



Capital Environment Holdings Limited 首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股票代號 : 03989



2025

Interim Report
中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Fujing (*Chairman*)
(*resigned as an executive Director and
the chairman of the Board on 25 July 2025*)
Mr. Li Qingsong (*Chairman and Chief Executive Officer*)
(*appointed as the chairman of the Board on
25 July 2025*)

Non-executive Director

Ms. Hao Chunmei

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah
Dr. Cao Fuguo

COMMITTEES

Audit Committee

Dr. Chan Yee Wah (*Chairlady*)
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen

Nomination Committee

Mr. Li Fujing (*Chairman*) (*resigned on 25 July 2025*)
Mr. Li Qingsong (*Chairman*)
(*appointed on 25 July 2025*)
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah

Remuneration Committee

Mr. Pao Ping Wing (*Chairman*)
Mr. Cheng Kai Tai, Allen
Mr. Li Fujing (*resigned on 25 July 2025*)
Mr. Li Qingsong (*appointed on 25 July 2025*)

JOINT COMPANY SECRETARY

Ms. Yu Hong
Ms. Lin Sio Ngo

AUTHORIZED REPRESENTATIVE

Mr. Li Fujing (*resigned on 25 July 2025*)
Mr. Li Qingsong (*appointed on 25 July 2025*)
Ms. Lin Sio Ngo

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

6/F, Building 1, Xindadu Hotel
21 Chegongzhuang Street, Xicheng District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai, Hong Kong, China

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central, Hong Kong

HONG KONG LEGAL ADVISOR

Commerce & Finance Law Offices in Association with
Eric Chow & Co.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation
Limited

SHARE REGISTRARS AND TRANSFER OFFICES Principal Registrar in Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Cayman Bay
Grand Cayman, KY1-1100
Cayman Islands

Branch Registrar in Hong Kong

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong, China

CORPORATE WEBSITE

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STOCK CODE

03989

MANAGEMENT DISCUSSION AND ANALYSIS

Against the backdrop of profound restructuring of the global economic landscape, the world economy showed a notable trend of “accelerated growth in Eastern economies and stabilisation in Western economies” in the first half of 2025. The International Monetary Fund (IMF) predicted a global economic growth rate of approximately 3.5%, with developed economies maintaining a stable average growth rate of 1.8%, while emerging markets and developing economies sustaining a robust growth momentum of 5.1%, serving as the primary driver of global economic growth¹. Regional growth disparities intensified, with the Asia-Pacific region leading globally at a growth rate of 4.2%, the ASEAN countries particularly achieving a better-than-expected growth of 5.8%². The Eurozone, constrained by energy structure adjustments, maintained a relatively low growth rate of 1.2%³. The Americas region recorded a steady growth of 2.3%, mainly benefiting from the manufacturing reshoring policies of the United States⁴.

In the first half of 2025, China’s economy demonstrated a notable characteristic of “steady progress with improved quality and efficiency”, with a year-on-year gross domestic product (GDP) growth of 5.3%, maintaining its leading position among major global economies. Consumption upgrade continued to drive economic growth, contributing to a year-on-year increase of 5.0% in the total retail sales of consumer goods. Notable results have been achieved in optimising the investment structure, with fixed-asset investment (excluding investment in real estate development) growing by 6.6% year-on-year⁵. The People’s Bank of China implemented a targeted monetary policy to sustain a moderate growth rate of 9.2% in the broad money supply (M2), with the comprehensive financing costs for enterprises decreasing to 4.3%⁶. In terms of fiscal policy, the newly implemented tax and fee cuts reached RMB1.2 trillion, with a focus on supporting technological innovation and the development of small and medium-sized enterprises⁷.

