

FINANCIAL INFORMATION

*You should read the following discussion and analysis with our historical financial information as of and for the Track Record Period), including the notes thereto, included in the Accountants’ Report in Appendix I to this Document (“**Historical Financial Information**”). The consolidated financial information has been prepared in accordance with IFRS. Potential [REDACTED] should read the whole Historical Financial Information and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions, expected future developments, and other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Past performance is no guarantee of future results. In evaluating our business, you should carefully consider the information provided in this Document, including, but not limited to, the sections headed “Risk Factors” and “Business.”*

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 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 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 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 net profits 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.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by the following key factors:

Market conditions and opportunities

The green technology, solid waste treatment, and resource utilization industries in China are undergoing a profound transformation, driven by national policy priorities, technological innovation, and evolving market demands. With the implementation of the “Dual Carbon” goals and the “Zero-waste City” initiative, the sector is shifting from decentralized, single-waste treatment models to integrated, multi-waste treatment systems. This transition is not only improving operational efficiency but also unlocking new value streams through the co-treatment of household waste, food waste, sludge, and leachate. We are well-positioned to thrive in this environment, as we have already adopted a vertically integrated approach that aligns with the industry’s move toward full-chain solutions — from interim treatment, transfer, waste treatment, to resource utilization. Our ability to deliver stable, high-load operations and diversified revenue streams, including electricity sales, biodiesel production, and thermal energy output, enhances our resilience and profitability in a rapidly evolving market.

Looking ahead, we see significant opportunities in both domestic and international markets. Domestically, the market is maturing, with a growing emphasis on operational excellence, digitalization, and refined management. Our platforms, which combine waste-to-energy incineration with sludge and other forms of waste treatment, are designed to maximize land use efficiency and reduce per-ton treatment costs — key advantages in urban areas facing spatial

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constraints. Internationally, emerging markets in Central Asia, Southeast Asia, and Africa are experiencing rapid urbanization and rising waste generation, yet still lack adequate treatment infrastructure. These regions present a substantial gap between waste volumes and treatment capacity, particularly in waste-to-energy incineration, where penetration remains low. Leveraging our proven technologies, standardized process systems, and experience in project delivery, we are well-equipped to replicate our success abroad and support the global transition toward sustainable waste management.

Moreover, the global push for renewable energy and circular economy solutions is creating new demand for advanced waste treatment technologies. Our expertise in high-efficiency incineration, sludge co-treatment, and food waste resource utilization positions us as a key enabler of green energy transformation. With supportive policy environments, access to green financing, and growing international recognition of Chinese environmental infrastructure capabilities, we are confident in our ability to expand our footprint and deliver long-term value across diverse markets.

Our business expansion efforts

Our business has expanded over the years, and our results of operations and financial condition are closely tied to the scale and growth of our project portfolio. As our capacity increases, our potential for revenue generation and service delivery expands accordingly. As of the Latest Practicable Date, we have 20 projects under our management and in our pipeline, including those under construction and at various stages of planning. We have secured exclusive concession rights for a wide range of solid waste treatment and resource utilization projects across key regions in China. In terms of overseas projects, we have signed service a concession agreement to develop a waste-to-energy project in Bishkek, Kyrgyzstan with a concession period of 35 years. 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. These projects will integrate green power generation, district heating, and data computing centers to form a vertically integrated ecosystem that enhances the resource utilization of solid waste. Furthermore, in July 2025, we have entered into a memorandum of understanding, followed with an investment agreement signed 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. As these projects commence commercial operations, we expect them to further support our future growth.

In addition to expanding the number of projects under our management, we have also broadened the scope of our services through horizontal integration. A key milestone in this diversification was the Acquisition of Renhe, which enabled us to incorporate the interim treatment, compression, and transfer of household waste, as well as the collection, harmless treatment, and resource utilization of food waste, into our service portfolio. As we continue to grow, particularly through our overseas projects, we aim to deliver fully integrated waste management services that go beyond waste-to-energy incineration.

Looking ahead, we intend to continue expanding our business by sourcing additional projects. However, we may face challenges in identifying suitable opportunities that meet our investment criteria, including expected returns. Our ability to grow also depends on our success in negotiating, bidding for, or acquiring target projects, navigating local policy and regulatory environments in new regions, and competing effectively with other market participants.

Expenses in relation to project development

All of our projects are capital intensive. For the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2026, payment for the purchase of property, plant, and equipment and construction of public-private partnership projects amounted to RMB569.0 million, RMB920.4 million, RMB600.3 million and RMB122.3 million, respectively. Our ability to secure sufficient external financing and manage our finance costs will continue to be critical to our business development, operational performance, and overall profitability.

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Government policies and pricing on state-grid electricity

Our operational performance is tied to the interplay between government support and the pricing mechanisms for our projects. The government's commitment to environmental protection has fostered a favorable regulatory environment, including mandatory purchases of renewable electricity at government-set on-grid tariffs. These tariffs, typically higher than those for conventional energy sources, directly influence our revenue from electricity sales, which has consistently represented a significant portion of our total income. However, tariff levels are subject to adjustment by pricing authorities, and we have no control over these changes. In addition to pricing, we benefit from various forms of governmental support, including preferential tax treatments and local subsidies. At the same time, evolving regulatory standards, particularly those related to emissions and pollution control, continue to shape our strategic direction. Together, these policy-driven pricing structures and government-backed incentives form a critical foundation for our business, influencing both our financial outcomes and long-term growth prospects.

Our electricity output

The amount of electricity we can sell depends on the aggregate power generation capacity of our waste-to-energy projects in operation, as well as the actual output efficiency. 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 of 3.2 million, 3.2 million, 3.8 million and 1.0 million tons, and had generated 1.5 billion, 1.5 billion, 1.8 billion and 0.5 billion kWh of on-grid electricity, at an efficiency of 452 kWh, 460 kWh, 486 kWh and 509 kWh of on-grid electricity per ton of household waste treated. The operational efficiency in our electricity generation is primarily influenced by the availability and quality of raw materials, and the efficiency of our machinery and equipment. Utilization may also be affected by scheduled maintenance, unplanned outages, and the ramp-up period of newly commissioned facilities.

Strategic Acquisitions

During the Track Record Period, we completed the Acquisition of Renhe to expand our market presence and diversify our service portfolio to include the interim treatment, and transfer of household waste, as well as the harmless treatment and resource utilization of food waste. See "Business — Acquisition of Renhe." Our overall growth is driven by both organic expansion and strategic acquisitions and investments. We believe that successfully executing acquisition strategies and integrating acquired operations are major drivers of business and operational success.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable IFRS. For the purpose of preparing the historical financial information, our Group has adopted all applicable new and revised IFRS effective for the accounting period beginning on January 1, 2026, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2026. The accounting policies set out in Note 2 to the Accountants' Report have been applied consistently to all periods presented in the historical financial information. The historical financial information has been prepared under the historical cost basis, except for certain financial assets measured at their fair value. All intra-group transactions and balances have been eliminated on consolidation.

MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions and complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. When reviewing our consolidated financial statements, you should consider, amongst other things: (i) information about our material accounting policy; (ii) the judgments and other

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uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Information about our material accounting policy, estimates and judgments, which are important for an understanding of our financial condition and results of operations, including any changes in accounting policy and disclosures, are set forth in detail in Note 3 to the Accountants' Report in Appendix I to this Document.

Material Accounting Policies

Intangible assets (other than goodwill)

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and we intend to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognized in profit or loss as incurred. Capitalized development expenditure is subsequently measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives are as follows:

Project operating rights	Concession period
Software.	3-7 years
Patents and trademarks	2-18 years

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the period and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that we are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

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- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

We recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for our individual subsidiaries. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which we expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

We satisfied a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we performs.
- our performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- our performance does not create an asset with an alternate use to us and we have an enforceable right to payment for performance completed to date.

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If none of the above conditions are met, we recognize revenue at the point in time when the performance obligation is satisfied. If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at the point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on our efforts or inputs to the satisfaction of the performance obligation, by reference to the surveyors' assessment of work performed and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

When we provide more than one service in a service concession arrangement, the transaction price will be allocated to each performance obligation by reference to their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

In determining the transaction price, we adjust the promised amount of consideration for the effect of a financing component if it is significant.

(a) Construction service revenue

Our Group's performance in respect of construction services creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus our Group satisfies a performance obligation and recognizes revenue over time using an input method to measure progress towards complete satisfaction of the service. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. Revenue from construction services under a service concession agreement is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered.

(b) Sales of electricity and industrial-grade mixed oil

We recognized revenue when transfers the control over electricity and industrial-grade mixed oil to customers (i.e. goods accepted by customers)/satisfies the performance obligation in the contract.

(c) Waste treatment services, waste collection and interim treatment services and other operation services

We recognized revenue from various waste treatment services, waste collection and other operation services when the related services are rendered.

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Service concession arrangements

Our Group enters into service concession arrangements with government agencies to build and/or operate waste treatment plants. Our Group recognizes the consideration for the construction services as contract assets and/or intangible assets for service concession arrangements within the scope of IFRIC 12. The related amounts are material and the application of IFRIC 12 requires significant management judgment, including the applicability of IFRIC 12 and measurement model. Please also see Note 3 of the Accountant's Report in Appendix I to this Document.

Construction contracts

Our Group recognizes the revenue from construction services over a period of time in accordance with the progress of performance. The progress of performance is determined using the input method, which is determined according to the proportion of the cumulative actual construction service costs incurred during the construction process to the estimated total construction costs; the standalone selling price of the construction services is determined on a cost plus mark up basis with reference to a prevailing market rate of gross margin applicable to similar construction services rendered. During the Track Record Period, the management believes the input other than those outsourced to our supplier would be immaterial to the construction services and therefore the standalone selling price of the construction services is close to the construction cost.

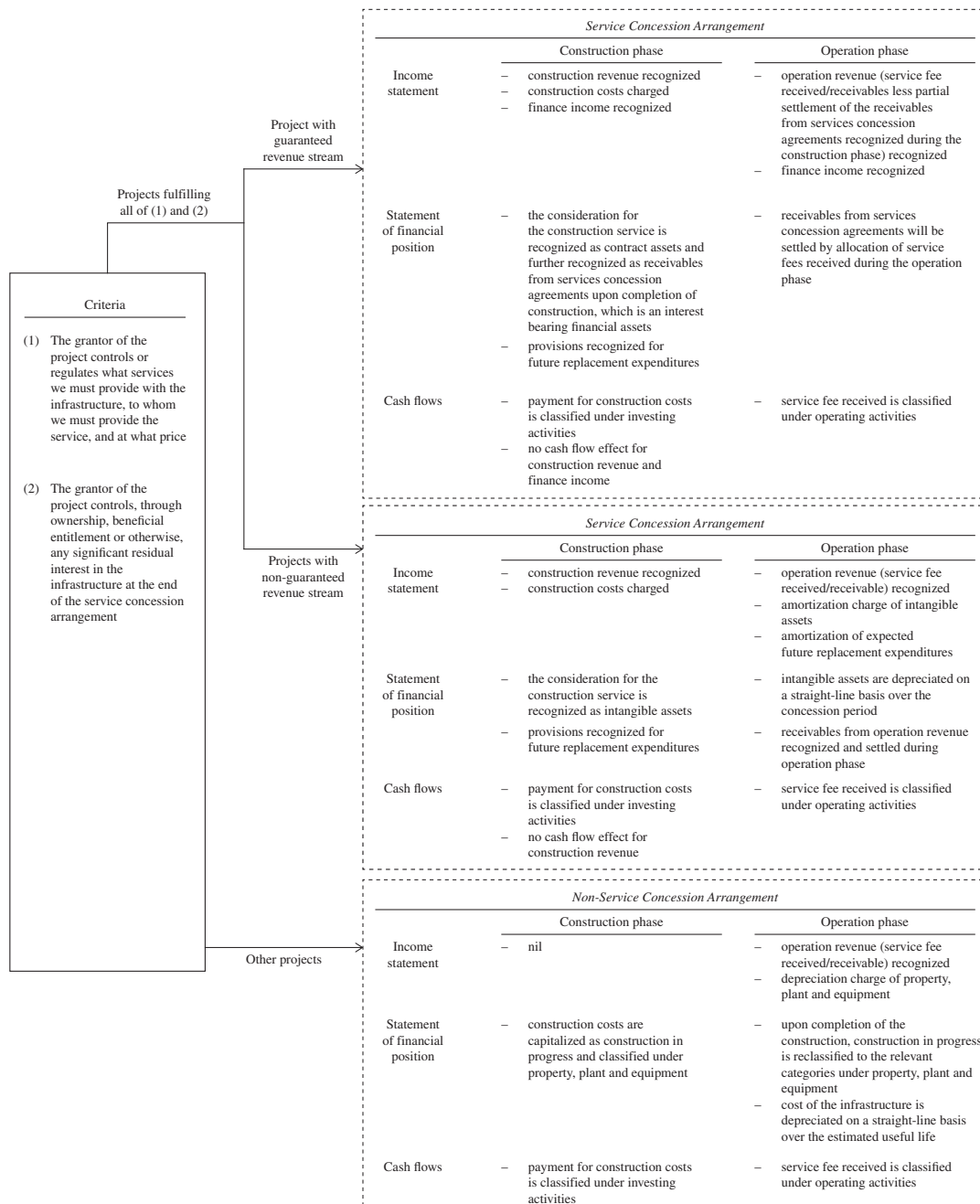
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Provisions for maintenance and restoration of infrastructure under service concession arrangements

We have contractual obligations that it must fulfill as a condition of its licence to maintain or restore the infrastructure to a specified level of serviceability during or the end of the service concession arrangements. These contractual obligations to maintain infrastructure, except for any upgrade element, shall be recognized and measured in accordance with IAS 37 Provisions, contingent liabilities and contingent assets at the best estimate of the both the amount and timing of relevant expenditure that would be required to settle the present obligation and the discount rate at the end of each reporting period in the consolidated statements of financial position. Should the payments and timing to settle the expenditure differ from the estimates, the provisions recognized in the consolidated statements of financial position at the end of each reporting period and the amount to be capitalized will change.

The accounting treatment for service concession agreements

The following chart sets forth a summary of the accounting treatment for service concession arrangements and non-service concession arrangements under IFRS:



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Due to the nature of our operations in this industry, we enter into BOT, TOT, BOOT, and BOO models for our projects. Based on our assessment, majority of our projects (including all BOT and TOT projects and a BOOT project) fall within the scope of IFRIC 12 “Service Concession Arrangements”.

Such projects typically consist of a construction phase (except for those under a TOT model) and an operation phase. During the construction phase, revenue from construction services is recognized over time as the work is performed in accordance with IFRS 15. The consideration for the construction service is recognized as a contract asset. Upon completion of the construction phase, the contract asset is subsequently reclassified either as a financial asset or/and as an intangible asset, depending on the extent that we have an unconditional contractual right to receive cash or another financial asset.

If we have an unconditional contractual right to receive cash or another financial asset, the contract asset will be reclassified as a financial asset (i.e. receivables from service concession arrangements) upon the completion of the construction phase. While in case of TOT model, our payment made to the grantor is directly recognized as a financial asset. This financial asset is subsequently measured at amortized cost, and finance income is recognized using the effective interest method. We normally receive cash during the operation phase. A portion of the cash flows received is allocated to settle the receivables from service concession arrangements while the remaining cash flow (if any) are accounted as revenue from operation phase in accordance with IFRS 15.

In contrast, if we do not have an unconditional right to receive cash or another financial asset but receive a licence to charge users of the public service, the contract asset will be reclassified as an intangible asset upon the completion of the construction phase. While in case of TOT model, our payment made to the grantor is directly recognized as a intangible asset. Once the project enters the operation phase, we recognize revenue from operating the infrastructure, and the intangible asset is amortized using straight-line method over the service concession period.

In certain circumstances, if the consideration for construction services is paid partly by a financial asset and partly an intangible asset, it is necessary to account separately for each component of such consideration. During the Track Record Period, our projects within the scope of IFRIC 12 are either financial asset model or intangible asset model.

As a result of above, for projects within the scope of IFRIC 12, we recognize revenue during both the construction phase (if any) and the operation phase while the associated cash flows are typically received only during the operation phase. This leads to a timing mismatch between the revenue recognition and the cash flows generation for such projects.

