice, during the course of our business operations, we have been generating revenue from Customer B (which is also Supplier B) in the sales of electricity produced by our waste-to-energy incineration projects. At the same time, we also use electricity supplied by Customer B to support certain aspects of our operations. This dual relationship arises from the structure of the local electricity market and the regulatory framework governing power trading. On the one hand, we generate electricity through our waste-to-energy incineration projects and sell this electricity to Customer B. On the other hand, we also purchase electricity from Customer B to support the operational needs of our wastewater, sludge, and solid waste treatment projects. According to F&S, this dual relationship between waste-incineration operators and

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electricity companies such as Company B is standard industry practice. Incineration plants sell electricity to the grid under regulated tariffs, while the electricity companies also perform regulatory and dispatch functions such as grid-connection oversight and generation metering. This dual commercial-and-regulatory relationship is an inherent feature of the sector. This arrangement may appear circular at first glance, but it is a standard practice in the industry due to how electricity is managed and distributed through the centralized power grid. Whilst we would consume some of the energy generated in the same project, most of the electricity generated by our facilities is not directly consumed on-site; instead, it is fed into the grid and sold to the designated supplier under regulated terms. Separately, when we require electricity for our projects that do not generate electricity, we draw from the grid and pay the supplier, i.e., Customer B, for that usage. This ensures that all electricity transactions are properly accounted for and comply with local regulations. Under the applicable power trading rules, our Group’s projects are classified as electricity consumers.

For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, we had generated a revenue of RMB698.2 million, RMB685.3 million, RMB829.3 million, and RMB222.5 million from Customer B, which represented 38.0%, 28.4%, 30.4%, and 30.2% of our total revenue, respectively. During the same periods, purchases from Customer B amounted to RMB21.2 million, RMB20.2 million, RMB20.9 million, and RMB5.0 million, which represented 4.1%, 1.8%, 1.9%, and 3.0% of our total purchases, respectively. Our Directors confirm that none of the transactions between us and Customer B were inter-connected or inter-conditional, and Customer B is an Independent Third Party. Our Directors affirm that the electricity prices are fixed and are comparable to those of similar transactions between electricity grid companies and other waste-to-energy incineration projects. We also confirm that the transactions with Customer B during the Track Record Period were conducted at arm’s length, under normal commercial terms, and in the ordinary course of business.

QUALITY CONTROL

We have a department responsible for overseeing the quality, safety, progress, functionality, and cost control of all project construction activities. This department is staffed by a team of professionals, including engineers, and operates under the leadership of senior management. The team is tasked with selecting independent contractors for project design, construction, and supervision, as well as equipment suppliers. All procurement activities are conducted in accordance with our centralized procurement policy, with a strong emphasis on supplier qualifications and the quality of goods and services. Suppliers must undergo a formal approval process before any procurement decisions are made. Quality control procedures include material inspections, scheduled and unscheduled site audits, and regular coordination meetings. These measures are designed to ensure that quality meets or exceeds project specifications and regulatory expectations.

Once projects enter the operational phase, quality control is managed by our operations management department. This team is responsible for overseeing the day-to-day performance of all operational facilities and ensuring that they meet established quality, safety, and environmental standards. We have implemented a standardized set of quality control procedures across all operational sites. These include regular inspections, sampling tests, and quality checks on emissions, materials, components, and operational processes. These inspections are conducted in accordance with applicable laws and require strict adherence to prescribed quality control standards.

OUR EMPLOYEES

The table below sets forth the number of our employees by business segment as of March 31, 2026:

	Number of employees	Percentage of total employees (%)
Senior management and general administration	234	13.9
Technology	245	14.5
Finance	44	2.6
Engineering	59	3.4
Operations	1,108	65.6
Total	1,690	100.0

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The table below sets forth a breakdown of our employees by geographical location as of March 31, 2026:

	Number of employees	Percentage of total number of employees (%)
Mainland China	1,577	93.3
Overseas	113	6.7
Total	<u>1,690</u>	<u>100.0</u>

Our operations team includes professionals from a range of technical disciplines, including thermal power engineering, electrical engineering, automation, power systems, IT, chemical engineering, and environmental engineering. These teams are supported by standardized procedures, a comprehensive training system, and the operational experience gained from managing integrated waste treatment facilities.

In terms of compensation, we enter into a standard employment contract with each of our full-time employees. Compensation for our employees includes basic wages, variable wages, bonuses and other staff benefits. Our performance appraisal system ties compensation to individual contributions and company-wide goals. In relation to our employees in the PRC, in accordance with applicable PRC regulations on social insurance and housing funds, we contribute to social insurance, including pension, medical insurance, unemployment insurance, occupational injuries insurance and maternity insurance, as well as a housing fund for our employees. The insurance premium is borne by us and the employees in a specific proportion as required by PRC laws. According to our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, notwithstanding that we did not effect the full payment for social insurance and housing provident fund contributions, or in extremely rare cases, fail to make payment for such contributions for some of our employees, the likelihood of our Group being subject to the recovery of historical shortfalls or material penalties is considered remote. For details, please see the section headed “Risk Factors — Risks relating to the industry and the business environment in which we operate — 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” in this Document. Our Group has not received any notices, penalties, or directives from the relevant authorities indicating non-compliance, and no legal or regulatory consequences have arisen in this regard. Regarding the above issues, we and our PRC Legal Advisor are committed to actively cooperating with relevant competent authorities these authorities in addressing any potential rectification requests. We will closely monitor regulatory developments relating to social insurance and housing provident fund contributions. If the competent authorities require us to rectify any deficiencies in social insurance or housing provident fund contributions within a specified timeframe, we will actively cooperate with such competent authorities to address any potential rectification request.