In the first half of 2025, the environmental protection industry underwent a phase of profound changes and structural transformation. While traditional market segments generally experienced slowing growth, emerging market segments demonstrated strong upward momentum. The overall development model of the industry was shifting from scale expansion to refined operation and value cultivation. In the first half of 2025, the total transaction volume in the environmental protection market was RMB382.4 billion, representing a decrease of 9% compared to the corresponding period of last year. Specifically, the transaction volume of asset-based projects reached RMB39.8 billion, accounting for 10% of the total market volume, while the transaction volume of service projects amounted to RMB342.6 billion, accounting for 90% of the total market volume, reflecting a noticeable industry trend towards “asset-light operation dominance and refined asset-heavy development”. From the perspective of specific sectors, market transaction volumes demonstrated significant divergence: pipeline network projects led with a transaction volume of RMB95.1 billion, significantly outpacing other sectors; environmental sanitation projects followed in the second tier, with a transaction volume of RMB78.9 billion; sewage treatment, water supply and restoration projects formed the third tier, with transaction volumes ranging from RMB40.0 billion to RMB60.0 billion (sewage treatment: RMB53.3 billion; water supply: RMB48.9 billion; restoration: RMB44.8 billion); water environment management (RMB29.4 billion) and municipal environment (RMB19.4 billion) projects constituted the fourth tier; industrial water treatment (RMB7.8 billion) and waste incineration (RMB5.0 billion) projects fell within the fifth tier, each below RMB10 billion in transaction volume. The implementation of the fiscal policy for debt relief accelerated the issuance of special bonds to 90% of targets, with significant regional disparities – 24 provinces/municipalities completed their annual replacement quotas, while areas with higher dependence on land-based fiscal revenues became focal points for policy interventions⁸.

¹ IMF, “World Economic Outlook”, July 2025

² ASEAN Secretariat, “ASEAN Economic Monitoring Report (Mid-Year 2025)” (《東盟經濟監測報告2025年中版》)

³ European Central Bank, “Eurozone Economic Assessment (Mid-Year 2025)” (《歐元區經濟形勢評估2025年中版》)

⁴ U.S. Bureau of Economic Analysis, “Economic Statistics for the Americas (First Half of 2025)” (《美洲地區經濟數據統計2025年上半年》)

⁵ National Bureau of Statistics of China, “National Economic Performance in the First Half of 2025” (《2025年上半年國民經濟運行情況》), July 2025

⁶ People’s Bank of China, “Monetary Policy Report (First Half of 2025)” (《貨幣政策執行報告2025年上半年》), July 2025

⁷ Ministry of Finance, “Report on the Implementation of Fiscal Policy in the First Half of 2025” (《2025年上半年財政政策執行情況報告》), July 2025

⁸ The data in this section are all sourced from the “Comprehensive Research Report on the Environmental Protection Market (January-June 2025)” (《2025年1-6月環保市場綜合研究報告》) published by Capital Eco Group

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Since entering the field of solid waste treatment in 2011, Capital Environment Holdings Limited (the “Company”), together with its subsidiaries (collectively, the “Group”), has aligned itself with the development guidance of national policies to promptly grasp policy benefits and market opportunities, and fully implemented the “14th Five-Year Plan” strategy and the overall deployment of “Eco+2025” strategic iteration of Beijing Capital Eco-Environment Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司) (“Capital Eco Group”), a substantial shareholder of the Company. The Group has continuously made in-depth adjustments to its business structure to gradually enhance profitability. Simultaneously, it has pursued development driven by technological innovation, optimised the environment for technological innovation, enhanced its technological innovation capabilities and accelerated the establishment of its technological innovation strengths, to promote the high-quality development of the Group. The Group focused on its environmental protection business, continuously consolidated the core position of its waste-to-energy incineration business, and actively promoted the development of asset-light businesses such as urban-rural environmental sanitation, site restoration and energy conservation & dual carbon. All business segments on the business chain have achieved greater synergies – a vertical synergy with waste incineration as the core, and a horizontal synergy among various types of waste, forming a comprehensive structure for solid waste treatment business. The Group proactively established asset-light business platforms, namely the site restoration department (based on Beijing Capital Environment Technology Company Limited (北京首創環境科技有限公司)) and the environmental industry department (based on Beijing Capital Environmental Sanitation Company Limited (北京首創環衛有限公司)), clarifying the positioning of such platforms and strengthening their business development. Each platform actively explores new customers and new markets and continuously expands its business scope as well as scale. The Group pursued the strategic initiatives on transformation and upgrading, in-depth urban presence and value diversification and, with a focus on capacity building and technological innovation, created a diversified value-driven model of “investment + operation + service” to develop both asset-light and asset-heavy operations, supporting Capital Eco Group to achieve a multi-business portfolio covering the systematic treatment needs across “water, solid waste, air and energy” sectors.