The accounting treatment described above is subject to significant management judgment, and has had, and will continue to have, a material impact on our results of operations and financial position.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss 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) (unaudited)	(%)	(RMB'000)	(%)
Revenue	1,836,614	100.0	2,410,855	100.0	2,730,708	100.0	697,360	100.0	736,353	100.0
Direct costs and operating expenses.	(896,507)	(48.8)	(1,410,177)	(58.5)	(1,228,086)	(45.0)	(321,594)	(46.1)	(319,602)	(43.4)
Gross profit	940,107	51.2	1,000,678	41.5	1,502,622	55.0	375,766	53.9	416,751	56.6
Other revenue	107,092	5.8	107,952	4.5	117,144	4.3	28,455	4.1	24,679	3.4
Other net income.	36,550	2.0	21,694	0.9	12,521	0.5	1,464	0.2	4,900	0.7
Administrative and selling expenses.	(175,781)	(9.6)	(183,653)	(7.6)	(268,767)	(9.8)	(67,686)	(9.7)	(68,445)	(9.3)

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	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) (unaudited)	(%)	(RMB'000)	(%)
Research and development costs	(57,004)	(3.1)	(63,811)	(2.6)	(89,860)	(3.3)	(14,667)	(2.1)	(16,904)	(2.3)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	(13,095)	(0.7)	(9,924)	(0.4)	(5,686)	(0.2)	(16,653)	(2.4)	18,896	2.6
Profit from operations	837,869	45.6	872,936	36.2	1,267,974	46.4	306,679	44.0	379,877	51.6
Finance costs	(135,185)	(7.4)	(110,257)	(4.6)	(116,493)	(4.3)	(26,190)	(3.8)	(33,099)	(4.5)
Share of (loss)/profit of an associate	–	–	(167)	–	4	–	33	–	1,613	0.2
Profit before taxation	702,684	38.3	762,512	31.6	1,151,485	42.2	280,522	40.2	348,391	47.3
Income tax	(49,888)	(2.7)	(76,264)	(3.2)	(157,467)	(5.8)	(44,564)	(6.4)	(43,516)	(5.9)
Profit for the year/period	652,796	35.5	686,248	28.5	994,018	36.4	235,958	33.8	304,875	41.4

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue mainly comprised (i) revenue from the sales of electricity; (ii) revenue from waste treatment services; (iii) revenue from construction services; (iv) revenue from waste interim treatment services; (v) revenue from food waste collection; and (vi) revenue from the sales of industrial-grade mixed oil.

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) (unaudited)	(%)	(RMB'000)	(%)
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	2.1
Revenue from food waste collection ⁽¹⁾	–	–	4,568	0.2	65,404	2.4	16,201	2.3	1,290	23.3
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⁾	341,563	18.6	836,939	34.7	76,283	2.8	47,000	6.7	23,624	3.2
Others ⁽⁴⁾	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

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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, 2025 and 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 sub-section headed "— Financial information of Renhe" in this section.
2. Primarily included revenue from bottom ash treatment.
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.
4. Primarily included rental income.

In general, our total revenue increased by 31.3% from RMB1,836.6 million for the year ended December 31, 2023 to RMB2,410.9 million for the year ended December 31, 2024, and further increased by 13.3% to RMB2,730.7 million for the year ended December 31, 2025, and increased by 5.6% from RMB697.4 million for the three months ended March 31, 2025 to RMB736.4 million for the three months ended March 31, 2026.

Our revenue from sales of electricity remained stable at RMB698.2 million and RMB685.3 million for the years ended December 31, 2023, and 2024, respectively. Our revenue from sales of electricity further increased by 22.3% to RMB837.8 million for the year ended December 31, 2025, and increased by 21.1% from RMB204.3 million for the three months ended March 31, 2025 to RMB247.5 million for the three months ended March 31, 2026. Such increase was primarily due to the increased amount of electricity sold, which was partially attributable to the commencement of more clean waste-to-energy incineration projects.

Our revenue from waste treatment services remained relatively stable at RMB796.1 million, and RMB811.8 million for the years ended December 31, 2023 and 2024, respectively. Our revenue from waste treatment services further increased by 6.3% to RMB862.6 million for the year ended December 31, 2025. Such increase was primarily due to the commencement of more clean waste-to-energy incineration projects and the acquisition of Renhe. Our revenue from waste treatment services remained relatively stable at RMB229.9 million for the three months ended March 31, 2025 and RMB234.6 million for the three months ended March 31, 2026.

Our revenue from construction services increased significantly from RMB341.6 million for the year ended December 31, 2023 to RMB836.9 million for the year ended December 31, 2024, which reflected the remaining construction services from our existing projects, and the addition of construction services that were incurred for our clean waste-to-energy incineration projects in Liuyang and Pingjiang. The decreases in such revenue to RMB76.3 million for the year ended December 31, 2025, and from RMB47.0 million for the three months ended March 31, 2025 to RMB23.6 million for the three months ended March 31, 2026, which reflected the completion of construction services for the Liuyang and Pingjiang projects and that there had been no new projects being accounted for as service concession arrangements within the scope of IFRIC 12 during such period.

In light of the Acquisition of Renhe, we recorded revenue from household waste interim treatment and transfer services of RMB54.0 million for the year ended December 31, 2024, RMB685.0 million for the year ended December 31, 2025, RMB154.4 million for the three months ended March 31, 2025 and RMB171.3 million for the three months ended March 31, 2026, respectively; and from sales of industrial-grade mixed oil of RMB17.3 million for the year ended December 31, 2024, RMB198.7 million for the year ended December 31, 2025, RMB44.4 million for the three months ended March 31, 2025 and RMB42.3 million for the three months ended March 31, 2026, respectively.

Our Group recognizes revenue from construction services over time, based on the progress of work performed. Progress is measured using the input method, which compares the cumulative actual costs incurred for construction services to the total estimated construction costs. 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

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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.

We also analyze the revenue generated from our individual projects. Key projects include (i) projects at our Changsha Environmental Protection Industrial Park; (ii) our Liuyang Waste-to-Energy Incineration Project; (iii) our Pingjiang Waste-to-Energy Incineration Project; (iv) our Changsha Transfer Project; and (v) our Changsha Food Waste Project.

The following table sets forth such a breakdown of our revenue 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) (unaudited)	(%)	(RMB'000)	(%)
Projects from 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	9.6	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

Note:

- 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, 2025 and 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 sub-section headed “— Financial information of Renhe” in this section.
- This project was signed in 2024 with the Bishkek City Government and commenced operation in December 2025.
- 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.

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Projects at our Changsha Environmental Protection Industrial Park

Projects at our Changsha Environmental Protection Industrial Park comprise (i) Changsha Waste-to-Energy Incineration Project (phases I and II); and (ii) projects treating leachate, sludge, fly ash, solid waste, and others.

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

The following table sets forth a breakdown of the operating revenue from this project 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) (unaudited)	(%)	(RMB'000)	(%)
Revenue from waste treatment services										
– Waste incineration	217,792	34.0	210,104	34.6	171,249	28.1	50,789	32.6	50,194	30.0
Revenue from the sales of electricity	422,504	66.0	397,284	65.4	437,405	71.9	104,955	67.4	116,980	70.0
Others ⁽¹⁾	8	–	71	–	–	–	–	–	–	–
Total operating revenue from this project	640,304	100.0	607,459	100.0	608,654	100.0	155,744	100.0	167,174	100.0

Note:

- Primarily included revenue from sales of scrap materials.

The operating revenue from this project was mostly aligned with (i) the amount of waste treated; and (ii) the amount of electricity sold. For the years ended December 31, 2023, 2024, and 2025 and the three months ended March 31, 2026, this project treated 1.9 million, 1.8 million, 1.9 million, and 0.5 million tons of waste. In the same facility, we sold 844.3 million kWh, 810.2 million kWh, 894.0 million kWh, and 231.6 million kWh of electricity, respectively.

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

The following table sets forth a breakdown of our operating revenue from this project 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) (unaudited)	(%)	(RMB'000)	(%)
Revenue from the sales of electricity	275,726	50.6	285,561	51.7	283,760	52.7	72,455	52.8	74,143	53.3
Revenue from waste treatment services										
– Waste incineration	138,113	25.4	142,583	25.9	131,322	24.4	33,324	24.3	32,975	23.7
– Sludge	130,795	24.0	123,743	22.4	123,370	22.9	31,462	22.9	32,077	23.0
Total operating revenue from this project	544,634	100.0	551,887	100.0	538,452	100.0	137,241	100.0	139,195	100.0

The operating revenue from this project was mostly aligned with (i) the amount of solid waste and sludge treated; and (ii) the amount of electricity sold. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, this project treated 1.3 million, 1.4 million, 1.3 million and 0.3 million tons of waste. In the same facility, we also treated 0.2 million, 0.2 million, 0.2 million and 49 thousand tons of sludge. We had sold 616.4 million kWh, 657.3 million kWh, 652.5 million kWh and 167.2 million kWh of electricity for the same periods, respectively.

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Sludge, leachate, fly ash, and others

The following table sets forth a breakdown of our operating revenue from these 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>			
Revenue from waste treatment services										
– Sludge	81,953	28.0	79,412	26.2	95,692	36.7	21,695	32.4	20,782	32.2
– Leachate	83,063	28.4	101,879	33.6	70,231	26.9	14,447	21.6	16,859	26.1
– Fly ash	104,510	35.8	95,384	31.4	67,693	25.9	23,758	35.5	19,988	30.9
– Landfill	22,961	7.8	26,810	8.8	27,384	10.5	7,045	10.5	6,978	10.8
Others ⁽¹⁾	60	0.0	96	0.0	27	0.0	–	–	–	–
Total operating revenue from this project	292,547	100.0	303,581	100.0	261,027	100.0	66,945	100.0	64,607	100.0

Note:

- Primarily included revenue from office rental income.

During the years ended December 31, 2023, 2024, and 2025 and the three months ended March 31, 2026, this project has treated 196,000 tons, 188,000 tons, 188,000 tons and 47,000 tons of sludge, 590,000 tons, 723,000 tons, 521,000 tons and 126,000 tons of leachate, and 78,000 tons, 68,000 tons, 67,000 tons, and 17,000 tons of fly ash, respectively.

Liuyang Waste-to-Energy Incineration Project

The following table sets forth selected financial data in relation to this project 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>			
Revenue from the sales of electricity	–	–	–	–	65,366	70.9	15,531	68.7	20,235	73.5
Revenue from waste treatment services										
– Waste incineration	–	–	–	–	25,906	28.1	6,862	30.4	7,003	25.4
Others ⁽¹⁾	–	–	–	–	923	1.0	213	0.9	315	1.1
Total operating revenue from this project	–	–	–	–	92,195	100.0	22,606	100.0	27,553	100.0

Note:

- Primarily included revenue from sale of bottom ash.

Our Liuyang Waste-to-Energy Incineration Project commenced operation in January 2025. During the year ended December 31, 2025 and the three months ended March 31, 2026, this project treated 365,000 tons and 99,000 tons of waste, and we had sold 168.5 million kWh and 50.8 million kWh of electricity, respectively.

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Projects in Pingjiang

Our projects in Pingjiang mainly comprise the Pingjiang Waste-to-Energy Incineration Project and the Pingjiang Landfill Project. The following table sets forth selected financial data in relation to those 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) (unaudited)	(%)	(RMB'000)	(%)
Revenue from the sales of electricity	-	-	2,122	10.4	39,054	67.5	10,497	69.6	11,107	69.9
Revenue from waste treatment services										
– Waste incineration	-	-	1,295	6.4	13,973	24.1	3,443	22.8	3,792	23.9
– Landfill	11,735	66.8	11,630	57.3	-	-	-	-	-	-
– Sewage	5,134	29.2	4,864	24.0	3,561	6.2	919	6.1	681	4.3
– Other waste	-	-	-	-	513	0.9	106	0.7	206	1.3
Others ⁽¹⁾	697	4.0	383	1.9	734	1.3	114	0.8	103	0.6
Total operating revenue from these projects	17,566	100.0	20,294	100.0	57,835	100.0	15,079	100.0	15,889	100.0

Note:

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

Our Pingjiang Waste-to-Energy Incineration Project commenced its waste-to-energy incineration functions in late 2024. For the years ended December 31, 2024 and 2025, and the three months ended March 31, 2026, 19,000 tons, 199,000 tons and 56,000 tons of waste was treated, respectively, and 5.3 million kWh, 98.1 million kWh and 27.9 million kWh of electricity was sold, respectively.

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 all municipal solid waste in Pingjiang has been sent directly to the incineration facility. 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 that is collected and transferred to our projects will be sent to waste-to-energy incineration. We do not expect to resume landfill operations in Pingjiang, and in line with our long-term strategy and government directives, all waste will continue to be transported to incineration facilities. The Pingjiang Landfill Project, developed before the incineration plant was built, is expected to remain inactive with no plans for future allocation.

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Changsha Transfer Project

The following table sets forth selected financial data in relation to this project 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) (unaudited)	(%)	(RMB'000)	(%)
Revenue from waste interim treatment and transfer services .	-	-	54,047	98.3	684,966	98.0	154,393	98.5	171,290	97.8
Revenue from waste treatment services										
– Sewage	-	-	912	1.7	10,089	1.4	2,343	1.5	2,796	1.6
Others ⁽¹⁾	-	-	-	-	4,107	0.6	-	-	1,022	0.6
Total operating revenue from this project⁽²⁾	-	-	54,959	100.0	699,162	100.0	156,736	100.0	175,108	100.0

Notes:

1. Primarily comprised property rental income.
2. This project became 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, 2025 and 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 sub-section headed “— Financial information of Renhe” in this section.

The operating revenue from this project was mostly aligned with the amount of household waste treated and transferred. For the years ended December 31, 2024, and 2025, and the three months ended March 31, 2026, this project treated and transferred 0.3 million, 3.3 million, and 0.8 million tons of household waste, respectively.

Changsha Food Waste Project

The following table sets forth selected financial data in relation to this project 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) (unaudited)	(%)	(RMB'000)	(%)
Revenue from the collection of food waste	-	-	4,568	12.7	65,404	17.0	16,201	16.8	15,741	17.8
Revenue from waste treatment services	-	-								
– Food waste	-	-	13,136	36.8	115,614	30.1	33,460	34.9	29,744	33.5
Revenue from the sales of industrial-grade mixed oil	-	-	17,280	48.4	198,730	51.8	44,421	46.3	42,281	47.7
Revenue from the sales of electricity	-	-	318	0.9	3,678	1.0	828	0.9	498	0.6
Others ⁽¹⁾	-	-	434	1.2	502	0.1	1,099	1.1	335	0.4
Total operating revenue from this project⁽²⁾	-	-	35,736	100.0	383,928	100.0	96,009	100.0	88,599	100.0

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Notes:

- 1 Primarily included revenue generated from the sale of scrap materials.
2. This project became 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 sub-section headed “— Financial information of Renhe” in this section.

The operating revenue from this project was mostly aligned with the amount of food waste collected and treated. For the years ended December 31, 2024 and 2025, and the three months ended March 31, 2026, this project treated 39,000 tons, 414,000 tons and 91,000 tons of food waste, respectively, it had also sold 2,849 thousand tons, 30,702 thousand tons and 6,564 thousand tons of industrial-grade mixed oil, and 0.8 million kWh, 9.2 million kWh and 1.3 million kWh of electricity.

Bishkek Project (phase I)

The following table sets forth selected financial data in relation to this project 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) (unaudited)	(%)	(RMB'000)	(%)
Revenue from the sales of electricity	-	-	-	-	8,572	65.1	-	-	24,498	70.8
Revenue from waste treatment services										
– Waste incineration	-	-	-	-	4,600	34.9	-	-	10,106	29.2
Total operating revenue from this project	-	-	-	-	13,172	100.0	-	-	34,604	100.0
	=	=	=	=	=	=	=	=	=	=

Our Bishkek Project (phase I) commenced operation in December 2025. For the one month ended December 31, 2025, and the three months ended March 31, 2026, this project treated 39,000 tons and 98,000 tons of waste, and we had sold 17.1 million kWh and 50.5 million kWh of electricity, respectively.

Direct costs and operating expenses

Our direct costs and operating expenses mainly include a range of expenditures necessary to carry out our operations and deliver treatment services. These costs typically comprise depreciation and amortization, direct materials, and staff costs. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, our direct costs and operating expenses represented 48.8%, 58.5%, 45.0%, 46.1% and 43.4% of our total revenue, respectively.

The following table sets forth a breakdown of our direct costs and operating expenses by nature 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) (unaudited)	(%)	(RMB'000)	(%)
Depreciation and amortization . .	281,695	31.4	309,078	21.9	633,576	51.7	155,630	48.4	166,768	52.2
Direct materials	86,565	9.7	68,748	4.9	93,510	7.6	20,020	6.2	21,467	6.7
Staff cost	60,597	6.8	69,131	4.9	234,713	19.1	52,584	16.4	55,727	17.4
Maintenance expenses	55,636	6.2	55,227	3.9	60,448	4.9	18,168	5.6	19,745	6.2
Direct costs in relation to construction services	341,563	38.0	836,939	59.4	76,283	6.2	47,000	14.6	23,624	7.4

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	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) (unaudited)	(%)	(RMB'000)	(%)
Others ⁽¹⁾	70,451	7.9	71,054	5.0	129,556	10.5	28,192	8.8	32,271	10.1
Total	896,507	100.0	1,410,177	100.0	1,228,086	100.0	321,594	100.0	319,602	100.0

Note:

- Primarily included fuel expenses, vehicle usage expenses, sewage treatment fee, property management fee, safety production expense, water and electricity costs, transportation expenses, and others.

Our direct costs and operating expenses mainly include (i) depreciation and amortization; (ii) staff cost; and (iii) direct materials. In particular, the increase in our depreciation and amortization, and staff costs, for the year ended December 31, 2024 and 2025, was primarily due to the increase in machinery and equipment, and the number of staff members, as a result of the Acquisition of Renhe. Our direct costs and operating expenses also include direct costs in relation to construction services, the fluctuation of which were mostly in line with the progress of our projects' construction. For instance, the addition of construction services that were incurred from our clean waste-to-energy incineration projects in Liuyang and Pingjiang, which continued in the year ended December 31, 2024. The decreases for the year ended December 31, 2025 and between the three months ended March 31, 2025 and 2026, reflected the remaining construction services incurred, and that there had been no new projects being accounted for as service concession arrangements within the scope of IFRIC 12 during the period.