Training and development are key components of our human resource strategy. New employees are supported through a mentorship system. To this end, we believe that we maintain good working relationships with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff during the Track Record Period.

INSURANCE

We will maintain insurance coverage that we consider appropriate and sufficient for the nature and scale of our operations. We comply with substantially all mandatory insurance requirements under applicable laws and regulations, and our coverage aligns with standard commercial practices in the environmental services industry. Consistent with general market practice, we do not maintain business interruption insurance, as it is not required under PRC law. Our Directors believe that the current insurance arrangements are adequate and in line with industry norms. During the reporting period, we did not experience any material insurance claims related to our business operations. We continue to monitor our risk exposure and insurance needs to ensure that our coverage remains appropriate as our business evolves.

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PROPERTIES

Owned properties

As of the Latest Practicable Date, we owned 58 properties in China, with a total GFA of approximately 0.3 million sq.m.. We use these properties as premises for industrial, public infrastructure, staff accommodation, office, factory, residential housing, and other purposes. As of the Latest Practicable Date, we had obtained the title certificates for substantially all of our owned properties, with the exception of those described below. Our Company’s 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. As of March 31, 2026, we did not have any single property with a book value accounting for 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempt from the requirements of section 342(1) of the CWUMPO to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule of the CWUMPO.

Title certificates

During the Track Record Period and up to the Latest Practicable Date, we had certain properties that had not obtained the title certificates. Specifically, as of the Latest Practicable Date, fifteen properties with an aggregate GFA of 2,689.6 sq.m., primarily as production auxiliary buildings or domestic living quarters, did not possess title certificates, and represent approximately 0.96% of our Group’s completed building area (except for one property the certificate of which is being processed). According to our PRC Legal Advisor, such absence of title certificates for these properties is due to historical issues relating to construction approval procedures. Due to historical reasons, such as the structures being temporary auxiliary buildings at the time of construction and inconsistencies between the land use rights holder and the construction entity, the required approval procedures were not completed in time, resulting in the inability to obtain property title certificates. As confirmed by the relevant competent authorities, these properties may be used in their current state, and such circumstances do not constitute a material violation of the relevant laws or regulations. For such reasons, the likelihood that we are subject to any administrative penalties and severe legal liabilities in respect of these properties is considered remote.

Our Directors are of the view that as the affected properties are mainly production auxiliary facilities and not the principal sites for core business activities. These facilities include booster pump rooms, oil tank areas, wastewater treatment auxiliary rooms, boiler rooms, dispatch rooms, sludge thickening workshops, weighbridge rooms, power distribution rooms, river water pump rooms and security booths. These facilities serve specialised purposes and are located on the periphery of production workshops. They are not essential for the Group’s core operations, which comprise waste incineration power generation, municipal waste transfer and kitchen waste treatment. Removal of these auxiliary facilities would not materially affect the normal operation of our projects. For such reasons, the lack of certificates is not expected to have a material adverse effect on our Group’s ongoing operations or its ability to continue as a going concern. Furthermore, the total area involved is relatively small in proportion to our overall property portfolio. The competent authorities have confirmed that the buildings may be used as they are.

For such reasons, we believe that given that the total area of the uncertificated buildings is small and that these buildings are primarily used for auxiliary production purposes, there is no significant adverse impact on our Group’s operations. In addition, we are unable to apply for title certificates for the remaining 15 properties because the submission of certain permits is a mandatory prerequisite for such applications, and these permits cannot be obtained under the current circumstances. Our PRC Legal Advisor has provided a clear opinion on this matter, confirming that the absence of title certificates does not constitute a material violation of applicable laws or regulations. Local authorities have expressly indicated that these properties may continue to be used as they are, and we have not been subject to any administrative penalties in connection with this issue. Furthermore, one property owned by PuXiang Environmental Protection is currently undergoing the title certificate application process, which is progressing in an orderly manner without any significant legal obstacles. Importantly, under the terms of our concession agreements, the failure to obtain title certificates does not render these agreements invalid or subject them to termination. Local authorities have reaffirmed that the properties can remain in use without interruption, and there is no risk of eviction. This position provides assurance that our operations and contractual commitments remain secure and unaffected by the absence of title certificates.

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Leased properties

As of the Latest Practicable Date, we leased nine properties in China from Independent Third Parties, with an aggregated GFA of 373,054.2 sq.m., which are primarily used as office, dormitories, and farmland. The leased farmland is used solely for growing vegetables to supply our staff canteen. There is no sale of produce and no related revenue, and we do not engage in any agricultural business activities. Moreover, we also leased four properties overseas from Independent Third Parties, with an aggregated GFA of 467,168.0 sq.m., which are primarily used as treatment facilities, offices, and dormitories. We 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.

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, please refer to the section headed “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 and adverse effect on our business, financial condition, or results of operations.

Legal compliance

As confirmed by our legal advisors, our Group has complied, in all material respects, with all relevant laws and regulations in the jurisdictions in which we operate, 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.