In the first half of 2025, adhering to the operating focus of “tackling challenges, improving quality, making innovation and increasing quantity”, the Group strived to expand its business scale, and based on key performance indicators such as return on equity (ROE), continued to explore the potential for improvement in various aspects of its existing asset operation and management, thereby delivering remarkable results. The Group’s turnover amounted to RMB1,876 million, of which waste-to-energy incineration, urban-rural environmental sanitation, site restoration and organic solid waste treatment contributed RMB1,690 million to the turnover, accounting for 90.09% of the total revenue for the six months ended 30 June 2025. Net profit attributable to shareholders of the parent company reached RMB188 million, with significant contribution from waste incineration and its ancillary collection and transportation business, further enhancing the Group’s profitability.

In the first half of 2025, the Group’s total assets reached RMB21,075 million, representing an increase of 0.93% as compared to RMB20,881 million as at 31 December 2024; the turnover amounted to RMB1,876 million, representing a year-on-year increase of 4.99%; profit for the period amounted to RMB196 million, representing a year-on-year increase of 0.71%; and net profit attributable to parent company amounted to RMB188 million, representing a year-on-year increase of 10.27%.

The Group secured a total of 65 projects (including 27 waste-to-energy projects, 5 waste landfill projects, 6 organic waste treatment projects, 18 cleaning, collection and transportation and management projects, 6 hazardous waste treatment projects, 1 waste electrical appliances dismantling project and 2 biomass power generation projects) in the PRC, with a total investment of approximately RMB19,758 million. The facilities are designed with an aggregate annual waste treatment capacity of approximately 14.98 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units. During the reporting period, a total of 57 projects were in operation or in trial operation, including 26 waste-to-energy and biomass power generation projects, 4 waste landfill projects, 17 cleaning, collection and transportation and management projects, 1 dismantling project, 6 organic waste treatment projects, and 3 hazardous waste treatment projects. The Group advanced the implementation of key businesses in an orderly manner according to its scientific operational plan. In the first half of 2025, the Group completed domestic waste disposal of 5,382,700 tonnes, providing a total of 1,417 million kWh of on-grid electricity.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

REMARKABLE ACHIEVEMENTS IN EFFECTIVELY TACKLING DIFFICULTIES

The Group continued to optimise its asset structure. By stepping up its efforts in key areas, the Group significantly enhanced the operational efficiency of its inefficient businesses and achieved business breakthroughs in a number of key areas. Centred on the overall operational improvement targets, the Group systematically implemented comprehensive measures to enhance quality and increase efficiency, driving increased profitability in inefficient businesses and delivering sustained operational improvements. In particular, Lushan Biomass, Fangcheng Incineration and Nanle Incineration projects took the lead in achieving operational improvement targets. Four enterprises, namely Shenzhou Incineration, Yingde Landfill, Zibo Hazardous Waste, and Yangzhou Hazardous Waste, collectively realised an increase in operating efficiency of over RMB10 million through comprehensive strategies such as diversifying revenue streams, strengthening cost control and implementing refined operations, laying a solid foundation for the Group's long-term and stable development.

EVIDENT EFFECT OF COMPREHENSIVELY IMPROVING QUALITY

The Group achieved simultaneous improvements in both operational efficiency and management efficiency. Core production indicators continued to improve, with the on-grid power generation per tonne of waste at waste-to-energy incineration projects increasing by 4% compared to the level at the beginning of the year. Through technological renovation, waste-to-energy incineration projects in Nong'an, Shenzhou and Yongji achieved growth in both power generation and operating profits. Consumption of key materials such as diesel and urea remained below planned targets, while costs for environmental protection consumables were kept within a reasonable range. The management system was continuously refined through the implementation of 22 new regulatory measures and the concurrent abolition of outdated processes, which resolved certain imbalances between business operations and management within the Company. The financial structure was further optimised, leveraging shareholder loans and external financing to provide flexible funding support for the development of asset-light projects and the expansion of derivative businesses from existing assets. The consolidated debt-to-asset ratio remained stable within a reasonable range of 65%-70%, with continuous efforts to advance the reduction of external financing costs, thereby laying a solid financial foundation for business expansion.