We also analyze the direct costs and operating expenses incurred by our individual projects. 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) (unaudited)	(%)	(RMB'000)	(%)
Projects from our Changsha Environmental Protection Industrial Park – Changsha Waste-to-Energy Incineration Project (phase I)	225,314	25.1	214,592	15.2	215,177	17.5	53,583	16.7	50,184	15.7
– Changsha Waste-to-Energy Incineration Project (phase II)	168,017	18.7	150,654	10.7	150,072	12.2	37,729	11.7	36,655	11.5
– Sludge, leachate, fly ash, and others	150,419	16.9	145,559	10.4	144,986	11.8	34,329	10.6	33,825	10.6
Liuyang Waste-to-Energy Incineration Project	–	–	–	–	55,001	4.5	7,354	2.3	16,032	5.0
Projects in Pingjiang	11,194	1.2	13,505	1.0	40,549	3.3	8,632	2.7	9,630	3.0
Changsha Transfer Project ⁽¹⁾	–	–	28,786	2.0	321,725	26.2	79,957	24.9	82,621	25.9
Changsha Food Waste Project ⁽¹⁾	–	–	20,142	1.4	221,473	18.0	53,010	16.5	49,859	15.6
Bishkek Project (phase I) ⁽²⁾	–	–	–	–	2,820	0.2	–	–	17,172	5.4
Total direct costs and operating expenses incurred by our projects	554,944	61.9	573,238	40.7	1,151,803	93.8	274,594	85.4	295,978	92.6
Direct costs in relation to construction services	341,563	38.1	836,939	59.3	76,283	6.2	47,000	14.6	23,624	7.4
Total	896,507	100.0	1,410,177	100.0	1,228,086	100.0	321,594	100.0	319,602	100.0

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Notes:

- These projects 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 includes 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 “— Financial information of Renhe” in this section.
- This project was signed in 2024 with the Bishkek City Government and commenced operation in December 2025.

In general, once a project commences, operational inefficiencies and setup costs may tend to result in higher unit costs. With passage of time, the operations of our projects would become more refined, leading to increased efficiency as well as a gradual decrease in direct costs and operating expenses. Moreover, our direct costs and operating expenses increased between the years ended December 31, 2024 and 2025 as a result of the Acquisition of Renhe.

Gross profit and gross profit margin

For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, our overall gross profits had reached RMB940.1 million, RMB1,000.7 million, RMB1,502.6 million, RMB375.8 million, and RMB417.6 million, and our projects had achieved operating gross profit margins of 62.9%, 63.6%, 56.6%, 57.8% and 58.5%, respectively.

We also analyze the our gross profit and gross profit margin from our individual projects. 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	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
							(unaudited)			
Projects from our Changsha Environmental Protection Industrial Park										
– Changsha Waste-to-Energy Incineration Project (phase I)	414,990	64.8	392,867	64.7	393,477	64.6	102,161	65.6	116,990	70.0
– Changsha Waste-to-Energy Incineration Project (phase II)	376,617	69.2	401,233	72.7	388,380	72.1	99,512	72.5	102,540	73.7
– Sludge, leachate, fly ash, and others	142,128	48.6	158,022	52.1	116,041	44.5	32,616	48.7	30,782	47.6
LiuYang Waste-to-Energy Incineration Project	–	–	–	–	37,194	40.3	15,252	67.5	11,521	41.8
Projects in Pingjiang	6,372	36.3	6,789	33.5	17,286	29.9	6,447	42.8	6,259	39.4
Changsha Transfer Project ⁽¹⁾	–	–	26,173	47.6	377,437	54.0	76,779	49.0	92,487	52.8
Changsha Food Waste Project ⁽¹⁾	–	–	15,594	43.6	162,455	42.3	42,999	44.8	38,740	43.7
Bishkek Project (phase I) ⁽²⁾	–	–	–	–	10,352	78.6	–	–	17,432	50.4
Total operating gross profits from our projects	940,107	62.9	1,000,678	63.6	1,502,622	56.6	375,766	57.8	416,751	58.5
Gross profits and gross profit margins in relation to construction services ⁽³⁾	–	–	–	–	–	–	–	–	–	–
Overall gross profits and gross profit margins	940,107	51.2	1,000,678	41.5	1,502,622	55.0	375,766	53.9	416,751	56.6

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Notes:

- (1) The gross profits generated from projects 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 includes 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, see “— Financial information of Renhe” in this section.
- (2) This project was signed in 2024 with the Bishkek City Government and commenced operation in December 2025.
- (3) Gross profits from construction services were determined on a cost-plus basis, taking into account factors such as comparable projects during the relevant periods. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, the gross profits attributable to our inputs (calculated using the gross profit margins of such comparable projects) were immaterial. As a result, no gross profits were recorded for construction services during these periods.

The following table sets forth a breakdown of our net profit/(loss) attributable⁽¹⁾ to each project for the periods indicated:

	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)			
Projects from our Changsha										
Environmental Protection										
Industrial Park										
– Changsha Waste-to-Energy										
Incineration Project										
(phase I)	294,458	43.6	302,966	42.3	311,597	30.4	79,509	31.7	89,750	29.6
– Changsha Waste-to-Energy										
Incineration Project										
(phase II)	266,007	39.4	273,467	38.2	268,897	26.2	65,969	26.3	74,022	24.4
– Sludge, leachate, fly ash, and										
others	120,428	17.8	119,072	16.7	83,504	8.2	27,193	10.8	23,397	7.7
Liuyang Waste-to-Energy										
Incineration Project ⁽²⁾	(6,017)	(0.9)	(6,789)	(0.9)	6,325	0.6	10,634	4.2	4,613	1.5
Projects in Pingjiang	824	0.1	5,836	0.8	(962)	(0.1)	2,464	1.0	1,680	0.6
Changsha Transfer Project	–	–	14,159	2.0	253,120	24.7	39,778	15.9	59,476	19.6
Changsha Food Waste Project	–	–	6,238	0.9	102,063	10.0	25,399	10.1	50,139	16.5
Bishkek Project (phase I)	–	–	–	–	6,152	0.6	–	–	5,023	1.7
Total	675,700	100.0	714,949	100.0	1,030,696	100.0	250,946	100.0	308,100	100.0

Notes:

1. Net profit/(loss) attributable to each project represents net profit/(loss) earned or incurred by each project company, excluding central administration costs (inclusive of directors' emoluments), share of loss/profit of an associate, interests income on bank deposits, loan to a related party and other financial assets and other net income, and related income tax derived from above unallocated items.
2. For the year ended December 31, 2023 and 2024, net loss attributable to Liuyang Waste-to-Energy Incineration Project were mainly from administrative expense that were not qualified to be capitalised as construction cost during the construction phase.

Other revenue

Our other revenue mainly comprised (i) interest income on bank deposit; (ii) finance income from service concession arrangements; (iii) interest income from other financial assets; (iv) VAT deduction and refund; and (v) government grants mainly relating to unconditional incentives and subsidies provided by local authorities in China to support our research and development efforts. Our other revenue represented 5.8%, 4.5%, 4.3%, 4.1%, and 3.4% of our total revenue for the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, respectively.

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Regarding our VAT super deduction and refund, a policy was introduced in 2019, which allowed general VAT taxpayers, whose revenue from certain services that made up more than 50% of their total sales, to claim an extra 10% deduction on input VAT. In 2023, such deduction rate was reduced to 5% and the policy was ended on December 31, 2023. Additionally, under a policy issued in 2021, our revenue from electricity sales, industrial-grade mixed oil, waste treatment, and waste collection qualified for VAT refunds ranging from 70% to 100%.

The following table sets forth a breakdown of our other revenue 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) (unaudited)	(%)	(RMB'000)	(%)
Interest income on bank deposit	14,757	13.8	10,073	9.4	8,797	7.5	2,602	9.2	872	3.5
Interest income on a loan to a related party	-	-	34	-	397	0.3	98	0.3	30	0.1
Interest income on loan to a third party	-	-	-	-	-	-	-	-	3,414	13.8
Finance income from service concession arrangements	20,835	19.5	19,793	18.3	17,109	14.6	4,649	16.3	4,038	16.4
Interest income from other financial assets	17,431	16.2	21,525	19.9	15,343	13.1	4,521	15.9	3,416	13.8
VAT super deduction and refund	50,782	47.4	54,304	50.3	66,546	56.8	15,610	54.9	11,559	46.8
Other government grants	3,287	3.1	2,223	2.1	8,952	7.7	975	3.4	1,350	5.6
Total	107,092	100.0	107,952	100.0	117,144	100.0	28,455	100.0	24,679	100.0

In particular, our interest income on bank deposits decreased during the Track Record Period, primarily because we deployed an increasing portion of our cash in structured deposits and certificates of deposit to enhance investment returns. Our interest income from other financial assets, which mainly comprised interest income from certificates of deposit and entrusted loans, decreased from the year ended December 31, 2024 onwards, primarily due to the decrease of investment returns from such products.

We recorded interest income on a loan to a third party in the three months ended March 31, 2026, primarily due to the collection of previously credit-impaired loans to a third parties acquired from Renhe Group.

Other net income

Our other net income comprised (i) investment income and net fair value changes on financial assets at FVPL which typically refers to income earned from holding structured deposits; and (ii) exchange gain/(loss). Our other net income represented 2.0%, 0.9%, 0.5%, 0.2%, and 0.7% of our total revenue for the years ended December 31, 2023, 2024 and 2025, and the three months ended March 31, 2025 and 2026, respectively.

The following table sets forth a breakdown of our other net income 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) (unaudited)	(%)	(RMB'000)	(%)
Investment income and net fair value changes on financial assets at FVPL	34,692	94.9	18,936	87.2	15,616	124.7	3,876	264.8	5,574	113.7
Foreign exchange gain/(loss)	(561)	(1.5)	1,510	7.0	(2,995)	(23.9)	(2,214)	(151.3)	(2,893)	(59.0)
Others ⁽¹⁾	2,419	6.6	1,248	5.8	(100)	(0.8)	(198)	(13.5)	2,219	45.3
Total	36,550	100.0	21,694	100.0	12,521	100.0	1,464	100.0	4,900	100.0

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Note:

- Primarily included gain or loss on disposal of assets.

During the Track Record Period, our fluctuation in investment income and net fair value changes on financial assets at FVPL was relatively minor, with the exception with the decline from RMB21.7 million for the year ended December 31, 2024 to RMB12.5 million for the year ended December 31, 2025, primarily due to the decline in yields for structured deposits.

Fluctuations in our foreign exchange gain/(loss) during the Track Record Period were primarily driven by typical movements in the foreign exchange rate between the respective functional currencies of the entities within our Group and other currencies. During the Track Record Period, this was mostly due to JPY-denominated borrowing in relation to Renhe. This introduced greater exposure to foreign exchange rate volatility.

We believe that gains from asset disposals are inherently sporadic and incidental in nature. Our Group’s disposal of fixed assets did not occur evenly across the Track Record Period, which had led to variations in income between reporting periods. Additionally, fluctuations in the market recovery prices for obsolete materials may also impact the amount of income recognized from asset disposals.

Administrative and selling expenses

Our administrative and selling expenses mainly comprised staff costs and office expenses. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, our administrative and selling expenses represented 9.6%, 7.6%, 9.8%, 9.7% and 9.3% of our total revenue, respectively.

The following table sets forth a breakdown of our administrative and selling expenses 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) (unaudited)	(%)	(RMB'000)	(%)
Staff cost	89,256	50.8	86,093	46.9	149,315	55.5	38,922	57.5	41,472	60.5
Share-based payment expense . . .	7,228	4.1	3,984	2.2	1,575	0.6	517	0.8	–	–
Office expenses	24,709	14.1	23,011	12.5	33,019	12.3	7,903	11.7	7,705	11.3
Professional fees	9,463	5.4	20,393	11.1	9,756	3.6	2,566	3.8	730	1.1
Depreciation and amortization . . .	4,503	2.6	5,486	3.0	10,385	3.9	2,662	3.9	3,110	4.5
Other tax and surcharges	33,642	19.1	36,599	19.9	48,005	17.9	11,875	17.6	11,413	16.7
Others ⁽¹⁾	6,980	3.9	8,087	4.4	16,712	6.2	3,241	4.7	4,015	5.9
Total	175,781	100.0	183,653	100.0	268,767	100.0	67,686	100.0	68,445	100.0

Note:

- Primarily included vehicle expenses, energy costs, maintenance costs, and others.

Our general and administrative expenses increased during the Track Record Period primarily due to (i) the awards to employees and Directors on business development; and (ii) the Acquisition of Renhe and increase on base of staff compensation for the year ended December 31, 2024.

Our staff costs had increased steadily throughout the Track Record Period, primarily due to (i) we have actively expanded our workforce to attract and retain top talent, reflecting our strategic emphasis on building a larger team, which had also led to increase in office expenses to accommodate an expanded team; (ii) for the years ended December 31 2023 and 2024, we undertook a company-wide restructuring of our compensation framework; and (iii) incremental staff cost increases as a result of the Acquisition of Renhe. This restructuring introduced reforms to both promotion pathways and salary progression. Notably, for the same roles, the salary increments were enhanced, and the pay increases associated with promotions became more substantial. These changes represented our commitment to align our remuneration practices with market standards and rewarding career advancement within our Group.

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Our share-based payment expenses moderately declined over the Track Record Period, primarily due to the structure of our equity incentive scheme. The scheme was offering restricting share units (“RSUs”) which were designed with staggered vesting, meaning that eligible participants receive their entitlements in batches over different service periods. The total expense is allocated across these batches, and within each batch’s respective vesting period, the expense is recognized on a straight-line basis. As a result, in the earlier years, we had to simultaneously recognize expenses for several batches with shorter vesting periods, leading to higher overall share-based payment costs. In later years, as fewer batches remained to be vested, the total expense naturally declined. No share-based payment expense was recognized for the three months ended March 31, 2026 because the equity incentive scheme expired in September 2025 and no RSUs remained outstanding thereafter.

Our professional fees increased in the year ended December 31, 2024, primarily due to advisory costs associated with the Acquisition of Renhe. Most of the intermediary fees (such as those paid to financial advisers, legal counsel, and other professional service providers) were incurred in 2024, resulting in an increase in professional expenses for that year.

R&D expenses

Our R&D expenses mainly comprised direct materials and staff costs. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, our R&D expenses represented 3.1%, 2.6%, 3.3%, 2.1% and 2.3% of our total revenue, respectively.

The following table sets forth a breakdown of our R&D expenses 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) (unaudited)	(%)	(RMB'000)	(%)
Direct materials	18,407	32.3	21,558	33.8	24,964	27.8	5,834	39.8	3,274	19.4
Staff cost	20,427	35.8	25,498	40.0	38,841	43.2	5,599	38.2	7,826	46.3
Others ⁽¹⁾	18,170	31.9	16,755	26.2	26,055	29.0	3,234	22.0	5,804	34.3
Total	57,004	100.0	63,811	100.0	89,860	100.0	14,667	100.0	16,904	100.0

Note:

1. Primarily included utility costs, amortization, and other related expenses.

Our R&D expenses increased during the Track Record Period primarily due to (i) Acquisition of Renhe, and (ii) remuneration and performance reform, resulting from increase on compensation base, as stated in the description of the fluctuation in our administrative and selling expenses.

Impairment losses under ECL model, net of reversal

During the Track Record Period, we had impairment losses under ECL model, net of reversal, which represented 0.7%, 0.4%, 0.2%, and 2.6% of our total revenue. In general, our impairment loss under ECL model increased which reflected (i) the increase in the balance of trade receivables and contract assets; and (ii) increase in ECL loss rate due to longer trade receivables turnover days resulted in increase in trade receivables balance aged over one year.

Finance costs

Our finance costs mainly comprised interest on bank loans and other borrowing. For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, our finance expenses represented 7.4%, 4.6%, 4.3%, 3.8%, and 4.5% of our total revenue, respectively.

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The following table sets forth our finance costs for the periods indicated:

	Years ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%)	(RMB'000)	(%)
Interest on bank loans and other borrowings	104,547	77.3	76,087	69.0	84,646	72.7	26,170	99.9	21,462	64.8
Interest on lease liabilities	380	0.3	350	0.3	315	0.3	79	0.3	96	0.3
Unwinding of discount on provisions	30,479	22.6	43,553	39.5	40,587	34.8	8,052	30.8	11,541	34.9
Total interest expense	135,406	100.2	119,990	108.8	125,548	107.8	34,301	131.0	33,099	100.0
Less: interest expense capitalized into operating rights under construction	(221)	(0.2)	(9,733)	(8.8)	(9,055)	(7.8)	(8,111)	(31.0)	-	-
Total	135,185	100.0	110,257	100.0	116,493	100.0	26,190	100.0	33,099	100.0

Income tax expense

Our income tax expenses represented 2.7%, 3.2%, 5.8%, 6.4%, and 5.9% of our total revenue for the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, respectively. For the same periods, our effective tax rates were 7.1%, 10.0%, 13.7%, 15.9%, and 12.5%, respectively.

For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, our Group’s subsidiaries in Hong Kong, Kazakhstan, and Mongolia did not generate any assessable profits and therefore incurred no income tax expenses.