LICENSES, APPROVAL AND PERMITS

Our Directors confirmed that, as of the Latest Practicable Date, we had obtained all material licenses and permits that are necessary for our business operations in the China and overseas. The following table sets forth details of our other material licenses and permits:

License/Permit	Holder	Issuing Authority	Grant Date	Expiration Date
Permit for Engaging in Operational Disposal Services of Municipal Solid Waste	The Company	Changsha Urban Management Bureau	June 25, 2026	June 25, 2031
Pollutant Discharge Permit	The Company	Changsha Municipal Ecology and Environment Bureau	July 11, 2023	July 21, 2028
Permit for Engaging in Operational Disposal Services of Municipal Solid Waste	Puxiang Bioenergy	Changsha Urban Management Bureau	June 25, 2026	June 25, 2031
Pollutant Discharge Permit	Puxiang Bioenergy	Changsha Municipal Ecology and Environment Bureau	December 26, 2022	December 25, 2027
Electric Power Business License	Puxiang Bioenergy	Hunan Energy Regulatory Office of National Energy Administration of the People’s Republic of China	March 3, 2025	July 16, 2038
Water Abstraction Permit	Puxiang Bioenergy	Wangcheng Water Authority, Changsha City	January 30, 2024	January 29, 2029

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License/Permit	Holder	Issuing Authority	Grant Date	Expiration Date
Permit for Engaging in Operational Disposal Services of Municipal Solid Waste	Puxiang Environmental Energy	Changsha Urban Management Bureau	June 25, 2026	June 25, 2031
Pollutant Discharge Permit	Puxiang Environmental Energy	Changsha Municipal Ecology and Environment Bureau	June 23, 2026	June 22, 2031
Electric Power Business License	Puxiang Environmental Energy	Hunan Energy Regulatory Office of National Energy Administration of the People’s Republic of China	October 28, 2021	October 27, 2041
Permit for Engaging in Operational Disposal Services of Municipal Solid Waste	Pingjiang Junxin	Pingjiang County Urban Management and Law Enforcement Bureau	September 1, 2026	August 31, 2027
Pollutant Discharge Permit – Landfill	Pingjiang Junxin	Yueyang Ecology and Environment Bureau	November 19, 2024	November 18, 2029
Pollutant Discharge Permit – Incineration	Pingjiang Junxin	Yueyang Ecology and Environment Bureau	November 11, 2024	November 10, 2029
Electric Power Business License	Pingjiang Junxin	Hunan Energy Regulatory Office of National Energy Administration of the People’s Republic of China	February 24, 2025	February 23, 2045
Permit for Engaging in Operational Cleaning, Collection, and Transportation and Disposal Services of Municipal Solid Waste	Liuyang Junxin	Liuyang Municipal Urban Management and Law Enforcement Bureau	June 30, 2025	June 29, 2028
Pollutant Discharge Permit	Liuyang Junxin	Changsha Municipal Ecology and Environment Bureau	November 25, 2024	April 16, 2031
Electric Power Business License	Liuyang Junxin	Hunan Energy Regulatory Office of National Energy Administration of the People’s Republic of China	February 24, 2025	February 23, 2045
Electric Power Business License	Renhe Environment Technology	Hunan Energy Regulatory Office of National Energy Administration of the People’s Republic of China	September 6, 2023	September 5, 2043
Water Abstraction Permit	Renhe Environment Technology	Kaifu District Forestry and Water Resources Bureau, Changsha City	September 14, 2023	September 13, 2028
Pollutant Discharge Permit	Renhe Environment Technology	Changsha Municipal Ecology and Environment Bureau	November 4, 2022	November 3, 2027
Permit for Engaging in Operational Cleaning, Collection, and Transportation and Disposal Services of Municipal Solid Waste	Renhe Environmental Protection	Changsha Municipal Urban Management and Law Enforcement Bureau	April 1, 2016	November 18, 2029
Pollutant Discharge Permit	Renhe Environmental Protection	Changsha Municipal Ecology and Environment Bureau	January 4, 2024	January 3, 2029
Pollutant Discharge Permit	Renhua Environment Technology	Changsha Municipal Ecology and Environment Bureau	January 16, 2023	January 15, 2028

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License/Permit	Holder	Issuing Authority	Grant Date	Expiration Date
License for Power Generation . . .	Junxin (Kyrgyzstan)	Department for Regulation of the Fuel and Energy Complex under the Ministry of Energy of Kyrgyzstan	November 20, 2025	Perpetual licence
License for Power Supply and Sale.	Junxin (Kyrgyzstan)	Department for Regulation of the Fuel and Energy Complex under the Ministry of Energy of Kyrgyzstan	November 20, 2025	Perpetual licence

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 . . .	CSI 1000 Index	China Securities Index Co., Ltd.
2025 . . .	Golden Bull Award for Listed Companies Dividend Return	China Securities Journal
2025 . . .	ESG Sustainable Development Pioneer Enterprise Award	Securities Daily
2025 . . .	Outstanding Board Practices — Best Practice Cases of Board Office	China Association for Public Companies
2025 . . .	Hunan Province Ecological Environment Science Popularization and Education Base	Hunan Provincial Department of Ecology and Environment Hunan Provincial Department of Science and Technology
2024 . . .	Top 500 Private Enterprises in Invention Patents	All-China Federation of Industry and Commerce
2024 . . .	Outstanding Sustainable Development Practice Case of Listed Companies	China Association for Public Companies
2024 . . .	A Grade in Information Disclosure Evaluation for GEM Listed Companies (2023-2024)	Shenzhen Stock Exchange
2023 . . .	Luban Award for Construction Projects (2022-2023)	China Construction Industry Association
2023 . . .	High-Quality Project in Nonferrous Metals Industry	China Nonferrous Metals Industry Association
2023 . . .	Postdoctoral Innovation and Entrepreneurship Practice Base	Hunan Provincial Department of Human Resources and Social Security
2022 . . .	AAA Grade in Harmless Evaluation of Waste Incineration Facilities	Hunan Provincial Department of Housing and Urban-Rural Development
2022 . . .	Provincial Enterprise Technology Center	Hunan Provincial Department of Industry and Information Technology
2021 . . .	Green Construction Demonstration Project in Nonferrous Metal Construction Industry	China Nonferrous Metals Construction Association
2021 . . .	Top 10 Open Environmental Protection Facilities	Ministry of Ecology and Environment of the PRC
2019 . . .	National High-Tech Enterprise	Hunan Provincial Department of Science and Technology Hunan Provincial Department of Finance Hunan Provincial Tax Service
2019 . . .	13th Batch of China Steel Structure Gold Award	China Construction Metal Structure Association