FRUITFUL RESULTS IN INNOVATIVE INCREMENT

The Group has achieved significant progress in market expansion, with the synergistic development between asset-light and asset-heavy operations continuously deepening and the business structure being consistently optimised. The incineration derivative business secured 11 new orders, with a total contract value of RMB191 million, including the leachate and sludge treatment project in Wugang, Pingdingshan City. The urban-rural environmental sanitation services segment received 7 new orders, with a total contract value of RMB179 million, including the smart city platform in Shuimogou District, Urumqi City and two environmental sanitation projects in Beijing. The site restoration business received 4 new orders, with a total contract value of RMB243 million. The Guangxi Zhuang Autonomous Region emerged as a key area for expansion, with successful bids won for the mine restoration project in Qinzhou City and the mine restoration and farmland replenishment project in Beihai City. The organic solid waste business expanded its customer base for salvaged oil through the facilities of Hangzhou Kitchen Waste Project and Yangzhou Kitchen Waste Project, and recorded revenue growth by virtue of the construction of an oil recovery system.

SIGNIFICANT ACHIEVEMENTS IN SYSTEMATIC UPGRADE

The Group was committed to promoting the synergistic upgrade of strategic layout optimisation and team capacity building: focused on mergers and acquisitions (M&A) of waste incineration projects by establishing an investment and M&A department, and prioritised targets with regional synergies; established a city-oriented company in Kaifeng to refine regional market segmentation and enhance market response efficiency. Team building achieved significant improvements, leveraging a strengthened "expert-oriented" talent development system to effectively shift employees' mindsets from an engineering-focused approach to a professional operation-oriented approach. Accounts receivable management continued to improve, with a dynamic tracking mechanism established for key projects to closely monitor local governments' debt relief policies, providing a solid guarantee for the security of the capital chain.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SOUND SAFETY SYSTEM

The Group aimed to enhance the execution effectiveness of safety production management and improve the safety production management system. Through the implementation of the safety objective responsibility letter system, the Group clearly defined responsibilities at all levels and ensured that all employees of the Group have signed the safety production responsibility letter. Meanwhile, the Group advanced risk management by systematically preparing a risk inventory and a hierarchy of controls for high and medium risks, and formally issuing core safety management policies. Information-based monitoring platforms were used to carry out safety inspections, focusing on the identification and elimination of hidden hazards and the regular inspection of special equipment. In addition, an innovative “incident review + management effectiveness” dual-dimensional assessment mechanism was established, which incorporates the safety performance into the key performance indicator (KPI) to achieve the goal of closed-loop control of safety management.

DIVERSIFIED FINANCING METHODS

The Group established stable and smooth corporate-bank cooperative relationships with a number of financial institutions, including Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Postal Savings Bank of China. By comprehensively planning for the short-, medium- and long-term capital needs, the Group provided strong support for the capital needs of projects under construction and in operation. As at 30 June 2025, the Group secured RMB10,330 million of outstanding banking facilities in total, of which RMB500 million was granted to the Group’s headquarters and RMB9,830 million in total was granted to various project companies.

BUSINESS OUTLOOK

In the second half of 2025, the Group will focus on the core objectives of “tackling challenges, improving quality, driving transformation and making innovation”, with a priority to advance work in the following four areas. Firstly, in terms of risk mitigation and resolution, the Group will implement a categorised management strategy involving strengthening liquidity monitoring, stepping up efforts to collect accounts receivable, addressing inefficient businesses systematically, and improving the operational accountability mechanism. Secondly, the Group will implement a dual-drive business strategy involving optimising existing assets, strictly controlling operating costs, expanding service scenarios, and improving the efficiency of resource allocation through M&A. Meanwhile, the Group will grow new businesses, continue to scale up the order size of the environmental sanitation services in asset-light businesses and focus on solid waste resource recycling, energy conversion and industrial environmental protection in asset-heavy sectors. Thirdly, the Group will combine management and innovation by strengthening lean management, deepening the empowerment of technological innovation, optimising the talent team building, and promoting the corporate spirit of the “Environmental Protection Iron Army” to reshape the corporate culture with a philosophy of “assessing employees by their performance”. Fourthly, the Group will establish a solid foundation for development by strengthening safety production responsibilities, building a full-process risk control mechanism, and optimizing the capital and debt structure to ensure the security of the capital chain.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Financial Performance

For the period under review, the Group's revenue generated from its waste treatment and waste-to-energy business was approximately RMB1,875,929,000, representing an increase of approximately 4.99% as compared to approximately RMB1,786,721,000 for the corresponding period in 2024. The increase was mainly due to newly secured environmental sanitation projects during the reporting period, which led to a revenue expansion in the urban-rural environmental sanitation business.