In the PRC, the statutory corporate income tax rate of 25% was applied to most of our Group’s subsidiaries unless specific preferential treatments were available. Several entities within our Group qualified for the “3+3 Tax Holiday” under the PRC Enterprise Income Tax Law, which grants a full exemption from income tax for the first three years of operation followed by a 50% reduction for the next three years. Other entities of our Group were recognized as enterprises engaged in environmental pollution control facility maintenance and were eligible for a reduced tax rate of 15% from January 1, 2019 and January 1, 2023. Notably, Puxiang Bioenergy, Renhe Protection, and Renhe Technology were recognized as high-technology enterprises, entitling to a preferential 15% tax rate during their respective qualifying periods. Our Group also benefited from a 10% revenue deduction when calculating taxable income for sales of electricity generated by biogas and industrial-grade mixed oil. Other tax reliefs included a direct 10% income tax deduction on qualifying environmental protection equipment purchases.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended March 31, 2025 compared to the three months ended March 31, 2026

Revenue

In general, our total revenue remained relatively stable at RMB697.4 million for the three months ended March 31, 2025 and RMB736.4 million for the three months ended March 31, 2026. During the same period, our revenue attributable to Renhe increased from RMB252.7 million for the three months ended March 31, 2025 to RMB263.7 million for the three months ended March 31, 2026, primarily due to increase of revenue generated Changsha Transfer Project.

In terms of the operating revenue from our projects:

- *Changsha Waste-to-Energy Incineration Project (phase I):* Our revenue increased by 7.3%, from RMB155.7 million to RMB167.2 million; this was mainly attributable to improved electricity generation efficiencies and increased waste treatment volume.
- *Changsha Waste-to-Energy Incineration Project (phase II):* Our revenue remained relatively stable at RMB137.2 million and RMB139.2 million.

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- *Sludge, leachate, fly ash, and others:* Our revenue remained relatively stable at RMB66.9 million and RMB64.6 million.
- *Liuyang Waste-to-Energy Incineration Project:* Our revenue increased by 21.9% from RMB22.6 million for the three months ended March 31, 2025, to RMB27.6 million for the three months ended March 31, 2026, primarily due to a lower base in the prior period, during which the project was undergoing trial production, followed by a successful production ramp-up upon entering formal operations in 2026.
- *Projects in Pingjiang:* Our revenue remained relatively stable at RMB15.1 million and RMB15.9 million.
- *Bishkek Project (phase I):* Our revenue recorded RMB34.6 million for the three months ended March 31, 2026, primarily driven by the commencement of operation and electricity generation in late 2025.
- *Changsha Transfer Project:* Our revenue increased by 11.7% from RMB156.7 million for the three months ended March 31, 2025 to RMB175.1 million for the three months ended March 31, 2026, primarily due to the increased volume of household waste treated and transferred.
- *Changsha Food Waste Project:* Our revenue decreased by 7.7% from RMB96.0 million for the three months ended March 31, 2025 to RMB88.6 million for the three months ended March 31, 2026, primarily due to the decreased volume of food waste treated and the decreased sales volume of industrial-grade mixed oil.

Direct costs and operating expenses

Our direct costs and operating expenses remained relatively stable at RMB321.6 million for the three months ended March 31, 2025 and RMB319.6 million for the three months ended March 31, 2026.

Gross profit and gross profit margin

Our overall gross profit increased by 10.9%, from RMB375.8 million for the three months ended March 31, 2025 to RMB417.6 million for the three months ended March 31, 2026; this increase primarily reflected the incremental gains in our operational efficiencies. Our overall gross profit margin increased from 53.9% to 56.6%, which was mainly attributable to the improved profitability of our waste-to-energy projects driven by higher electricity revenue following the commencement of formal operation of the turbine expansion project and lower operating costs after the completion of heating surface optimization works.

In contrast, our operating gross profit margins were 57.8% and 58.5%, respectively.

In terms of the operating gross profit from our projects:

- *Changsha Waste-to-Energy Incineration Project (phase I):* Our gross profit increased by 14.5% from RMB102.2 million and RMB117.0 million, primarily due to (i) the increased revenue driven the increased waste treatment volume and electricity output after the turbine expansion project commenced operation; and (ii) the decreased operating costs after the completion of the heating surface optimization works. Our gross profit margin increased from 65.6% to 70.0%, respectively.
- *Changsha Waste-to-Energy Incineration Project (phase II):* Our gross profit remained relatively stable at RMB99.5 million and RMB102.5 million. Our gross profit margin remained relatively stable at 72.5% and 73.7%, respectively.
- *Sludge, leachate, fly ash, and others:* Our gross profit remained relatively stable at RMB32.6 million and RMB30.8 million. Our gross profit margin remained relatively stable at 48.7% and 47.6%, respectively.

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- *Liuyang Waste-to-Energy Incineration Project:* Our gross profit decreased by 24.5%, from RMB15.3 million to RMB11.5 million, primarily attributable to the full-period depreciation and amortization recognized after construction-in-progress was transferred to property, plant and equipment in the three months ended March 31, 2025. Our gross profit margin decreased from 67.5% to 41.8% in the relevant period because of the same reason.
- *Projects in Pingjiang:* Our gross profit remained relatively stable at RMB6.4 million and RMB6.3 million. Our gross profit margin decreased from 42.8% to 39.4%.
- *Bishkek Project (phase I):* Our gross profit was RMB17.4 million for the three months ended March 31, 2026 but nil for the three months ended March 31, 2025, primarily driven by the commencement of commercial operations and electricity generation in late 2025. Our gross profit margin was 50.4% for the three months ended March 31, 2026.
- *Changsha Transfer Project:* Our gross profit increased by 20.5% from RMB76.8 million to RMB92.5 million, and our gross profit margin increased from 49.0% to 52.8%, primarily due to economies of scale from the increased treatment and transfer volume.
- *Changsha Food Waste Project:* Our gross profit decreased by 9.9% from RMB43.0 million to RMB38.7 million, in line with the decreased revenue, while our gross profit margin remained relatively stable at 44.8% and 43.7%, respectively.

Other revenue

Our other revenue decreased by 13.3%, from RMB28.5 million for the three months ended March 31, 2025 to RMB24.7 million for the three months ended March 31, 2026, primarily due to the decrease in our average bank deposit balance as we deployed more cash into structured deposits, the reduced principal amount of bank certificates of deposits and entrusted loans.

Other net income

Our other net income increased by 234.7%, from RMB1.5 million for the three months ended March 31, 2025 to RMB4.9 million for the three months ended March 31, 2026, primarily due to the continued growth in the transaction volume of our structured deposits and the average amount of such products.

Administrative and selling expenses

Our administrative and selling expenses remained relatively stable at RMB67.7 million for the three months ended March 31, 2025 and RMB68.4 million for the three months ended March 31, 2026.

R&D expenses

Our R&D expenses increased by 15.3%, from RMB14.7 million for the three months ended March 31, 2025 to RMB16.9 million for the three months ended March 31, 2026, primarily due to the increase in staff costs and other staff-related expenses, such as travel expenses, resulting from the increased number of R&D projects at the trial preparation stage.

Finance costs

Our finance costs increased by 26.4%, from RMB26.2 million for the three months ended March 31, 2025 to RMB33.1 million for the three months ended March 31, 2026, primarily due to the increased unwinding of discount on provisions, as more concession projects entered into operation and replacement obligations increased accordingly.

Income tax

Our income tax remained relatively stable at RMB44.6 million for the three months ended March 31, 2025 and RMB43.5 million for the three months ended March 31, 2026.

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Net profit

Based on the reasons above, we achieved a net profit of RMB236.0 million and RMB304.9 million for the three months ended March 31, 2025 and 2026, respectively, at a net profit margin of 33.8% and 41.4%, respectively.

Year ended December 31, 2025 compared to the year ended December 31, 2024

Revenue

In general, our total revenue increased by 13.3%, from RMB2,410.9 million for the year ended December 31, 2024, to RMB2,730.7 million for the year ended December 31, 2025; this increase was primarily due to the Acquisition of Renhe, as revenue generated from the Changsha Transfer Project and Changsha Food Waste Project were recorded a part of the revenue generated by our Group since December 1, 2024.

In terms of the operating revenue from our projects, with the exception of those that had not become a part of our Group before the Acquisition of Renhe:

- *Changsha Waste-to-Energy Incineration Project (phase I):* Our revenue remained relatively stable at RMB607.5 million and RMB608.7 million; this was mainly attributable to the increased revenue generated from the significant increased on-grid electricity sales volume and waste treatment volume, which partially offset by the impact of adjustments to relevant industry policies, as a result of which the government conducted a one-off settlement of the preferential benefits enjoyed by our relevant operating projects under applicable policies.
- *Changsha Waste-to-Energy Incineration Project (phase II):* Our revenue remained relatively stable at RMB551.9 million for the year ended December 31, 2024 and RMB538.5 million for the year ended December 31, 2025.
- *Sludge, leachate, fly ash, and others:* Our revenue decreased by 14.0% from RMB303.6 million for the year ended December 31, 2024 to RMB261.0 million for the year ended December 31, 2025. Such decrease was primarily attributable to (i) the decreased leachate treatment volume; and (ii) the decreased revenue from fly ash treatment resulting from a one-off settlement of preferential benefits enjoyed under applicable policies following adjustments to relevant industry policies.
- *Liuyang Waste-to-Energy Incineration Project:* Our revenue recorded RMB92.2 million for the year ended December 31, 2025, primarily due to commencement of operation in early 2025.
- *Projects in Pingjiang:* Our revenue increased significantly from RMB20.3 million to RMB57.8 million, primarily due to commencement of the Pingjiang Waste-to-Energy Incineration Project in generating and selling on-grid electricity in late 2024.

Direct costs and operating expenses

Our direct costs and operating expenses decreased by 12.9%, from RMB1,410.2 million for the year ended December 31, 2024, to RMB1,228.1 million for the year ended December 31, 2025. This was attributable to a decrease in direct costs and operating expenses in relation to construction services, reflecting the remaining construction services incurred and that there had been no new projects being accounted for as service concession arrangements within the scope of IFRIC 12 during the period. This decrease was partially offset by an increase in direct costs and operating expenses incurred by our projects, mainly due to (i) the Acquisition of Renhe, as costs incurred by the Changsha Transfer Project and Changsha Food Waste Project were recorded as costs incurred by our Group since December 1, 2024, (ii) commencement of operation of our Liuyang Waste-to-Energy Incineration Project and (iii) commencement of electricity production at our Pingjiang Waste-to-Energy Incineration Project.

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Gross profit and gross profit margin

Our overall gross profit increased by 50.2%, from RMB1,000.7 million for the year ended December 31, 2024, to RMB1,502.6 million for the year ended December 31, 2025, primarily due to the Acquisition of Renhe. Our overall gross profit margin increased from 41.5% to 55.0%, which was mainly attributable to an overall decrease in construction services. In contrast, our operating gross profit margins were 63.6% and 56.6%, respectively.

In terms of the operating gross profit from our projects, with the exception of those that had not become a part of our Group before the Acquisition of Renhe:

- *Changsha Waste-to-Energy Incineration (phase I)*: Our gross profit remained relatively stable at RMB392.9 million and RMB393.5 million. For the same periods, such efficiency was at 445 kWh and 470 kWh of on-grid electricity generated per each ton of solid waste treated, respectively. Our gross profit margin remained relatively stable at 64.7% and 64.6%, respectively.
- *Changsha Waste-to-Energy Incineration (phase II)*: Our gross profit remained relatively stable at RMB401.2 million and RMB388.4 million. Our gross profit margin remained relatively stable at 72.7% and 72.1%, respectively.
- *Sludge, leachate, fly ash, and others*: Our gross profit decreased by 26.6% from RMB158.0 million to RMB116.0 million. Our gross profit margin decreased from 52.1% to 44.5%. Such decreases were primarily attributable to (i) the decreased wastewater treatment volume; and (ii) the decreased revenue from fly ash treatment resulting from a one-off settlement of preferential benefits enjoyed under applicable policies following adjustments to relevant industry policies.
- *Liuyang Waste-to-Energy Incineration Project*: Our gross profit was RMB37.2 million for the year ended December 31, 2025 but nil for the year ended December 31, 2024 primarily due to the commencement of commercial operations and electricity generation in early 2025. Our gross profit margin was 40.3% for the year ended December 31, 2025.
- *Projects in Pingjiang*: Our gross profit increased significantly from RMB6.8 million for the year ended December 31, 2024 to RMB17.3 million for the year ended December 31, 2025, as it was ramped up treatment volume of the Pingjiang Waste-to-Energy Incineration Project since its commencement. Our gross profit margin for this project remained relatively stable at 33.5% and 29.9%, respectively.

Other revenue

Our other revenue increased from RMB108.0 million for the year ended December 31, 2024 to RMB117.1 million for the year ended December 31, 2025 primarily due to additional VAT refund from business of Renhe Group.

Other net income

Our other net income decreased from RMB21.7 million for the year ended December 31, 2024 to RMB12.5 million for the year ended December 31, 2025, primarily due to the decline in yields for structured deposits.

Administrative and selling expenses

Our administrative and selling expenses increased by 46.3%, from RMB183.7 million for the year ended December 31, 2024, to RMB268.8 million for the year ended December 31, 2025, primarily due to the Acquisition of Renhe.

R&D expenses

Our R&D expenses increased by 40.8%, from RMB63.8 million for the year ended December 31, 2024 to RMB89.9 million for the year ended December 31, 2025, due to our increased R&D efforts and partially due to the additional R&D work undertaken as a result of the Acquisition of Renhe.

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Finance costs

Our finance costs remained relatively stable at RMB110.3 million for the year ended December 31, 2024, and RMB116.5 million for the year ended December 31, 2025.

Income tax

Our income tax increased significantly, from RMB76.3 million for the year ended December 31, 2024, to RMB157.5 million for the year ended December 31, 2025; this increase was primarily due to higher taxable profits.

Net profit

Based on the reasons above, we achieved a net profit of RMB686.2 million and RMB994.0 million for the year ended December 31, 2024 and 2025, at a net profit margin of 28.5% and 36.4%, respectively.

Year ended December 31, 2024 compared to the year ended December 31, 2023

Revenue

In general, our total revenue increased by 31.3% from RMB1,836.6 million for the year ended December 31, 2023 to RMB2,410.9 million for the year ended December 31, 2024; this increase was primarily due to an increase in revenue from construction services in relation to our clean waste-to-energy incineration projects in Liuyang and Pingjiang and the Acquisition of Renhe.

In terms of the operating revenue from our projects, with the exception of those that had not become a part of our Group before the Acquisition of Renhe:

- *Changsha Waste-to-Energy Incineration Project (phase I):* Our revenue decreased by 5.1% from RMB640.3 million to RMB607.5 million. This decrease was primarily due to slightly lowered waste volumes, from 1.9 million tons to 1.8 million tons, and a decrease in the amount of on-grid electricity sold, from 844.3 million kWh to 810.2 million kWh.
- *Changsha Waste-to-energy Incineration Project (phase II):* Our revenue remained relatively stable at RMB544.6 million and RMB551.9 million.
- *Sludge, leachate, fly ash, and others:* Our revenue remained relatively stable at RMB292.5 million and RMB303.6 million.
- *Projects in Pingjiang:* Our revenue remained relatively stable at RMB17.6 million and RMB20.3 million.

Direct costs and operating expenses

Our direct costs and operating expenses increased by 57.3%, from RMB896.5 million for the year ended December 31, 2023, to RMB1,410.2 million for the year ended December 31, 2024; this reflected the remaining construction services from our existing projects, with the addition of construction services that were incurred for our clean waste-to-energy projects in Liuyang and Pingjiang, combined with the increased direct costs and operating expenses due to the Acquisition of Renhe.

Gross profit and gross profit margin

Our overall gross profit increased by 6.4%, from RMB940.1 million for the year ended December 31, 2023, to RMB1,000.7 million for the year ended December 31, 2024; this increase primarily reflected the incremental gains in our operational efficiencies. For the same years, our overall gross profit margin had decreased from 51.2% to 41.5%, which was mainly attributable to construction services. In contrast, our operating gross profit margins remained relatively stable at 62.9% and 63.6%, respectively.

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In terms of the operating gross profit from our projects, with the exception of those that had not become a part of our Group before the Acquisition of Renhe:

- *Changsha Waste-to-Energy Incineration Project (phase I):* Our gross profit decreased by 5.3%, from RMB415.0 million to RMB392.9 million; this decrease was primarily due to slightly lowered waste treatment volumes and the amount of on-grid electricity generated. Our gross profit margin remained relatively stable at 64.8% and 64.7%, primarily due to an improved electricity generation efficiencies. For the same periods, such efficiency was at 436 kWh and 445 kWh of on-grid electricity generated per each ton of solid waste treated, respectively.
- *Changsha Waste-to-Energy Incineration Project (phase II):* Our gross profit increased by 6.5%, from RMB376.6 million to RMB401.2 million; this increase was primarily due to improved electricity generation efficiencies. For the same periods, such efficiency was at 475 kWh and 482 kWh of on-grid electricity generated per each ton of solid waste treated, respectively. Our gross profit margin remained relatively stable at 69.2% and 72.7%.
- *Sludge, leachate, fly ash, and others:* Our gross profit remained relatively stable at RMB142.1 million and RMB158.0 million. Our gross profit margin also remained relatively stable at 48.6% and 52.1%.
- *Projects in Pingjiang:* Our gross profit remained relatively stable at RMB6.4 million and RMB6.8 million. Our gross profit margin also remained relatively stable at 36.3% and 33.5%.