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Year	Award/Recognition	Awarding Institution/Authority
2019 . . .	Luban Award for Construction Projects (2018-2019)	China Construction Industry Association
2018 . . .	Environmental Education Base	Hunan Provincial Department of Ecology and Environment
2018 . . .	Sanitation Industry Benchmark Project	Hunan Urban Construction Industry Association
2018 . . .	Major Demonstration Project for Water Pollution Control	Ministry of Housing and Urban Rural Development of the PRC
2017 . . .	First Prize of Science and Technology Award	China Circular Economy Association
2014 . . .	Municipal Utility Science and Technology Demonstration Project	Ministry of Housing and Urban-Rural Development of the PRC

ENVIRONMENT, SOCIAL AND GOVERNANCE MATTERS

Overview

Environmental, Social and Governance (“**ESG**”) factors are woven into our Company’s strategy, operations and risk-management processes. This section sets out our Company’s ESG governance framework, management systems and key strategic priorities, illustrating how sustainability considerations guide decisions across its value chain.

As a participant in solid waste treatment and environmental protection practices nationwide, we must adhere to ESG policies and guidelines, which have been integrated into our business operations to ensure responsible resource allocation. We have established a ESG management system that is strictly adhering to national environmental standards in core businesses such as waste-to-energy incineration, food waste management, sludge disposal, and leachate treatment, while continuously optimizing resource utilization efficiency.

We operate an integrated waste treatment park dedicated to the resource utilization of municipal solid waste, primarily focusing on the resource utilization of household waste, municipal sludge, leachate, food waste, and fly ash, as well as the development of green energy solutions. In 2025, we incinerated 3.8 million tons of waste, generating 1.84 billion kilowatt-hours of electricity for the grid, meeting the electricity needs of 1.3 million people. We also invested RMB89.9 million in solid waste treatment and green energy technology R&D during the year.

Governance

Ultimate accountability for sustainability rests with our Board of Directors, which sets risk appetite and reviews ESG performance alongside financial results. Day-to-day coordination is led by the Strategy and ESG Committee chaired by an executive director. An inter-departmental ESG Working Group gathers data, tracks KPIs and prepares the annual ESG report; fully integrating sustainability risks into enterprise-wide risk management.

The Strategy and ESG Committee also oversees ESG matters for our overseas projects. Before entering a new market, we engage external consultants to assess environmental impacts, labor practices, land acquisition matters and compliance with environmental, labor and land acquisition laws and regulations of the host country and only approve projects that meet our ecological, community and compliance standards. Our overseas projects adopt the same technical configuration as our domestic projects, including mechanical grate incineration, multi-stage flue gas treatment, on-site leachate recycling, fly ash stabilization and continuous online emissions monitoring, and during operation we engage third-party environmental testing on a regular basis, conduct community visits and develop on-site environmental education facilities.

We have received recognition for our ESG governance practices, which demonstrates our performance in environmental governance and corporate governance. We have been rated as a “Hunan Province Environmental Protection Integrity Unit” by the Hunan Provincial Department of Ecology and Environment for consecutive years, and have been awarded the credit rating of “Hunan Province Environmental Protection Enterprise Credit AAA Rating”. In 2024 and 2025, we were awarded the highest rating (Grade A) for information disclosure work among listed companies on the ChiNext Market of the Shenzhen Stock Exchange consecutively, we were selected as an

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outstanding practice in sustainable development among listed companies in 2024, and we were awarded the “Golden Steed Award — ESG Sustainable Development Pioneer Enterprise Award” in 2025(「金駿馬獎 — ESG可持續發展先鋒企業獎」).

Our operations have also obtained internationally recognized system certifications such as: ISO 14001 Environmental Management, ISO 45001 Occupational Health & Safety and ISO 9001 Quality Management.

Meanwhile, we place great emphasis on ESG-related disclosure to fulfill our social responsibilities as an environmentally responsible enterprise. We have disclosed our strategies and governance measures to the public, strictly adhered to the Administrative Measures for the Disclosure of Information of Listed Companies, the Guidelines for Listed Companies’ Environmental Information Disclosure, the GRI Standards, establishing a three-pronged disclosure system comprising “quantitative data + qualitative analysis + stakeholder feedback.” In 2024 and 2025, we were awarded the highest rating (Grade A) for information disclosure work among listed companies on the ChiNext Market of the Shenzhen Stock Exchange consecutively.

The strategy is based on five material themes and a biennial materiality assessment, which create a structured roadmap focused on:

1. Climate & Clean Energy — improving efficiency, reducing production of auxiliary materials, and achieving carbon emission reductions.
2. Pollution Prevention & Control — reducing flue gas emission indicators and achieving wastewater recycling.
3. Employee Care & Safety — cultivating a “zero harm” culture based on the ISO 45001 framework to establish an employee care system.
4. Responsible Supply Chain — Strictly supervising suppliers and disposal companies to ensure green procurement in the supply chain.
5. Environmental Protection Education and Community Welfare — fulfilling social responsibility by opening factories to visitors and conducting environmental protection education.

Leveraging its management systems, the Company will continue optimizing auxiliary energy and materials usage through targeted management initiatives and technologies, while maintaining all regulated air-emission concentrations comfortably below permit limits.