Other revenue

Our other revenue remained relatively stable at RMB107.1 million for the year ended December 31, 2023, and RMB108.0 million for the year ended December 31, 2024.

Other net income

Our other net income decreased by 40.7% from RMB36.6 million for the year ended December 31, 2023, to RMB21.7 million for the year ended December 31, 2024 primarily due to decrease in our investment income and net fair value changes on financial assets at FVPL.

Administrative and selling expenses

Our administrative and selling expenses remained relatively stable at RMB175.8 million for the year ended December 31, 2023, and RMB183.7 million for the year ended December 31, 2024.

R&D expenses

Our R&D expenses increased by 11.9%, from RMB57.0 million for the year ended December 31, 2023, to RMB63.8 million for the year ended December 31, 2024, primarily due to (i) higher staff costs along with an expanded R&D team as a result of the Acquisition of Renhe, and (ii) increase on the number of R&D projects.

Finance costs

Our finance costs decreased by 18.4%, from RMB135.2 million for the year ended December 31, 2023, to RMB110.3 million for the year ended December 31, 2024, primarily due to loan repayments, as well as, further declines in market interest rates.

Income tax

Our income tax increased by 52.9%, from RMB49.9 million for the year ended December 31, 2023, to RMB76.3 million for the year ended December 31, 2024, primarily due to the expiration of preferential tax policies previously enjoyed by certain subsidiaries.

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Net profit

Based on the reasons above, we achieved a net profit of RMB686.2 million and RMB652.8 million for the years ended December 31, 2024, and 2023, at a net profit margin of 28.5% and 35.5%, respectively.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP

Current assets and current liabilities

The following table sets forth the components of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2023	2024	2025	2026	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
					(unaudited)
Current assets					
Inventories	28,049	36,293	41,473	42,110	43,816
Contract assets	26,384	25,667	26,294	32,735	12,640
Financial assets at fair value through profit or loss ("FVPL")	814,065	547,269	1,377,480	1,502,424	1,175,624
Other financial assets	153,312	137,649	459,089	492,088	50,179
Prepayments, trade and other receivables	920,771	2,002,761	1,939,201	2,056,882	2,217,980
Income tax recoverable	–	–	1,768	28,745	18,069
Restricted cash	8,915	13,422	13,448	12,585	9,443
Cash and cash equivalents	861,370	1,444,006	1,219,757	1,220,907	1,091,246
Total current assets	2,812,866	4,207,067	5,078,510	5,388,476	4,618,997
Current liabilities					
Trade and other payables	424,094	1,261,949	619,436	485,681	488,073
Contract liabilities	281	5,700	2,625	5,748	21,740
Bank loans and other borrowings	490,871	482,365	502,887	494,887	499,143
Lease liabilities	1,001	981	440	445	426
Income tax payable	22,076	53,523	34,712	50,295	13,604
Total current liabilities	938,323	1,804,518	1,160,100	1,037,056	1,022,986
Net current assets	1,874,543	2,402,549	3,918,410	4,351,420	3,596,011

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Inventories

Our inventories primarily consist of raw materials (such as slaked lime) to be used in our operations, finished goods (such as the industrial-grade mixed oil from the Changsha Food Waste Project), other materials. The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	27,626	35,260	40,946	41,440
Finished goods	—	246	217	372
Other materials	423	787	310	298
Total	28,049	36,293	41,473	42,110

Our inventories increased by RMB8.3 million, or by 29.6% from RMB28.0 million as of December 31, 2023 to RMB36.3 million as of December 31, 2024, primarily due to an increase in raw materials. Our inventories increased by 14.3% from RMB36.3 million as of December 31, 2024 to RMB41.5 million as of December 31, 2025, primarily due to an increase in raw materials. Our inventories remained relatively stable at RMB42.1 million as of March 31, 2026.

The following table sets forth our inventory turnover days for the years indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
	(in days)			
Inventory turnover days ⁽¹⁾ . . .	9.5	8.2	11.4	11.8

Note:

- (1) Calculated using the average of opening and closing balances of the inventories for such periods divided by direct costs and operating expenses for the relevant periods and multiplied by 360 days for the full year and 90 days for the three-month period.

The following sets forth an aging analysis of our inventory as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
				(RMB'000)
Within 1 year	16,006	18,803	19,533	20,788
1-2 years	5,882	7,440	8,468	8,155
Over 2 years	6,161	10,050	13,472	13,166
Total	28,049	36,293	41,473	42,109

The increase in inventory of raw materials and the lengthening of inventory turnover days during the Track Record Period primarily reflected the operational needs of our projects. The raw materials held in inventory (such as lime, activated carbon, and spare parts) are considered essential for ensuring the stable operation of our production lines and timely maintenance of our equipment. For production-related materials like lime, cement, and activated carbon, these are consumables directly used in the waste treatment and power generation process. Their recoverable value is closely linked to the pricing of electricity and waste disposal services. As long as the company continues to operate normally, with stable and secured electricity tariffs, the net realizable value of these materials typically exceeds their cost, resulting in a low risk of write down. In terms of spare parts for maintenance, the Group operates multiple production lines and must maintain a reserve of

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critical and easily worn components to ensure uninterrupted operations. The usage of these parts depends on the condition of the equipment, and their consumption cycle can be uncertain. While some parts may remain unused temporarily, they are not subject to impairment risk. These items are not intended for external sale, and their value is tied to the continued use of the equipment they support. Provided there are no upgrades in technical standards or equipment replacements, the spare parts remain usable. Most of the inventory is aged within two years, and the equipment is in good working condition, further supporting the low risk of impairment.

Overall, the increase in inventory and turnover days reflects our approach to operational readiness and its commitment to maintaining production stability, rather than inefficiencies or excess stock. We believe there is no material impairment issue for our inventories as of March 31, 2026. Our inventory is primarily consumed through internal operation and production instead of external sales. These inventories does not have a defined shelf life and remain fully compatible with our production process and production equipment. We adopted a centralized bulk procurement strategy securing significant volume discounts, keeping our carrying costs below current market prices. Consequently, the amount of inventory impairment is in material during the Track Record Period and we believe there is no material impairment issues for our inventory.

As of July 31, 2026, RMB8.5 million or 20.1% of our inventories as of March 31, 2026, had been sold or utilized.

Financial assets at FVPL

Our financial assets at FVPL mainly consist of structured deposits. Our financial assets at FVPL decreased by 32.8% from RMB814.1 million as of December 31, 2023 to RMB547.3 million as of December 31, 2024, primarily due to the commencement of operations of our clean waste-to-energy incineration projects in Liuyang and Pingjiang, and our structured deposits were disposed to provide capital to support such Projects. As of December 31, 2025, our financial assets at FVPL increased by 151.7% to RMB1,377.5 million, primarily due to the purchase of structured deposits based on our Group’s treasury strategy. As of March 31, 2026, our financial assets at FVPL increased by 9.1% to RMB1,502.4 million, primarily due to the purchase of structured deposits based on our treasury strategy.

Our Group has established comprehensive investment policies and strategies for financial assets measured at FVPL with a strong emphasis on capital preservation and alignment with operational needs. All investment activities must ensure the safety of funds and be matched to our future cash flow plans to avoid any disruption to core business operations. Investments are limited to products issued by reputable financial institutions such as large commercial banks and national joint-stock banks, and are primarily short- to medium-term in nature. The strategic objective is to enhance capital efficiency, providing stable financial support for our principal business rather than engaging in long-term speculative investments.

To regulate the use of funds and cash management across projects, our Group has implemented the Financial Derivatives Management Policy, Cash Management Guideline, and Fund Management Guideline, which collectively define the requirements for fund allocation and oversight, including project-related arrangements. In addition, our investment management system, which is applicable to both our Group and our subsidiaries, governs the evaluation, initiation, feasibility study, and execution of investment projects, including those involving concession arrangements.

Our internal control mechanism is robust and multi-layered. A tiered authorization and approval process is strictly enforced, requiring prior approval for all investment decisions. The finance department maintains a detailed cash management ledger to track investment amounts, durations, expected yields, fund allocations, and redemption dates, with dynamic oversight. Regular reporting to senior management is mandated, and our internal audit team conducts periodic reviews to ensure compliance, procedural integrity, and fund security. The finance team comprises professionals with extensive experience in corporate treasury management and market analysis, and external financial advisors are engaged when evaluating complex products.

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Our Board plays an active role in overseeing investment activities. It reviews and approves relevant policies, grants annual authorization limits to management, and must approve any investments exceeding those limits. The Board’s audit committee performs key supervisory functions, and the Board ensures timely, accurate, and complete disclosure of significant investment activities in accordance with applicable laws and our articles of association. Notably, such investments do require our Board’s prior approval.

Our Directors also confirm that the investment in these assets after the [REDACTED] will be subject to compliance with Chapter 14 of the Listing Rules.

Prepayment, trade and other receivables

The following table sets forth our prepayment, trade, and other receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	809,491	1,858,999	1,820,215	1,948,971
Less: loss allowance	(43,006)	(55,553)	(61,634)	(72,169)
	<u>766,485</u>	<u>1,803,446</u>	<u>1,758,581</u>	<u>1,876,802</u>
Bills receivables	10,861	–	–	–
Receivables arising from service concession arrangements	236,275	219,595	202,120	197,617
Prepayments	85,498	72,458	14,498	24,302
Prepayment of [REDACTED] .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Input VAT recoverable	112,039	158,758	130,070	123,290
Amounts due from related parties	–	6,139	6,540	–
Other receivables and deposits .	2,317	2,589	2,627	3,297
Less: loss allowance for other receivables	(194)	(425)	(3,438)	(521)
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Less: Non-current portion – Receivables arising from service concession arrangements	(221,111)	(202,486)	(183,181)	(178,193)
– Prepayment for purchase of other property, plant and equipment	(71,399)	(57,313)	(1,817)	(5,139)
Current portion	<u><u>920,771</u></u>	<u><u>2,002,761</u></u>	<u><u>1,939,201</u></u>	<u><u>2,056,882</u></u>

The amounts due from the related party have been fully settled as of March 31, 2026.

Our prepayments mainly represent prepayments for purchase of other property, plant and equipment, electricity and fuel expense.

Our trade receivables primarily comprise receivables from waste treatment services, as well as electricity sales from waste incineration. As of December 31, 2024, the majority of our trade receivable were concentrated among government-related entities and state-owned enterprises. These receivables are closely tied to the fiscal health and payment cycles of local governments and state-owned enterprises, which are beyond our scope of control.

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Our trade receivables increased by RMB1,036.9 million, or by 135.3% from RMB766.5 million as of December 31, 2023 to RMB1,803.4 million as of December 31, 2024, mainly due to the Acquisition of Renhe. As of December 31, 2025, our trade receivables remained relatively stable at RMB1,758.6 million. The growth rate had moderated, indicating an improvement in the fiscal tightening and payment delays. As of March 31, 2026, our trade receivables remained relatively stable at RMB1,876.8 million.

We believe that the aging structure of our trade receivables remained relatively stable, with the majority of balances aging falling within one year.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Within 1 year	720,923	1,666,170	1,528,018	1,581,766
1 to 2 years	45,562	134,110	227,558	292,038
2 to 3 years	—	3,166	1,193	1,196
3 to 4 years	—	—	1,812	1,795
4 to 5 years	—	—	—	7
	766,485	1,803,446	1,758,581	1,876,802

Our contractual credit terms granted to customers have remained unchanged during the Track Record Period. The majority of our trade receivables is attributable to services fees from our government customers. Our contracts generally provide for a credit period of 15 to 30 days for services fee contracts; in practice, service fees from our government customers are settled through their annual budgetary and treasury payment process so that actual settlement takes substantially longer than the contractual credit period. The remaining of our trade receivables mainly comprise electricity fees and renewable energy tariff subsidies from the state grid which are settled monthly upon verification of on-grid volumes and central disbursement, respectively. The observed changes in aging were primarily due to shifts in local government fiscal allocations, which led to longer payment cycles. The difficulties we have encountered are limited to delays in settlement: service fee payments depend on the local fiscal budget and are affected by local fiscal conditions and annual budget adjustments, and the historical central renewable energy subsidy is disbursed through a national approval process whose timing is outside our control, which has resulted in a build-up of subsidy receivables. Both are common across the industry, and our customers have continued to settle amounts due, without any dispute or refusal to pay. Our credit policy remains conservative and consistent. While we have not formally extended or relaxed our contractual credit terms, we have in practice accommodated settlement beyond the agreed credit periods by our government and state-owned enterprise customers, taking into account their governmental background, their track record of settling amounts past due, and our long-term business relationships with them. Where amounts remain outstanding beyond the contractual credit period, our designated personnel and senior management communicate with the relevant customer to confirm and agree on the amount of unpaid service fees. As our government customers settle service fees out of their annual fiscal budgets, our fees are collected through government payment procedures. For service fees covered by the customer's approved budget for the relevant year, we submit payment applications on a monthly basis, and the customer reviews such applications and settles the fees out of that budget. Where the customer's approved budget for the year has been fully utilized, the unpaid fees remain due and payable to us under the relevant contracts; in such cases, at our request, the customer applies to the relevant fiscal authority, through the government's internal budgetary procedures, for a supplementary allocation for the current year or for the unpaid fees to be provided for in its budget for the following year, and we continue to track and follow up on such amounts until they are settled. We also follow up with the grid company on settlement and subsidy disbursement, and link collection results to the performance appraisal of the relevant departments. Our major customers are government departments and large state-owned enterprises with strong credit profiles, which significantly reduces the risk of systemic bad debts. While the collection cycle has lengthened, we consider our exposure to credit and payment collection risk to be manageable, primarily because (i) substantially all of our trade receivables aged over one year were settled within the following year — of our trade receivables aged between one and two years as of December 31, 2023 and 2024,

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approximately 93.1% and 99.1%, respectively, had been settled by the end of the following financial year, while trade receivables aged over two years accounted for less than 0.2% of our total trade receivables as of each of December 31, 2023, 2024 and 2025 and March 31, 2026; (ii) as of July 31, 2026, RMB778.6 million, or 40.0%, of our trade receivables as of March 31, 2026 had been subsequently settled; and (iii) we assess our customers’ credit quality carefully and regularly, taking into account their business background, the general risks associated with their industries, their financial position, past experience and other factors, and our dedicated internal teams closely monitor the credit profiles and operating and financial conditions of our customers and take appropriate proactive follow-up actions to ensure payments are made as scheduled.

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
	(in days)			
Trade receivables turnover days ⁽¹⁾	137.5	199.2	242.5	230.3

Note:

- (1) Calculated using the average of opening and closing balances of the trade receivables for such periods divided by the total revenue for the relevant periods and multiplied by 360 days for the full years and 90 days for the three-month period.

For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, our trade receivable turnover was 137.5 days, 199.2 days, 242.5 days, and 230.3 days respectively. The increase in 2024 was mainly attributable to the Acquisition of Renhe, in essence, while Renhe’s full-year receivables were included in the turnover calculation, only revenue for the one month ended December 31, 2024 was consolidated. The trade receivables turnover days of Renhe were 165.9 days, 253.9 days, 325.8 days and 368.2 days in 2023, 2024 and 2025 and the three months ended March 31, 2026, respectively. Importantly, our trade receivables structure is aligned with industry norms. According to F&S, waste-to-energy operators typically record receivables comprising fees from local governments for the services provided and renewable energy fees that are settled through grid companies, with the former often extending beyond 180 days due to fiscal appropriation procedures, while renewable energy tariff subsidies may also remain outstanding for over 180 days due to the relevant settlement and fund allocation process. This pattern is not company-specific but a sector-wide practice, supported by government policies and fiscal arrangements. We believe that our Group’s core customers (i.e., municipal authorities and state-owned grid companies) are highly creditworthy, with no history of default or litigation against them. We also strive to maintain a provisioning policy and we actively monitor our receivables to ensure financial stability. Given the strategic importance of the environmental protection industry in China and the improving macroeconomic and fiscal environment, we consider the credit and payment collection risk associated with our receivables to be manageable.

As of July 31, 2026, RMB778.6 million, or 40.0% of our trade receivables as of March 31, 2026 have been subsequently settled.

As of July 31, 2026, RMB223.2 million, or 21.1% of the trade receivables attributable to Renhe as of March 31, 2026 have been subsequently settled.

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Trade and other payables

Our trade and other payables comprise mainly payables related to construction projects, equipment procurement, consulting and technical services, repair materials and services, and raw materials and consumables. These obligations reflect both capital expenditures during project development and routine operational expenses.

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Trade payables				
– Equipment and construction .	239,141	314,694	332,160	273,253
– Others ⁽¹⁾	51,969	115,207	101,673	81,923
	291,110	429,901	433,833	355,176
Other taxes payable.	24,413	17,630	16,190	17,900
Payroll payables	47,364	70,588	85,548	30,284
Performance guarantee from				
suppliers	8,287	30,203	30,138	28,421
Payable for BOT project				
investment	52,564	51,047	50,578	50,578
Acquisition payable	–	661,043	2,000	2,000
Amount due to an associate. . .	–	1,500	1,500	–
Others ⁽²⁾	356	26,537	23,757	19,450
	424,094	1,288,449	643,544	503,809
<i>Less: Non-current portion</i>				
– Amount due to an associate .	–	(1,500)	(1,500)	–
– Others	–	(25,000)	(22,608)	(18,128)
Current portion	<u>424,094</u>	<u>1,261,949</u>	<u>619,436</u>	<u>485,681</u>

Notes:

1. Primarily comprised trade payables incurred during the operational phase, but not the construction phase, of a project, mostly related to procurement and operating expenses.
2. Primarily comprised advanced payment from the government.

Our trade payable are generally categorized into two groups with distinct credit terms. For construction-phase payables such as equipment and construction, the payment cycle is typically longer reflecting the large contract values and the inclusion of warranty periods, which delay final settlement until project acceptance and post-delivery performance are confirmed. For routine operational payables such as raw materials, consumables, and maintenance services, the payment cycle is shorter. This shorter cycle supports stable supplier relationships and ensures timely delivery of essential inputs. Compared to industry peers, our longer credit period for construction-related payables provides a financial advantage by easing short-term liquidity pressure and reducing reliance on external financing. Our short-cycle payables for daily operations help maintain strong supplier partnerships and operational continuity.

Our trade payable management policy has remained consistent during the Track Record Period, with no significant changes to credit terms or payment practices. We maintain disciplined payment schedules and monitor supplier performance to ensure alignment with project timelines and quality standards.

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The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2023	2024	2025	2026
	<i>(in days)</i>			
Trade payables turnover days ⁽¹⁾	139.6	92.0	126.6	111.1

Note:

- (1) Calculated using the average of opening and closing balances of the trade payables for such period divided by the direct costs and operating expenses, for the relevant periods and multiplied by 360 days for the full years 90 days for the three-month period.

Our trade payable turnover days were 139.6 days in the year ended December 31, 2023, 92.0 days in the year ended December 31, 2024, 126.6 days in the year ended December 31, 2025, and 111.1 days in the three months ended March 31, 2026. The decline in the year ended December 31, 2024 was primarily due to the decrease in payables in relation to equipment and construction from the conclusion of the construction of projects in previous years. The increase in the year ended December 31, 2025 were mainly due to the commencement of new projects. The increase in other trade payables in 2024 was mainly attributable to the operations of Renhe Group, which contributed to a higher volume of procurement and related payables during the year. The decrease in trade payables was mainly attributable to the settlement of construction and equipment payables following the transfer of the relevant construction in progress of the Liuyang Project, the Pingjiang Project and the Kyrgyzstan Project to property, plant and equipment.

The following table sets forth an aging analysis of our trade payable as of the dates indicated:

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	125,515	341,111	354,651	273,944
1 to 2 years	48,012	22,564	69,305	70,359
2 to 3 years	75,473	25,920	283	1,050
3 to 4 years	29,733	27,182	708	997
4 to 5 years	1,783	11,807	3,293	2,784
Over 5 years	10,594	1,317	5,593	6,042
	291,110	429,901	433,833	355,176

The shift in the proportion of our trade payable aged within one year reflects the payment of long-outstanding balances from earlier projects and the concentration of new payables in recently launched projects. We expect the proportion of payables aged within one year to decline in the future. The long aging of certain trade payables is primarily due to the settlement cycle for construction-related payments, which typically requires completion of final audits and approvals by relevant government departments. We confirm that there were no material overdue trade payables as of March 31, 2026. We anticipate a decline in the proportion of payables aged within one year due to the nature of its construction-related payment cycle.

As of July 31, 2026, RMB88.1 million, or 24.8% of our trade payables as of March 31, 2026 have been subsequently settled.

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Non-current assets and non-current liabilities

The following table sets forth the components of our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	March 31,
	(RMB'000)	(RMB'000)	(RMB'000)	2026
				(RMB'000)
Non-current assets				
Property, plant and equipment .	52,780	781,300	1,300,969	1,309,743
Right-of-use assets	10,077	104,185	98,853	97,507
Investment properties	–	9,000	7,554	7,192
Intangible assets	5,811,198	7,944,830	7,663,161	7,548,605
Goodwill	–	145,874	145,874	145,874
Investment in an associate	–	1,967	1,971	–
Other financial assets	601,563	478,762	30,463	300
Prepayments, trade and other				
receivables	292,510	259,799	184,998	183,332
Deferred tax assets	20,864	62,600	48,664	52,059
Total non-current assets	6,788,992	9,788,317	9,482,507	9,344,612
Non-current liabilities				
Other payables	–	26,500	24,108	18,128
Bank loans and other				
borrowings	2,155,384	2,403,742	2,505,769	2,752,604
Lease liabilities	9,169	7,216	7,260	7,351
Deferred tax liabilities	–	238,767	201,055	193,208
Provisions	769,860	913,847	1,089,420	1,097,781
Total non-current liabilities .	2,934,413	3,590,072	3,827,612	4,069,072

Intangible assets

Our intangible assets comprised mainly software, concession rights, and backlog contracts. Our intangible assets increased by 36.7% from RMB5,811.2 million as of December 31, 2023 to RMB7,944.8 million as of December 31, 2024, primarily due to the Acquisition of Renhe. As of December 31, 2025 and March 31, 2026, our intangible assets remained relatively stable at RMB7,663.2 million and RMB7,548.6 million, respectively.

Goodwill

Goodwill arises on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment. As stated in Note 15 in Appendix I to this Document, in November 2024, Our Group completed the acquisition of Renhe Group, which comprises two cash-generating units (“CGU”s): Renhe Environment Technology CGU and Renhe Environment Protection CGU. The Renhe Environment Technology CGU is primarily engaged in food waste collection, waste treatment services and the sale of industrial-grade mixed oil, whereas the Renhe Environment Protection CGU focuses on household waste interim treatment, compression and transfer services. Goodwill arising from the acquisition has been allocated to these CGUs based on their respective business types.

Renhe Environment Technology CGU

The recoverable amount of the Renhe Environment Technology CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering 12.5 and 11.5 years as of December 31, 2024 and 2025, respectively, which was the remaining period of the service concession contract. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

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	As of December 31,	
	2024	2025
Annual growth rate of revenue during the remaining period of the franchise contract . .	-1.67% ~ 1.46%	1.17% ~ 2.93%
Net profit margin in operating periods	24.33% ~ 26.89%	22.37% ~ 28.27%
Pre-tax discount rate	10.10%	9.85%

As of December 31, 2024 and 2025, the headroom calculated based on the recoverable amounts deducting the carrying amount of the Renhe Environment Technology CGU was RMB391.8 million and RMB573.8 million. As there was no events or changes in circumstances indicate that it might be impaired, no goodwill impairment test was performed for Renhe Environment Technology CGU as of March 31, 2026.

Renhe Environment Protection CGU

The recoverable amount of the Renhe Environment Protection CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering 5.3 and 4.3 years as of December 31, 2024 and 2025, respectively, which was the remaining period of the service concession contract. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

	As of December 31,	
	2024	2025
Annual growth rate of revenue during the remaining period of the franchise contract. . .	5.85% ~ 5.88%	2.93% ~ 4.37%
Net profit margin in operating periods	37.59% ~ 46.71%	38.37% ~ 45.30%
Pre-tax discount rate	11.24%	10.30%

As of December 31, 2024 and 2025, the headroom calculated based on the recoverable amounts deducting the carrying amount of the Renhe Environment Protection CGU was RMB385.3 million and RMB664.6 million, respectively. As there was no events or changes in circumstances indicate that it might be impaired, no goodwill impairment test was performed for Renhe Environment Protection CGU as of March 31, 2026.

Sensitivity Analysis

We have undertaken sensitivity analysis on the impairment test of Renhe Environment Technology CGU and Renhe Environment Protection CGU. The following table sets forth the decrease of one percentage point in annual growth rate of revenue, net profit margin in operating period or increase of one percentage point in pre-tax discount rate that would, in isolation, have impact on the recoverable amount of the two CGUs respectively:

	As of December 31, 2024	
	Decrease in recoverable amount	
	Renhe Environment Technology CGU	Renhe Environment Protection CGU
	RMB'000	RMB'000
Annual growth rate of revenue	128,044	53,992
Net profit margin in operating period	29,430	33,310
Pre-tax discount rate	52,024	64,051
	As of December 31, 2025	
	Decrease in recoverable amount	
	Renhe Environment Technology CGU	Renhe Environment Protection CGU
	RMB'000	RMB'000
Annual growth rate of revenue	128,964	43,914
Net profit margin in operating period	31,728	28,285
Pre-tax discount rate	51,547	67,868

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Our Directors are of the view that, a reasonably possible change in a key parameter will not cause the carrying amount of the relevant CGUs to exceed the recoverable amounts as of December 31, 2024 and 2025. The following table sets forth the hypothetical decrease in percentage points of annual growth rate of revenue, net profit margin in operating period or increase in percentage points of pre-tax discount rate that would have removed the remaining headroom between the carrying amount of the respective CGUs and the recoverable amounts, in isolation, as of December 31, 2024 and 2025:

As of December 31, 2024		
	Renhe Environment Technology CGU	Renhe Environment Protection CGU
Annual growth rate of revenue	3.28%	7.48%
Net profit margin in operating period	13.31%	11.57%
Pre-tax discount rate	10.50%	6.79%

As of December 31, 2025		
	Renhe Environment Technology CGU	Renhe Environment Protection CGU
Annual growth rate of revenue	4.97%	13.89%
Net profit margin in operating period	18.07%	19.14%
Pre-tax discount rate	18.46%	18.71%

Bank loans and other borrowings

Our bank loans and other borrowings comprised mainly bank borrowings obtained to support the construction and development of our waste-to-energy incineration projects. These loans are typically medium- to long-term in nature and are secured through a combination of pledges and guarantees. Please see the sub-section headed “— Indebtedness” in this section for details. As of March 31, 2026, we have unutilized credit facilities from independent third-party commercial banks of over RMB6,000 million which is confirmed to be available for our Group’s drawdown without any assistance, guarantee or security from our Controlling Shareholders or their respective close associates. Our Directors confirm that such credit facilities are not subject to any commitments or conditions.

Provisions

Our provisions comprised mainly estimated future replacement costs associated with concession projects, in accordance with IAS 37. These provisions reflect the winded expected future costs of restoring or replacing infrastructure assets over the life of the concession agreements. Our provision increased by 18.7%, from RMB769.9 million as of December 31, 2023 to RMB913.8 million as of December 31, 2024. This increase was primarily due to (i) commencement of operation of our Pingjiang Waste-to-Energy Incineration Project, triggering the recognition of full-lifecycle replacement obligations under the concession agreement; and (ii) the Acquisition of Renhe, which brought in additional projects with associated future replacement obligations. As of December 31, 2025, our provisions further increased by 19.2% to RMB1,089.4 million, primarily due to commencement of operations at our Liuyang Project, triggering the recognition of full-lifecycle replacement obligations under the concession agreement. As of March 31, 2026, our provisions remained relatively stable at RMB1,097.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of liquidity has been, and is expected to continue to be, cash generated from operating activities together with available credit facilities and bank borrowings. Our liquidity requirements primarily relate to funding our working capital requirements and our capital expenditures. We had cash and cash equivalents of RMB861.4 million, RMB1,444.0 million, RMB1,219.8 million, RMB1,381.7 million and RMB1,220.9 million as of December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, respectively.

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Cash flows analysis

The table below sets forth selected cash flow statement information from our consolidated cash flow statements for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash generated from operating activities . .	868,733	971,097	1,699,239	148,110	235,751
Net cash (used in)/generated from investing activities . .	(160,212)	164,055	(1,931,007)	(994,804)	(200,096)
Net cash generated from/(used in) financing activities . .	(878,168)	(552,435)	7,887	784,356	(31,633)
Net increase/(decrease) in cash and cash equivalents	(169,647)	582,717	(223,881)	(62,338)	4,022
Cash and cash equivalents, beginning of the year/period	1,031,578	861,370	1,444,006	1,444,006	1,219,757
Effect of exchange rate changes on cash and cash equivalents	(561)	(81)	(368)	26	(2,872)
Cash and cash equivalents, end of the year/period	861,370	1,444,006	1,219,757	1,381,694	1,220,907

Net cash generated from operating activities

Our cash flows generated from operating activities reflect our profit before taxation adjusted by (i) non-cash and non-operating items (such as depreciation of non-current assets and interest income); (ii) the effects of movement in working capital (such as inventories, receivables and payables); and (iii) other cash items (such as income taxes paid).

For the year ended December 31, 2023, we had net cash generated from operating activities of RMB868.7 million, which represents an increase of RMB78.5 million from the previous period. This primarily represents profit before income tax of RMB702.7 million, adjusted by amortization of intangible assets of RMB284.3 million. For the year ended December 31, 2024, we had net cash generated from operating activities of RMB971.1 million, which represents an increase of RMB102.4 million from the previous period. This primarily represents profit before income tax of RMB762.5 million, adjusted by amortization of intangible assets of RMB304.8 million. For the year ended December 31, 2025, we had net cash generated from operating activities of RMB1,699.2 million, which represents an increase of RMB728.1 million from the previous period. This primarily represents profit before taxation of RMB1,151.5 million, adjusted by amortization of intangible assets of RMB548.6 million.

For the three months ended March 31, 2025, we had net cash generated from operating activities of RMB148.1 million, which primarily represents profit before taxation of RMB208.5 million, adjusted by amortization of intangible assets of RMB130.9 million.

For the three months ended March 31, 2026, we had net cash generated from operating activities of RMB235.8 million, which represents an increase of RMB87.7 million from the previous period. This primarily represents profit before taxation of RMB348.4 million, adjusted by amortization of intangible assets of RMB139.7 million.

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Net cash (used in)/generated from investing activities

Our cash flows (used in)/generated from investing activities primarily reflect our capital expenditures, investment transactions, and proceeds from disposals of assets or investments.

For the year ended December 31, 2023, we had net cash used in investing activities of RMB160.2 million, which was primarily attributable to payment of purchase of financial assets at FVPL of RMB2,740.0 million, and payment for the purchase of property, plant and equipment and construction of PPP projects of RMB569.0 million. This was partially offset by proceeds from disposal of financial assets at FVPL of RMB3,633.3 million. For the year ended December 31, 2024, we had net cash generated from investing activities of RMB164.1 million, which was primarily attributable to proceeds from disposal of financial assets at FVPL of RMB5,387.9 million, and was partially offset by payment of purchase of financial assets at FVPL of RMB4,952.0 million and payment for the purchase of property, plant and equipment and construction of PPP projects of RMB920.4 million.

For the year ended December 31, 2025, we had net cash used in investing activities of RMB1,931.0 million, which was primarily attributable to payment of purchase of financial assets at FVPL of RMB11,122.0 million, and acquisition of subsidiaries, net of cash acquired, of RMB659.0 million, and was partially offset by proceeds from disposal of financial assets at FVPL of RMB10,307.4 million.

For the three months ended March 31, 2025, we had net cash used in investing activities of RMB994.8 million, which was primarily attributable to payment for purchase of financial assets at FVPL of RMB2,162.0 million and acquisition of subsidiaries, net of cash acquired, of RMB659.0 million, which was partially offset by proceeds from disposal of financial assets at FVPL of RMB1,951.1 million.

For the three months ended March 31, 2026, we had net cash used in investing activities of RMB200.1 million, which was primarily attributable to payment of purchase of financial assets at FVPL of RMB2,289.0 million, and payment for the purchase of property, plant and equipment and construction of PPP projects of RMB122.3 million, and was partially offset by proceeds from disposal of financial assets at FVPL of RMB2,169.2 million.

Net cash (used in)/generated from financing activities

Our cash flows from financing activities primarily reflect our borrowings and repayments, equity financing, and distributions to shareholders.

For the year ended December 31, 2023, we had net cash used in financing activities of RMB878.2 million, which was primarily attributable to repayment of bank loans and other borrowings of RMB380.2 million and dividends paid to equity shareholders of our Company of RMB369.0 million. For the year ended December 31, 2024, we had net cash used in financing activities of RMB552.4 million, which was primarily attributable to repayment of bank loans and other borrowings of RMB501.1 million and dividends paid to equity shareholders of our Company of RMB369.0 million. It was partially offset by proceeds from bank loans and other borrowings of RMB588.0 million.

For the year ended December 31, 2025, we had net cash generated from financing activities of RMB7.9 million, which was mainly attributable to net proceeds from issuance of new shares of RMB744.4 million and proceeds from bank loans and other borrowings of RMB593.0 million, which was partially offset by dividends paid to equity shareholders of the Company of RMB507.3 million and repayment of bank loans and other borrowings of RMB463.7 million.

For the three months ended March 31, 2025, we had net cash generated from financing activities of RMB784.4 million, which was mainly attributable to net proceeds from issuance of new shares of RMB744.4 million, which was partially offset by interest of bank loans and other borrowings paid of RMB24.4 million.

For the three months ended March 31, 2026, we had net cash used in financing activities of RMB31.6 million, which was mainly attributable to payment for repurchase of own shares of RMB249.0 million, which was partially offset by proceeds from bank loans and other borrowings of RMB268.0 million.