Environmental

Licences and regulatory compliance

Our Company has obtained all legally required permits and licences for air-emission, wastewater-discharge and solid-waste management under every applicable national and local regulation, and has not been subject to administrative penalties during the Track Record Period and up to the Latest Practicable Date. Moreover, our Directors confirm that our Group had complied with all applicable laws and regulations relating to environmental protection during the Track Record Period and up to the Latest Practicable Date. Routine internal audits and on-line regulatory reporting ensure full, year-round compliance.

Environmental risk identification and management

A structured Risk Elements Identification & Evaluation System (風險要素識別評價制度) supported by a Safety & Environmental Production Management System (安全環保生產管理制度) and detailed Pollution Control Procedures (污染物控制程序) enables early identification, assessment and mitigation of environmental hazards across all facilities. Findings are tracked through a corrective-action register reviewed monthly by plant managers.

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Resources and energy efficiency

Between 2023 and 2025 our Company implemented a resource-efficiency retrofit program covering at least 25 targeted initiatives across sludge treatment, wastewater management and incineration auxiliaries. The following are examples of the completed upgrades:

- Biogas generated during sludge treatment is used to produce steam with a boiler to increase the temperature during the regulation phase and further optimize the heat exchange equipment to improve efficiency, reducing lime usage by 27.1% and PAM polymer dosage by 48.3% and saving around RMB1.1 million per year.
- In the domestic waste-to-energy project, waste heat from the continuous blowdown of the incinerators is recovered and used to heat the air in the slag pit during winter, effectively addressing the issues of heavy mist in the slag pit and obstructed visibility for slag crane operators during that season, thereby preventing operational safety accidents and improving operational efficiency. In other seasons, the waste heat is recovered to the waste pit to optimize incineration efficiency. This results in annual electricity savings of approximately 324,000 kWh and construction cost savings of RMB300,000.
- The smart lighting control system can intelligently switch on or off plant-wide lighting, reducing unnecessary lighting energy consumption and saving power consumption of the plant. Annual electricity savings amount to 383,000 kWh.

Overall, the retrofit portfolio is expected to reduce annual operating costs by or generate a total economic benefit of approximately RMB11.9 million, while simultaneously cutting onsite electricity consumption and increasing renewable power generation.

Use of Resources Data (2023 to March 2026)

Resource Type	Unit	2023	2024	2025	March 2026
Petrol	liter	33,261	78,394	667,383	143,705
Diesel	liter	781,227	1,216,912	5,477,560	1,332,941
Natural Gas	m ³	—	3,372	408,683	21,106
Electricity	MWh	25,204	22,328	29,040	2,654
Water	tonnes	4,940,392	5,420,853	7,022,079	1,518,489

Note: based on financial settlement statistics. The data represents statistics compiled on the basis of financial settlement. Due to the acquisition of Renhe Environment by the Company, the utilization of waste collection and transportation vehicles increased, resulting in an increase in petrol consumption.

During the Track Record Period, we have observed the following fluctuations:

- *Petrol:* In 2025, with the Acquisition of Renhe, petrol consumption from its kitchen waste collection vehicles and auxiliary production vehicles was included, leading to a substantial increase.
- *Diesel:* In 2023, we carried out refractory repairs for phase I of the Changsha Waste-to-Energy Incineration Project, during which prolonged heating-up was required, resulting in a modest increase in fuel consumption compared to 2022. In 2025, following the Acquisition of Renhe, diesel consumption from its municipal waste transfer vehicles, kitchen waste collection vehicles and auxiliary production vehicles was included. Meanwhile, the completion of refractory repairs for phase I of the Changsha Waste-to-Energy Incineration Project further drove an increase in diesel consumption.
- *Natural gas:* In 2023, our Company did not consume natural gas. In 2024 and 2025, following the Acquisition of Renhe, natural gas consumption was recorded, primarily for daily canteen cooking and occasionally for hot water generation in boilers.

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- **Water:** Both phase I and phase II of our Changsha Waste-to-Energy Incineration Project employ wet hyperbolic cooling towers, which rely on evaporation to dissipate heat. In 2024, the annual average temperature in Changsha increased compared with 2023, leading to higher evaporation and make-up water demand. In addition, the Acquisition of Renhe contributed approximately 74,000 tonnes of water consumption, resulting in an overall increase in water usage.

Pollution prevention and control

- **Air emissions** — Each plant is equipped with selective non-catalytic reduction (NO_x), semi-dry and dry deacidification, activated-carbon injection and bag-house filtration. Continuous-emission-monitoring data currently cover all 14 incineration lines in operation, comprising ten lines in Changsha, one line in Pingjiang, two lines in Liuyang and one line in Bishkek, as shown in the table below.

Air Emissions	Unit	National Standard GB18485-2014 (24-hour Average)	2023	2024	2025	March 2026
Sulfur dioxide	(mg/Nm ³)	80	42	39	37	39
Nitrogen oxides	(mg/Nm ³)	250	160	169	166	169
Particulate matter	(mg/Nm ³)	20	0.8	0.8	1.1	1.0
Carbon monoxide	(mg/Nm ³)	80	3.3	3.7	4.2	3.3
Hydrogen chloride	(mg/Nm ³)	50	3.9	5.9	8.2	9.8
Dioxins	(ng-TEQ/Nm ³)	0.1	0.002	0.004	0.005	0.003

In FY2025, averages of SO₂ 37 mg/Nm³ (range 34-45), NO_x 166 mg/Nm³ (160-183) and PM 1.1 mg/Nm³ (0.53-1.36) — equivalent to 46.3%, 66.4% and 5.5% of the statutory limits in GB 18485-2014 (SO₂ 80, NO_x 250, PM 20 mg/Nm³). Notably, dioxin concentrations are <0.01 ng TEQ/Nm³, well below the legal limit of 0.1 ng TEQ/Nm³. CO and HCl all remain <20% of their respective thresholds.