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Sufficiency of working capital

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

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025, March 31, 2026, and July 31, 2026, our indebtedness included bank borrowings, other borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2023	2024	2025	2026	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(audited)			(unaudited)
Lease liabilities	10,170	8,197	7,700	7,796	7,598
Bank loans and other borrowings					
Unsecured and unguaranteed	–	144,868	268,956	462,739	461,541
Secured					
– Guaranteed loans	2,566,179	2,077,638	989,845	989,888	854,568
– Non-guaranteed loans	80,076	663,601	1,749,855	1,794,864	1,796,011
Total	2,656,425	2,894,304	3,016,356	3,255,287	3,119,718

As of December 31, 2023, 2024, and 2025, March 31, 2026 and July 31, 2026, our indebtedness remained at RMB2,656.4 million, RMB2,894.3 million, RMB3,016.4 million, RMB3,255.3 million, and RMB3,119.7 million, respectively. The fluctuation of our indebtedness throughout this period was mainly attributable to the repayment schedule of our existing loans to support the construction of our previous projects, and the addition of new loans to support the construction of our new projects. Our Directors confirm that the guarantee provided by Junxin Group has been released as of the Latest Practicable Date while the guarantee provided by Pudong Environmental Protection and Yonker Environmental Protection will not be released until their respective date of expiration. Pudong Environmental Protection and Yonker Environmental Protection are the minority shareholder of Puxiang Bioenergy and Puxiang Environmental Energy, each of the shareholders of these two subsidiaries, including our Company, Pudong Environmental Protection and Yonker Environmental Protection, have agreed to finance these two subsidiaries through equity contributions as well as debt support (i.e. guarantee to banks providing loans), as our Company will continue to provide guarantee to these subsidiaries, these two minority shareholders will continue to provide guarantee after the [REDACTED]. Please also see the section headed “Connected Transactions” and Notes 23 and 31(e) in the Accountant’s Report in Appendix I to this Document for further information.

During the Track Record Period and up to the Latest Practicable Date, there was no material covenants on any of our outstanding debts and had not breached any debt covenants. During the same period, we had not experienced any difficulty in obtaining additional debt or equity financing.

Contingent liabilities

As of December 31, 2023, 2024 and 2025, March 31, 2026, and July 31, 2026, we did not have any material contingent liabilities. Our Directors confirm that there had been no material change in our contingent liabilities since July 31, 2026 and up to the Latest Practicable Date.

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Indebtedness statement

Except as disclosed above, as of July 31, 2026, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since July 31, 2026 and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

For the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, respectively, our capital expenditures were related to the payment for the purchase of property, plant and equipment and construction of PPP Projects, which amounted to RMB569.0 million, RMB920.4 million, RMB600.3 million and RMB122.3 million, respectively. We funded these expenditures mainly with cash generated from our business operations, borrowings, and proceeds from our A Share Offering.

CAPITAL COMMITMENTS

Our capital commitments which are authorized and contracted as of December 31, 2023, 2024, and 2025, and the three months ended March 31, 2026, respectively were RMB975.5 million, RMB731.2 million, RMB169.1 million and RMB122.1 million, respectively, which were mainly attributable to purchase commitments that are outstanding in connection with our construction contracts. We have funded and expect to continue to fund our capital commitments with our cash flow generated from operating activities, borrowings, and issuance of equity instruments.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had transactions with certain related parties. For details, please refer to Note 31 to the Accountants’ Report included in Appendix I to this Document. Our Directors confirm that these transactions were conducted on arm’s length basis and entered into in the ordinary course of business and would not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31			As of/for the three months ended March 31,
	2023	2024	2025	2026
Return on equity ⁽¹⁾	11.6%	9.6%	10.9%	3.2%
Return on assets ⁽²⁾	6.8%	5.8%	7.0%	2.1%
Gearing ratio ⁽³⁾	46.4%	33.7%	31.5%	33.8%
Gross profit margin ⁽⁴⁾	51.2%	41.5%	55.0%	56.6%
Net profit margin ⁽⁵⁾	35.5%	28.5%	36.4%	41.4%
Dividend payout ratio ⁽⁶⁾	71.8%	94.6%	70.2%	/

Notes:

- (1) Return on equity is calculated based on the profit for the year/period divided by the arithmetic mean of the opening and closing balances of the total equity and multiplied by 100%.
- (2) Return on assets is calculated based on the profit for the year/period divided by the arithmetic mean of the opening and closing balances of the total assets and multiplied by 100%.
- (3) Gearing ratio is calculated based on total indebtedness (including bank borrowings, other borrowings and lease liabilities) divided by total equity and multiplied by 100%.
- (4) Our overall gross profit margin equals to our overall gross profit for the year/period divided by revenue for the year/period and multiplied by 100%. Owing to the nature of our operations in this industry, the accounting treatment of our service concession agreements, our revenue comprised (i) operational revenue from our

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projects; and (ii) those in relation to construction services. For a better understanding of our operational performance, our operating gross profit margins from our projects were of 62.9%, 63.6%, 56.6%, 57.8% and 58.5% for the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026, respectively.

- (5) Our overall net profit margin equals to our overall net profit for the year/period divided by revenue for the year/period and multiplied by 100%. Similarly, our operating net profit margins from our projects were 43.7%, 43.6%, 37.4%, 36.3% and 42.8% for the years ended December 31, 2023, 2024, and 2025, and the three months ended March 31, 2025 and 2026, respectively.
- (6) Dividend payout ratio equals our dividends paid to the equity shareholders of our Company in respect of a financial year, divided by the profit attributable to the equity shareholders of our Company for the same year and multiplied by 100%.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not enter into any outstanding off-balance sheet commitments or arrangements.

DIVIDEND AND DIVIDEND POLICY

Pursuant to PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies — Cash Dividend Distribution of Listed Companies (2025 Revision) (《上市公司監管指引第3號—上市公司現金分紅(2025年修訂)》) (the “No. 3 Guideline”), as well as our Articles of Association, specific dividend ratio is determined by our Board in accordance with applicable regulations and our operating conditions, and is subject to consideration and approval at our general shareholders’ meeting. Under Article 5 of the No. 3 Guideline, we are classified as a company at a mature stage of development with significant capital expenditure arrangements.

Our dividend policy is that where our Group records a profit for the year and has positive undistributed profits on a cumulative basis, and provided that such distribution does not compromise our ability to continue operations and support long-term development, we will distribute no less than 50% of the net profit attributable to shareholders of the parent company (as shown in the consolidated financial statements) in the form of cash dividends for that year, unless there are significant investment plans or major cash expenditure arrangements in place (excluding projects funded by proceeds from fundraising activities). Pursuant to our Articles of Association, “significant investment plans” or “major cash expenditure arrangements” means any of the following: (i) proposed external investments, asset acquisitions or equipment purchases by us within the next 12 months, on an aggregate basis, amount to or exceed 50% of our latest audited net assets and exceed RMB50 million; or (ii) proposed external investments, asset acquisitions or equipment purchases by us within the next 12 months, on an aggregate basis, amount to or exceed 30% of our latest audited total assets. Apart from above, we currently do not have any other formal dividend policy or set other payout ratio target. As of the Latest Practicable Date, our Group has no unpaid dividends, and no foreseeable material changes have been identified.

Future profit distributions may be made in the form of cash dividends, stock dividends, or a combination of both. Any proposed distribution is subject to the discretion of our Board and approval at our shareholders’ meetings. In making such recommendations, our Board will consider a range of factors including our operating results, financial condition, business needs, capital requirements, shareholder interests, and any other factors it deems relevant.

For the years ended December 31, 2023, 2024 and 2025, the dividends of RMB369.0 million, RMB369.0 million and RMB507.3 million in respect of the years ended December 31, 2022, 2023 and 2024, were declared and paid, respectively. Our dividend payout ratios for the years ended December 31, 2023, 2024 and 2025 were 71.8%, 94.6% and 70.2%, respectively. On April 21, 2026, we held a shareholders’ meeting and approved a proposal by our Board of Directors to distribute a dividend of RMB6.53 per 10 shares based on the then total share capital of 789,100,842 shares, excluding 18,889,311 shares cumulatively repurchased and held in our repurchased securities account, totaling RMB502.9 million, with no bonus shares to be issued and no conversion of capital reserves into share capital to be made. As of the Latest Practicable Date, we had paid the dividend of RMB502.9 million. For further information, please refer to Note 28 of the Accountants’ Report in Appendix I to this Document.

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[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. Assuming the [REDACTED] is not exercised and based on the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED], [REDACTED] to be borne by us are estimated to be HK\$[REDACTED], comprising: (i) [REDACTED], SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy of HK\$[REDACTED]; and (ii) non-[REDACTED]-related expenses of HK\$[REDACTED], which are further categorized into: (a) fees and expenses of legal advisers and accountants of HK\$[REDACTED]; and (b) other fees and expenses of HK\$[REDACTED]. Among the estimated aggregate amount of our estimated [REDACTED], (i) HK\$[REDACTED] is expected to be charged to our consolidated statements of profit or loss, of which HK\$[REDACTED] was recognized as our profit or loss during the Track Record Period; and (ii) HK\$[REDACTED] is directly attributable to the [REDACTED] of the [REDACTED] in the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED] in accordance with relevant accounting standards. The [REDACTED] are expected to represent approximately [REDACTED]% of the [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the maximum [REDACTED]) and that the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FINANCIAL RISK MANAGEMENT

Our Group has established a comprehensive enterprise risk management policy that sets out the overall objectives, organizational structure and procedures for identifying, assessing, responding to, monitoring and optimizing risks. Governance is tiered. The Board of Directors, as the highest decision making body for risk, approves risk management strategies and major risk response plans and receives regular risk reports. The Audit Committee, acting in accordance with its terms of reference, supervises and evaluates the effectiveness of enterprise risk management and reports to the Board. The General Manager’s Office is responsible for implementation and effectiveness, including setting our Group’s risk appetite and risk tolerance, reviewing major risk assessments and response plans and approving the annual enterprise risk management work report. The General Manager’s Office coordinates execution, the business departments are the owners of business risks, and the Finance and Operations Departments collaborate to form a comprehensive risk prevention and control network. The Internal Audit Department conducts independent supervision and evaluation of the enterprise risk management system and issues oversight reports to the Audit Committee. Consistent with the characteristics of the waste to energy incineration industry, including long project lifecycles, capital intensity and strong policy linkage, our Group adheres to a closed loop process of risk identification, assessment, response, monitoring and optimization. We perform periodic comprehensive risk assessments and stress testing to keep risk levels within our Group’s risk appetite. Our Group’s exposure to these risks and the financial risk management policies and practices used by our Group to manage these risks are described as follows:

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to trade receivables, receivables arising from service concession arrangements and contract assets. Our Group’s exposure to credit risk arising from cash and cash equivalents, restricted deposits and bills receivables is limited because the counterparties are banks and financial institutions with high credit quality, which our Group considers to have low credit risk. Our Group’s exposure to credit risk arising from entrusted loans is considered to be low given full and unconditional guarantees from state owned entities with high credit quality and a diligent repayment track record. We consider our exposure to credit risk arising from other receivables is not significant as the balances of other receivables as of December 31, 2023, 2024 and 2025, and March 31, 2026 mainly are deposits and no significant actual losses were experienced historically by our Group. Our Group does not provide any guarantee which would expose our Group to credit risk.

Our Group has a concentration of credit risk for trade receivables and contract assets. As of December 31, 2023, 2024 and 2025, and the three months ended March 31, 2026, the gross carrying amount of trade receivables and the gross carrying amounts of contract assets of our Group amounted to RMB839.7 million, RMB1,886.0 million, RMB1,847.9 million and RMB1,985.8

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million, respectively, of which 99.83%, 96.72%, 93.45% and 92.98% were due from the five largest customers in aggregate of our Group, respectively. For trade receivables and contract assets to which our Group applies the simplified approach for impairment, information is disclosed in Notes 19 and 22 of the Accountant’s Report in Appendix I to the Document.

In line with our Group’s enterprise risk management framework, the Finance Department monitors customer creditworthiness and payment history, maintains customer exposure registers and reports material concentration and aging trends to senior management for oversight, which is designed to be consistent with the simplified impairment approach referenced above.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. At the Group level, our policy is to regularly monitor liquidity requirements and compliance with lending covenants to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

The Finance Department operates a multi layer liquidity monitoring system. It tracks key indicators including current ratio, quick ratio and cash ratio, and prepares monthly and annual cash flow plans that take into account waste treatment fee collection cycles, debt servicing schedules and project investment progress. A dedicated loan covenant register is maintained, and actual operating and financial data are periodically checked against covenant requirements, including leverage ratios and profitability metrics, to ensure continuing compliance. Reports on cash positions, covenant status and forward looking funding needs are provided regularly to the General Manager’s Office and the Board. To enhance funding resilience, our Group diversifies financing channels, maintains strategic relationships with multiple commercial banks and preserves sufficient credit facility headroom to form a stable funding pool. Governance responsibilities are allocated such that the Board provides strategic oversight of liquidity risk, the Finance Department manages day to day cash planning, covenant monitoring and compliance reporting, and business departments supply forward projections of operational funding needs to support group level planning.

Interest rate risk

Our Group’s interest rate risk exposure arises primarily from lease liabilities and short term and long term loans and borrowings. These borrowings bearing interest at variable rates expose our Group to cash flow interest rate risk. The Finance Department identifies and measures interest rate risk by performing scenario analysis of interest rate movements and estimating the resulting changes in interest expense across different financing structures. In view of the financing characteristics of long duration waste to energy projects, our Group predominantly adopts floating rate financing, supported by an internal interest rate alert mechanism. When market rates approach preset thresholds, the Finance Department promptly reviews financing plans, including consideration of refinancing timing, repricing options within facility agreements and rebalancing between bank lines to optimize cost. Day to day monitoring and analysis are led by the Finance Department, while decisions involving significant changes in risk posture or facility terms are submitted to the Board for consideration and approval in accordance with our Group’s governance procedures.

Currency risk

As our principal activities are carried out in the People’s Republic of China, our transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People’s Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for foreign exchange transactions are the rates of exchange quoted by the People’s Bank of China and are determined largely by supply and demand. Our Group is exposed to currency risk primarily from cash and cash equivalents, other receivables and bank loans that are denominated in a foreign currency, being a currency other than the functional currency of the operations to which the transactions relate. Our currency risk mainly arises from transactions denominated in USD and JPY as well as RMB in respect of subsidiaries whose functional currencies are not RMB. The Finance Department manages currency risk through a structured process. It maintains foreign currency ledgers and regularly reconciles foreign currency balances, quantifies the impact of exchange rate

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fluctuations on exchange gains or losses in the income statement and on translation differences in the consolidated financial statements, and analyzes historical exchange rate movements to form views on potential trend scenarios. These assessments provide data support for selecting appropriate risk responses, consistent with our Group’s overarching risk management framework. The Finance Department is the responsible owner for monitoring foreign currency exposure and reporting material variances to senior management. For further information please see Note 29 of the Accountant’s Report in Appendix I to the Document.

Loan covenant compliance and internal controls

To strictly comply with loan covenant requirements and mitigate default risk, our Group has instituted a full process covenant compliance management regime aligned with applicable regulatory expectations. Prior to signing loan agreements, the Finance Department reviews covenant terms and assesses compliance risks, with particular focus on interest adjustment clauses, financial ratio undertakings and restrictive provisions, to ensure alignment with our Group’s overall interests. During the life of each loan, the Finance Department maintains a covenant register, highlights key undertakings, compares actual operating and financial data to the covenants at set intervals and provides periodic compliance reports to the General Manager’s Office. If a compliance risk alert is triggered, an emergency response procedure is initiated. The General Manager’s Office coordinates with the Finance Department to formulate and execute remediation measures, which may include financial structure adjustments or negotiation of covenant amendments with lenders, with the objective of avoiding the occurrence of an actual breach. The Finance Department is accountable for day to day covenant monitoring and ledger management, while the Board exercises oversight over compliance with material loan arrangements to ensure adherence to applicable stock exchange rules regarding loan arrangements.

For further information please see Note 29 of the Accountant’s Report in Appendix I to the Document.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this Document, there had been no material adverse change in our business, financial condition and results of operations since March 31, 2026, which is the end date of the period reported on in the Accountants’ Report as set out in Appendix I to this Document, and there is no event since March 31, 2026 which would materially affect the information in the Accountants’ Report as set out in Appendix I to this Document.

Summary of Unaudited Interim Financial Information for the Six Months Ended June 30, 2026

We are a public company listed on the Shenzhen Stock Exchange and we have disclosed unaudited interim financial information prepared under PRC GAAP as of and for the six months ended June 30, 2026 pursuant to the relevant PRC securities laws and regulations. We have included our unaudited interim condensed consolidated financial information prepared in accordance with IAS 34, *Interim Financial Reporting*, as of and for the six months ended June 30, 2026 in Appendix IA to this document. Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2026 has been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The members of the Board, including those of the Audit Committee, have received and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2026, as set out in Appendix IA to this document. We have complied with the code provisions in Part 2 of Appendix C1 to the Listing Rules. We are not in breach of our Articles of Association or laws and regulations of the PRC or other regulatory requirements regarding our obligation to distribute interim reports in accordance with the requirements under Rule 13.48(1) of the Listing Rules. Pursuant to the Note to Rule 13.48(1) of the Listing Rules, we do not intend to distribute a separate interim report in respect of the six months ended June 30, 2026 under the aforementioned Rule. See “Appendix IA — Unaudited Interim Financial Information.” The following is a discussion of fluctuations of selected line items.

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Summary of Consolidated Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the six months ended June 30,			
	2025		2026	
	RMB	%	RMB	%
	(RMB in thousands, except for percentages) (unaudited)			
Revenue	1,468,443	100.0	1,550,381	100.0
Direct costs and operating expenses	(662,756)	(45.1)	(664,233)	(42.8)
Gross profit	805,687	54.9	886,148	57.2
Other revenue	57,469	3.9	51,307	3.3
Other net income/(loss)	3,747	0.3	(176)	(0.0)
Administrative and selling expenses	(130,755)	(8.9)	(162,011)	(10.4)
Research and development expenses	(33,992)	(2.3)	(41,187)	(2.7)
Impairment losses under ECL model, net of reversal	(14,981)	(1.0)	9,846	0.6
Profit from operations	687,175	46.8	743,927	48.0
Finance costs	(57,251)	(3.9)	(68,305)	(4.4)
Share of profit of an associate	30	0.0	1,613	0.1
Profit before taxation	629,954	42.9	677,235	43.7
Income tax	(85,828)	(5.8)	(86,221)	(5.6)
Profit for the period	544,126	37.1	591,014	38.1

Revenue

Our revenue increased by 5.6% from RMB1,468.4 million for the six months ended June 30, 2025 to RMB1,550.4 million for the six months ended June 30, 2026. Specifically, our revenue from sales of electricity increased by 18.4% from RMB409.6 million for the six months ended June 30, 2025 to RMB484.9 million for the six months ended June 30, 2026, primarily due to the commencement of operation of our Kyrgyzstan project in December 2025. Our revenue from household waste interim treatment and transfer services increased by 10.3% from RMB333.4 million for the six months ended June 30, 2025 to RMB367.8 million for the six months ended June 30, 2026, primarily due to increased residential waste collection volume driven by enhanced environmental improvement efforts in Changsha.

Direct costs and operating expenses

Our direct costs and operating expenses remained relatively stable at RMB662.8 million and RMB664.2 million in the six months ended June 30, 2025 and 2026.

Gross profit

Our gross profit increased by 10.0% from RMB805.7 million in the six months ended June 30, 2025 to RMB886.1 million in the six months ended June 30, 2026, and our overall gross profit margin increased from 54.9% in the six months ended June 30, 2025 to 57.2% in the six months ended June 30, 2026. Our gross profit from Changsha Waste-to-Energy Incineration Project (phase I) increased by 9.6% from RMB217.1 million to RMB237.9 million, primarily due to the increased revenue driven the increased waste treatment volume and electricity output after the turbine expansion project commenced operation, with gross profit margin increasing from 67.1% to 70.1%, respectively. Our gross profit from Changsha Transfer Project increased by 16.4% from RMB180.3 million to RMB209.9 million, and our gross profit margin increased from 53.1% to 55.8%, primarily due to economies of scale from the increased treatment and transfer volume.

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Other revenue

Our other revenue decreased by 10.7% from RMB57.5 million for the six months ended June 30, 2025 to RMB51.3 million for the six months ended June 30, 2026, primarily due to the decrease in interest income on bank deposits and other financial assets.

Other net income/(loss)

Our other net income decreased significantly from RMB3.7 million for the six months ended June 30, 2025 to other net loss of RMB0.2 million for the six months ended June 30, 2026, primarily due to the increase in foreign exchange loss.

Administrative and selling expenses

Our administrative and selling expenses increased by 23.9% from RMB130.8 million for the six months ended June 30, 2025 to RMB162.0 million for the six months ended June 30, 2026, primarily due to the increase in staff costs attributable to the additional discretionary bonus granted.

Research and development expenses

Our research and development expenses increased by 21.2% from RMB34.0 million for the six months ended June 30, 2025 to RMB41.2 million for the six months ended June 30, 2026, primarily due to the increase in direct materials to support our research and development activities.

Finance costs

Our finance costs increased by 19.3% from RMB57.3 million for the six months ended June 30, 2025 to RMB68.3 million for the six months ended June 30, 2026, primarily due to the increase in interest on bank loans and other borrowings in line with the increased bank loans and other borrowings.

Income tax

Our income tax remained relatively stable at RMB85.8 million and RMB86.2 million for the six months ended June 30, 2025 and 2026, respectively.

Net profit

As a result of the foregoing, our net profit increased by 8.6% from RMB544.1 million for the six months ended June 30, 2025 to RMB591.0 million for the six months ended June 30, 2026.

Summary of Consolidated Statements of Financial Position

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

	<u>As of December 31, 2025</u>	<u>As of June 30, 2026</u>
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Total non-current assets	9,482,507	9,716,394
Total current assets	5,078,510	4,474,385
Total assets	14,561,017	14,190,779
Total non-current liabilities	3,827,612	3,923,697
Total current liabilities	1,160,100	1,079,537
Net current assets	3,918,410	3,394,848
Total liabilities	4,987,712	5,003,234
Net assets	9,573,305	9,187,545
Share capital	789,101	789,101
Reserves	6,961,364	6,631,803
Equity attributable to equity shareholders of the Company	7,750,465	7,420,904
Non-controlling interests	1,822,840	1,766,641
Total equity	9,573,305	9,187,545

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Our net current assets decreased from RMB3,918.4 million as of December 31, 2025 to RMB3,394.8 million as of June 30, 2026, mainly due to a net decrease in current assets, primarily as a result of a decrease in financial assets at FVPL mainly driven by the decreased structured deposits and decreased in other financial assets driven by the maturity of bank CDs to support our business growth. Such decrease was partially offset by a decrease in current liabilities, mainly due to a decrease in trade and other payables driven by the settlement of trade payables for equipment and construction.

Our net assets decreased from RMB9,573.3 million as of December 31, 2025 to RMB9,187.5 million as of June 30, 2026, mainly due to (i) dividend declared and paid to the equity shareholders of our company of RMB502.9 million; (ii) repurchase of our A shares of RMB249.0 million; and (iii) dividend declared and paid to the non-controlling shareholders of our subsidiaries of RMB219.5 million. such decrease was partially offset by our total comprehensive income for the period of RMB585.7 million.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	For the six months ended June 30,	
	2025	2026
	RMB'000	RMB'000
	<i>(unaudited)</i>	
Net cash generated from operating activities.	723,643	627,660
Net cash (used in)/generated from investing activities.	(1,369,179)	356,945
Net cash generated from/(used in) financing activities.	110,666	(923,761)
Net (decrease)/increase in cash and cash equivalents.	(534,870)	60,844
Cash and cash equivalents at the beginning of the period	1,444,006	1,219,757
Effect of foreign exchange rate changes.	(3,053)	8,460
Cash and cash equivalents at the end of the period	906,083	1,289,061

We recorded net cash generated from investing activities of RMB356.9 million for the six months ended June 30, 2026, as compared with net cash used in investing activities of RMB1,369.2 million for the six months ended June 30, 2025, primarily due to the increase in proceeds from disposal of financial assets at FVPL, from RMB4,163.5 million for the six months ended June 30, 2025 to RMB5,638.2 million for the six months ended June 30, 2026.

DISTRIBUTABLE RESERVES

As of March 31, 2026, we had retained profits of RMB974.3 million. Our retained earnings represented the distributable reserves available for distribution to our Shareholders.

FINANCIAL INFORMATION OF RENHE

The following is a discussion of Renhe’s financial information for (i) the year ended December 31, 2023; and (ii) the eleven months ended November 30, 2024. As these two periods are of different lengths, Renhe’s financial information for these two periods is not directly comparable. Accordingly, prospective [REDACTED] are cautioned not to infer any comparison among the financial information for these three periods, or to place undue reliance on the following discussion.

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Consolidated statements of profit or loss

The following table sets forth a summary of Renhe’s consolidated statements of profit or loss for the periods indicated:

	For the year ended December 31,		Eleven months ended November 30,	
	2023		2024	
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue	1,026,651	100.0	973,837	100.0
Direct costs and operating expenses	(311,306)	(30.3)	(280,177)	(28.8)
Gross profit	715,345	69.7	693,660	71.2
Other revenue	22,900	2.2	21,256	2.2
Other net (loss)/income	(60)	(0.0)	684	0.1
Administrative and selling expenses	(109,196)	(10.6)	(77,369)	(7.9)
Research and development costs	(33,058)	(3.2)	(31,593)	(3.2)
Impairment losses under ECL model, net of reversal	(9,889)	(1.0)	(19,894)	(2.0)
Profit from operations	586,042	57.1	586,744	60.3
Finance costs	(8,079)	(0.8)	(5,937)	(0.6)
Share of profits of an associate	195	0.0	135	0.0
Profit before taxation	578,158	56.3	580,942	59.7
Income tax	(81,210)	(7.9)	(81,210)	(8.3)
Profit and other comprehensive income for the year/period	496,948	48.4	499,732	51.3

Revenue

Renhe’s revenue was RMB1,026.7 million for the year ended December 31, 2023. The revenue generated by Renhe was RMB973.8 million for the eleven months ended November 30, 2024. The following table sets forth a breakdown of the total revenue generated by Renhe for the periods indicated:

	For the years ended December 31,		For the eleven months ended November 30,	
	2023		2024	
	(RMB'000)	(%)	(RMB'000)	(%)
Operating revenue generated by Renhe’s projects				
1. Changsha Transfer Project . . .	646,979	63.0	613,349	63.0
2. Changsha Food Waste	379,627	37.0	360,488	37.0
Total operating revenue from Renhe’s projects	1,026,606	100.0	973,837	100.0
Revenue from construction services	45	0.0	—	—
Total revenue	1,026,651	100.0	973,837	100.0

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The following table sets forth a breakdown of the operating revenue from our Changsha Transfer Project for the periods indicated:

	For the years ended December 31,		For the eleven months ended November 30,	
	2023		2024	
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue from household waste interim treatment and transfer services	628,509	97.2	601,800	98.1
Revenue from sewage treatment . . .	13,231	2.0	9,136	1.5
Others	5,239	0.8	2,413	0.4
Total operating revenue from this project	646,979	100	613,349	100.0

The following table sets forth a breakdown of the operating revenue from the Changsha Food Waste Project for the periods indicated:

	For the years ended December 31,		For the eleven months ended November 30,	
	2023		2024	
	(RMB'000)	(%)	(RMB'000)	(%)
Revenue from the collection of food waste	63,819	16.8	59,278	16.4
Revenue from the treatment of food waste	141,239	37.3	132,956	37.0
Revenue from the sales of industrial-grade mixed oil	170,893	45.0	163,788	45.4
Revenue from the sales of electricity	3,131	0.8	4,117	1.1
Others	545	0.1	349	0.1
Total operating revenue from this project	379,627	100.0	360,488	100.0

Direct costs and operating expenses

Renhe's direct costs and operating expenses were RMB311.3 million in 2023. Its direct costs and operating expenses was RMB280.2 million between January 1, 2024 and November 30, 2024.

Gross profit and gross profit margin

For the years ended December 31, 2023 and the eleven months ended November 30, 2024, Renhe generated a gross profit of RMB715.3 million and RMB693.7 million, respectively. For the same periods, Renhe's gross profit margin remained relatively stable at 69.7% and 71.2%, respectively.

Other revenue

Renhe's other revenue remained relatively stable at RMB22.9 million for the year ended December 31, 2023 and RMB21.3 million for the eleven months ended November 30, 2024.

Other net (loss)/income

Renhe's other net (loss)/income represented foreign exchange gains or losses from its JPY-denominated borrowings. Renhe had other net losses of RMB0.1 million in 2023, and a net income of RMB0.7 million for the eleven months ended November 30, 2024.

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Administrative and selling expenses

Renhe’s administrative and selling expenses were RMB109.2 million in 2023 and RMB77.4 million for the eleven months ended November 30, 2024.

R&D expenses

Renhe’s R&D expenses were RMB33.1 million in 2023 and RMB31.6 million for the eleven months ended November 30, 2024.

Impairment losses under ECL model, net of reversal

Renhe’s impairment losses under ECL model amount to RMB9.9 million, and RMB19.9 million for the years ended December 31, 2023, and the eleven months ended November 30, 2024, which was in line with its trade and other receivables.

Finance costs

Renhe’s finance costs were RMB8.1 million in 2023 and RMB5.9 million for the eleven months ended November 30, 2024.

Income tax expense

Renhe’s income tax expense was RMB81.2 million in 2023, and RMB81.2 million for the eleven months ended November 30, 2024.

Net profit

For the above reasons, Renhe’s net profit was RMB496.9 million in 2023 and RMB499.7 million for the eleven months ended November 30, 2024. For the three periods, Renhe’s net profit margin was 48.4% and 51.3%, respectively.

Consolidated statements of financial position

The table below sets forth selected information from Renhe’s consolidated statements of financial position as of the dates indicated:

	As of December 31, <u>2023</u> RMB'000	As of November 30, <u>2024</u> RMB'000
Non-current assets		
Property, plant and equipment	563,581	491,544
Right-of-use assets	81,294	79,346
Investment Property	3,699	3,218
Intangible assets	153,311	140,718
Goodwill	23,896	23,896
Investment in an associate	1,999	2,135
Prepayments	337	1,149
Deferred tax assets	6,351	9,361
	<u>834,738</u>	<u>751,367</u>
Current assets		
Inventories	3,081	2,940
Financial assets at FVPL	–	150,163
Prepayments, trade and other receivables	574,857	844,970
Restricted cash	2	2
Cash and cash equivalents	356,841	489,133
	<u>934,781</u>	<u>1,487,208</u>
Current liabilities		
Bank loan and other borrowing	46,402	42,101
Trade and other payables	127,402	119,906

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	As of December 31, 2023 <i>RMB'000</i>	As of November 30, 2024 <i>RMB'000</i>
Contract liabilities	1,978	3,585
Income tax payable	23,043	17,413
	198,825	183,005
Net current assets	735,956	1,304,203
Total assets less current liabilities	1,570,694	2,055,570
Non-current liabilities		
Other payables	1,500	1,500
Deferred income	2,280	1,845
Bank loan and other borrowing	112,662	112,020
Provisions	32,866	15,241
	149,308	130,606
NET ASSETS	1,421,386	1,924,964
CAPITAL AND RESERVES		
Share capital/paid-in capital	422,300	422,300
Reserves	999,086	1,502,664
TOTAL EQUITY	1,421,386	1,924,964

Property, plant and equipment

Renhe's property, plant and equipment decreased by 12.8% from RMB563.9 million as of December 31, 2023 to RMB491.5 million as of November 30, 2024, which was in line with our depreciation.

Right-of-use assets

Our right-of-use assets remained relatively stable at RMB81.3 million as of December 31, 2023 and RMB79.3 million as of November 30, 2024.

Intangible assets

Renhe's intangible assets decreased by 8.2% from RMB153.3 million as of December 31, 2023 to RMB140.7 million as of November 30, 2024, which was mainly due to the amortization.

Financial assets at FVPL

Renhe's financial assets at FVPL were RMB150.2 million as of November 30, 2024, primarily due to the purchase of structured deposits.

Prepayments, trade and other receivables

Renhe's prepayments, trade and other receivables increased by 47.0% from RMB574.9 million as of December 31, 2023 to RMB845.0 million as of November 30, 2024.

FINANCIAL INFORMATION

Consolidated statements of cash flow

The table below sets forth selected information from Renhe’s consolidated cash flow statements for the periods indicated:

	For the years ended December 31,	January 1 to November 30,
	2023	2024
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	425,898	319,162
Net cash used in investing activities	(70,231)	(178,516)
Net cash used in financing activities	(422,837)	(9,954)
Net increase/(decrease) in cash and cash equivalents .	(67,170)	130,692
Cash and cash equivalents, beginning of the period .	422,554	356,841
Effect of exchange rate changes on cash and cash equivalents	1,457	1,600
Cash and cash equivalents, end of the period	356,841	489,133

Net cash generated from operating activities

For the year ended December 31, 2023, we had net cash generated from operating activities of RMB425.9 million. This primarily represents profit before income tax of RMB578.2 million, adjusted by depreciation of RMB85.3 million, and impairment losses under ECL model, net of reversal of RMB9.9 million and share based payment expenses of RMB14.4 million. For the eleven months ended November 30, 2024, Renhe had net cash generated from operating activities of RMB319.2 million. This primarily represents profit before income tax of RMB580.9 million, adjusted by depreciation of RMB79.4 million and impairment losses under ECL model, net of reversal of RMB19.9 million.

Net cash generated (used in) investing activities

For the year ended December 31, 2023, Renhe had net cash used in investing activities of RMB70.2 million, which primarily consisted of payment for the purchase of property, plant and equipment and construction of service concession project of RMB75.9 million. For the eleven months ended November 30, 2024, Renhe had net cash used in investing activities of RMB178.5 million, which primarily consisted of payment for acquisition of financial assets at FVPL of RMB150.0 million, and payment for the purchase of property, plant and equipment and construction of service concession project of RMB29.1 million.

Net cash generated used in financing activities

For the year ended December 31, 2023, Renhe had net cash used in financing activities of RMB422.8 million, which primarily consisted of dividends paid to equity shareholders of RMB400.0 million. For the eleven months ended November 30, 2024, Renhe had net cash used in financing activities of RMB10.0 million, which primarily consisted of repayment of bank loans and other borrowings of RMB33.6 million, which was partially offset by proceeds from bank loans and other borrowings of RMB30.0 million.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited [REDACTED] adjusted consolidated net tangible assets, see Appendix II to this Document.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

We confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.