- **Wastewater** — The Company employs independent treatment systems for three main types of wastewater: (i) incinerator leachate, (ii) landfill leachate, and (iii) sludge press filtrate. Incineration leachate undergoes UASB+MBR+nanofiltration+reverse osmosis treatment. After meeting the “Quality Standards for Recycled Urban Wastewater for Industrial Use (GB/T19923),” the waste water is reused as cooling tower makeup water in a closed-loop system. Landfill leachate undergoes MBR+advanced membrane treatment to meet the standards of the “Pollution Control Standards for Urban Solid Waste Landfills (GB16889)” before being discharged into the municipal sewer system, and the online COD and ammonia nitrogen monitors can monitor the quality of the production water in real time and automatically upload the data to the government’s environmental platform. The treated water of sludge press filtrate is reused after satisfying the requirements of the “Design Specifications for Industrial Circulating Cooling Water Treatment” (GB/T50050) and the “Quality Standards for Recycled Urban Wastewater for Non-Potable Use” (GB18920).
- **Solid and hazardous waste** — slag is collected and transported directly to qualified third-party recyclers for resource utilization. Fly ash is chelated and solidified to meet the “Pollution Control Standards for Urban Solid Waste Landfills (GB16889)” and then transported by special vehicles to a dedicated landfill for disposal. These procedures ensure thorough control and 100% compliant disposal.
- **Noise & dust** — in line with the National Emission Standard for Industrial Enterprises Noise at Boundary, which references GB 12348-2008 Class 2 boundary limits.
- **Vehicle emissions** — The vehicle fleet now comprises mostly China VI kitchen-waste collection trucks, with a small number of legacy China IV/V units; garbage-transfer trucks remain largely China IV/V, and all new purchases meet the China VI standard.

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Emission and Waste Data (2023 to March 2026)

Waste Type	Unit	2023	2024	2025	March 2026
Hazardous Waste . . .	tonnes	77,928.2	67,839.1	95,171.6	33,186.6
Non-hazardous Waste	tonnes	0	15,319.9	147,201.0	33,453.1
Wastewater	tonnes	636,340.7	849,216.7	1,098,091.5	238,267.2
Scope 1 Emission . . .	tCO ₂	2,217.4	3,673.6	5,771.2	1,335.5
Scope 2 Emission . . .	tCO ₂	15,638.9	14,533.6	16,552.8	1,512.8

Note: Fly ash accounts for 99.95% of hazardous waste. The Company treats fly ash in accordance with relevant national regulations and franchise agreements. The remaining hazardous waste is regularly entrusted to qualified third-party organizations for treatment

- *Hazardous waste:* Such waste mainly consists of incineration fly ash, accounting for over 99% of the total. In 2023, Phase I of our Changsha Waste-to-Energy Incineration Project waste input increased by 8.8% and Phase II of our Changsha Waste-to-Energy Incineration Project sludge co-incineration by 9%, leading to higher consumption of desulfurization materials and increased fly ash generation. In 2024, Phase I of our Changsha Waste-to-Energy Incineration Project waste input decreased by 5.8%, while improved lime quality control and process optimization reduced lime use by about 20%. Sludge co-incineration in Phase II of our Changsha Waste-to-Energy Incineration Project also fell by 9%, resulting in a significant reduction in fly ash compared with 2023. In 2025, the significant increase in hazardous waste compared with 2024 was mainly due to the commencement of operations of new projects, which generated fly ash from waste incineration.
- *Non-hazardous Waste:* Following the Acquisition of Renhe in December 2024, non-hazardous waste generated mainly comprised impurities separated during kitchen waste pre-treatment, residues from oil-water-solids separation, and sludge from wastewater treatment.
- *Wastewater:* Wastewater discharge in 2024 increased significantly compared with 2023, mainly due to: (i) extreme weather at the Changsha Environmental Protection Industrial Park, which led to higher leachate generation and an increase of approximately 112,000 m³ in treated effluent; (ii) an increase of approximately 4,000 m³ in treated effluent at the Pingjiang Landfill Project; and (iii) an additional 47,000 m³ of wastewater discharge from Renhe in December 2024. The increase in wastewater in 2025 compared with 2024 was mainly due to the increase in the number of operating projects.

The increase in our Scope 1 emissions in 2025 was primarily attributable to the Acquisition of Renhe. Renhe operates a large fleet of waste transfer vehicles with a high reliance on diesel fuel, and following the Acquisition of Renhe, our Group’s overall diesel consumption rose substantially. As a result, our Group’s Scope 1 emissions increased from 2,217.4 tCO₂e in 2023 to 5,771.2 tCO₂e in 2025. Such change was driven by the expansion of business scope resulting from the Acquisition of Renhe, rather than any abnormal fluctuation in the emission intensity of our Group’s existing operations.

Environmental targets and KPIs

We have always strictly adhered to the “Standards for Pollution Control of Municipal Solid Waste Incineration” (GB 18485-2014) and all of our emission indicators have remained below the applicable national standard limits. In light of the introduction of more stringent local emission requirements, including the Emission Standard of Air Pollutants for Municipal Solid Waste Incineration (DB43/3549-2026) in Hunan Province, we are undertaking technical studies and preparing for the necessary process and facility upgrades to further reduce pollutant emissions and comply with the applicable local standards. For our existing waste-to-energy projects in Hunan Province, we target to achieve compliance with DB43/3549-2026 by 2027, including maintaining the 1-hour/24-hour average concentrations of particulate matter at no more than 10/8 mg/m³, nitrogen oxides at no more than 120/100 mg/m³, sulfur dioxide at no more than 60/40 mg/m³, hydrogen chloride at no more than 30/20 mg/m³ and carbon monoxide at no more than 60/40 mg/m³, as well as maintaining dioxin emissions at no more than 0.1 ng TEQ/m³. In the future, we will continue to adhere to high standards and strict requirements, while adapting our operations to evolving regulatory requirements. As part of this commitment, we plan to further strengthen

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pollutant-reduction performance in three key areas: (1) upgrading combustion processes and flue gas treatment facilities, including improving the thermal efficiency of waste-to-energy projects while reducing emissions of nitrogen oxides and acidic gases; (2) enhancing the intelligent and precise dosing control of auxiliary materials to decrease consumption and reduce unit usage; and (3) increasing the treatment efficiency of high- and low-concentration wastewater across projects to improve water-reuse levels, reduce freshwater intake and discharge volumes, and thereby lower the overall pollutant load released into the environment.

We will continue to assess opportunities to further reduce emissions from our current operating levels in line with applicable regulatory requirements. Technical studies are under way to explore additional process optimisation and facility-upgrade measures to support compliance with more stringent emission limits. Accordingly, compliance with the applicable emission limits under DB43/3549-2026 will serve as our principal quantitative air-emission KPI for the relevant Hunan projects.

In parallel, the Company is conducting research on fly-ash volume reduction and utilization technologies to eliminate fly ash toxicity, recover resources from fly ash, and reduce the need for landfill. The Company has efficiently eliminated fly ash toxicity and maximized the recovery of usable resources through innovative technological means, thereby significantly reducing the need for landfill disposal.

These indicators are monitored at each plant via continuous-emission-monitoring systems, and progress is reviewed monthly by operating teams. We will continue to explore better technical solutions, consolidate our position as a established service provider in environmental protection, and contribute to green development.

Social

Employment

Our Company aims to attract, develop and retain a skilled and diverse workforce aligned with its mission. As of March 31, 2026, we employed 1,577 people in Mainland China. Employees aged below 40 accounted for 58.9%. Recruitment follows an equal-opportunity policy prohibiting discrimination on the grounds of gender, ethnicity, age, religion or disability. All employees receive written contracts compliant with the Labour Law of the People's Republic of China and are covered by statutory social-insurance and housing-fund schemes. Competitive remuneration is benchmarked annually, while a performance-linked bonus pool rewards achievement of financial objectives. Career-development pathways combine mandatory onboarding, and at least 19 hours of training per year for each employee, delivered through our Company's digital learning platform and external courses.

Health and Safety

Worker wellbeing is safeguarded under an ISO 45001-certified Occupational Health & Safety Management System that sets annual targets, conducts risk assessments and mandates safe-work permits. Site-specific safety committees meet monthly, and Safety Observation Cards encourage frontline staff to report hazards. In 2025 our Company recorded zero fatalities.

Staff training is governed by standalone Training Management Rules that stipulate an annual training-needs survey, multi-layer training plans (company, business-unit and departmental) and a four-level evaluation model covering reaction, learning, behavior and results. Every employee is required to participate in structured learning per year, through a mix of classroom sessions, e-learning and on-the-job coaching, while frontline operators and maintenance staff complete mandatory certification refreshers on operation procedures, basic safety rules and confined-space entry. In 2025 our Company delivered more than 75,431.5 total training hours; mandatory compliance courses, including anti-corruption and HSE, achieved 100% completion.

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Employee well-being

Our Company places great importance on employee well-being and team cohesion. Our Company’s union regularly organizes diverse cultural and sports activities and facilities construction to continuously foster a positive corporate culture. Starting in 2024, this has further strengthened cultural and sports team building by establishing multiple sports teams, bands, choirs, literary and art associations, and calligraphy and photography associations to provide employees with a platform for developing their interests. Additionally, we have optimized employee activity spaces by creating dedicated facilities such as an employee activity center to facilitate staff communication.

We also regularly host themed events, including International Women’s Day celebrations, book sharing sessions, traditional festival celebrations, and tree-planting and environmental protection activities. These initiatives aim to enhance teamwork while promoting eco-friendly lifestyles and social responsibility awareness. Moving forward, we will continue to refine our employee care system to deeply integrate corporate culture with sustainable development principles.

Operating practices

Our company incorporates responsible procurement principles into every stage of the supply chain. The Supplier Code of Conduct explicitly requires all suppliers to ensure that production emissions strictly comply with local environmental regulations and standards. We also implement a special supervision mechanism for hazardous waste disposal companies, conducting regular environmental compliance reviews and dynamic performance evaluations to ensure they meet the highest environmental safety standards. Additionally, the procurement department adopts a Supplier Code of Conduct covering environmental compliance, labor standards, anti-corruption, and data privacy, and regularly selects key suppliers. By establishing a comprehensive supplier management mechanism, we implement corrective action plans requiring non-compliant suppliers to rectify issues within a specified timeframe. For suppliers who repeatedly fail to meet standards or commit serious violations, we will disqualify them from further collaboration, thereby building a green and sustainable responsible supply chain system. Our Directors believe that such supplier management system is effective in ensuring compliance with applicable environmental regulations. Suppliers are required to provide valid permits, environmental clauses are included in contracts, and key suppliers are subject to regular assessments. Our Directors consider that these control measures, together with the option to suspend or replace non-compliant suppliers, provide reasonable safeguards for supply chain compliance. At the same time, internally, our anti-bribery policy sets strict limits on gifts and prohibits facilitation payments; mandatory e-learning on anti-corruption achieved 100% completion in 2024.

Community welfare

We recognize that waste treatment facilities may attract concern from nearby communities, and we engage with communities throughout the project cycle, from site selection and environmental impact assessment through construction, operation and emergency response. At the planning stage, we conduct a social impact assessment and arrange for local residents to visit our operating plants. During construction, we set up a local community liaison point, control noise, and recruit from the local community. Once a plant is in operation, we open it to residents and school groups on a regular basis to demonstrate the full incineration, flue gas treatment, leachate and hazardous waste treatment processes, publish flue gas and water quality monitoring data on a continuous basis, and conduct regular household visits and community welfare programs; our overseas project companies undertake similar initiatives, including donations of environmental vehicles. Under our tiered public opinion response plan, in the event of community concerns or collective complaints, we conduct on-site verification together with the relevant government authorities, promptly publishing the underlying monitoring data and implement any rectification measures.

We have established an external donation management system and made donations to the “Qiaoyi Education Fund” and the Wangcheng Education Foundation to support community education and sports initiatives. In 2024, we also supported various social charity activities, including scholarships for impoverished students in villages around Qiaoyi Town and providing assistance to disadvantaged communities. From 2023 to 2025, our Group contributed cash and in-kind donations, raising awareness of waste sorting, and rural revitalization initiatives.

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At the same time, the employee-aid "Send Warmth" scheme delivered targeted assistance to 30 staff and contract workers, while staff volunteers logged hundreds of hours in blood drives, tree-planting, flood-relief and vaccination-site support. Our Company also opened our facilities to more than 40,000 visitors, received 2,040 organized tours — earning recognitions such as "Hunan Top-10 Environmental Education Facility", the "First Batch of Provincial Ecological Environment Science Popularization Bases of Hunan Province" and the "First Batch of Environmental Protection Facilities and Urban Sewage and Garbage Treatment Facilities Open to the Public" — and ran regularly study-grant drives and sports-equipment donations for under-resourced students. Looking ahead, community welfare engagement will continue to align with local development priorities.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have a risk management and internal control system designed to support the integrity, compliance, and operational resilience of our business. This system is structured around a formal organizational framework and a set of policies, procedures, and risk management methodologies tailored to the nature of our operations. The risk management component of the system enables us to identify, assess, report, and respond to risks and incidents that could materially impact our performance or expose us to legal, financial, or regulatory liabilities. It covers key areas such as legal and regulatory compliance, contract management, financial controls, construction safety, occupational health, and environmental protection. We maintain a regular reporting mechanism that includes semi-annual, and annual reports, as well as ad hoc reports in response to specific events or regulatory requirements. These reports provide oversight across all risk areas and support timely decision-making. The effectiveness of the risk management system is continuously monitored and refined.

Our internal control system complements risk management by covering a broad range of operational and financial processes. These include group-level governance, information systems, procurement and accounts payable, fixed asset management, cash handling, compensation administration, and financial reporting. We have adopted an internal control manual setting out key control procedures applicable to different business functions, and periodically review and update the relevant procedures in response to changes in our operations, business structure and overseas operations. In addition, we maintain information technology control measures, including user access management, periodic reviews of access rights and data backup procedures, to safeguard the security and integrity of our operational and financial data.

In particular, we maintain compensation, training and career development programs for our senior management, core technical personnel and key employees. We have established a performance-based compensation framework and career development system, including management and technical career tracks, to support employee retention and development. For employees engaged in production and operational functions, we provide pre-employment training, safety operation training and periodic refresher training, and require employees to complete relevant assessments before undertaking their responsibilities. We also provide specialized training for employees involved in our overseas operations and conduct periodic reviews of labor compliance matters relating to our overseas projects. Such training covers cross-border legal compliance requirements, local business practices and overseas operational matters, and we maintain records of such training and assessments. We periodically review compliance with applicable local labor laws and regulations relating to employment arrangements, compensation and benefits, working hours and leave management for our overseas projects.

We have established legal and compliance functions and adopted compliance management policies. Major contracts, external investments and concession-related arrangements are subject to legal review procedures, and significant overseas projects are supported by external legal advisors where appropriate. Our legal review procedures cover the drafting, review, execution, filing and performance monitoring of contracts, and material contracts are recorded and tracked against key performance obligations. We also conduct regular training relating to legal and regulatory compliance, the Listing Rules, anti-bribery requirements and overseas compliance matters. We have established reporting channels for compliance-related matters and conduct periodic compliance self-assessments covering, among other areas, environmental protection, labor matters, taxation and overseas investment compliance. In addition, project investments are subject to internal review and approval procedures, while procurement, tendering and treasury management activities are subject to internal authorization and control requirements.

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Management conducts periodic internal control assessments and our internal audit department performs independent audits and reports its audit findings to the Audit Committee, which monitors the implementation of corrective measures where appropriate. As part of the internal control assessment process, identified control deficiencies are evaluated and classified according to their significance, remediation plans are developed and implementation progress is monitored. Our internal audit department also tracks the remediation of identified deficiencies and evaluates the effectiveness of corrective actions.

Oversight of the entire framework is provided by our Audit Committee. This committee is responsible for monitoring the implementation of internal controls and risk management practices, independently reviewing the effectiveness of our financial reporting processes, and ensuring compliance with corporate governance standards. It also oversees the audit process and carries out other responsibilities as delegated by the Board of Directors. Our Audit Committee is also responsible for reviewing and monitoring our financial reporting procedures and internal control system. See “Directors and Senior Management — Board Committees — Audit Committee.”