For the period under review, the Group's gross profit margin was approximately 37.64%, representing an increase from approximately 36.41% for the corresponding period in 2024. This was primarily due to the gradual commencement of project operations, which led to steadily increasing revenue, coupled with the Company's cost reduction measures. The Group's selling and administrative expenses decreased by approximately 8.98% to approximately RMB17,823,000 compared to the corresponding period in 2024. The decrease was mainly driven by significant results from cost control measures, including stringent cuts to non-essential expenditures. The Group's impairment losses on financial and contract assets, net for the current period increased by approximately 173% to RMB110,673,000 compared to the corresponding period in 2024. The increase was primarily due to aging changes of accounts receivable.

For the period under review, net profit attributable to owners of the Company was approximately RMB188,182,000, representing an increase of approximately 10.27% as compared to approximately RMB170,656,000 for the corresponding period in 2024. The increase was mainly attributable to the effective implementation of measures for cutting costs and enhancing efficiency.

Financial Position

As at 30 June 2025, the Group had total assets of approximately RMB21,075,446,000 and net assets attributable to owners of the Company were approximately RMB6,850,673,000. The gearing ratio (calculated as total liabilities divided by total assets) was 65.89%, representing a slight decrease of less than 1 percentage point as compared to 66.52% as at 31 December 2024. The current ratio (calculated as current assets divided by current liabilities) decreased from approximately 1.37 as at 31 December 2024 to approximately 1.12, mainly attributable to a significant increase in interest-bearing bank and other borrowings due within one year.

Financial Resources

The Group finances its operations primarily with internally generated cash flows, debt financing and bank loan facilities. As at 30 June 2025, the Group's cash and bank balances and pledged bank deposits amounted to approximately RMB509,181,000, representing a decrease of approximately RMB193,061,000 as compared to approximately RMB702,242,000 as at 31 December 2024. The decrease was mainly due to the combined impact of factors such as an increase in capital expenditures for new concession projects, despite significant government receivables collected for dismantling projects during the reporting period, alongside increased debt repayments. Currently, most of the Group's cash is denominated in RMB, HK\$ and US\$.

Borrowings

As at 30 June 2025, the Group had outstanding borrowings of approximately RMB10,930,772,000, representing an increase of approximately RMB283,561,000 as compared to approximately RMB10,647,211,000 as at 31 December 2024. The borrowings comprised secured loans of approximately RMB6,426,381,000 and unsecured loans of approximately RMB4,504,391,000. The borrowings are denominated in US\$ and RMB. Approximately 36% and 64% of the borrowings bear interest at fixed rate and variable rate, respectively.

As at 30 June 2025, the Group's undrawn loan facilities amounted to approximately RMB1,534,185,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance costs decreased by approximately 7.59% from RMB212,903,000 for the corresponding period in 2024 to approximately RMB196,734,000. The decrease was mainly due to the completion of loan refinancing by certain project companies and the continued decline in the Loan Prime Rate (LPR), resulting in a reduction in interest expenses during the reporting period.

Foreign Exchange Exposure

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

Pledge of Assets

As at 30 June 2025, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements and RMB184,830,000 of leasehold land and buildings.

In addition, as at 30 June 2025, bank deposits of RMB17,372,000 were pledged due to a litigation case and RMB35,477,000 were mainly pledged to secure service concession arrangements as required by the local governments.

Capital Commitment Arrangements

As at 30 June 2025, the Group had capital commitments of approximately RMB150,234,000 in respect of construction works under service concession arrangements, which were contracted but not provided for in the unaudited consolidated financial statements.

Contingent Liabilities

As at 30 June 2025, the Group provided performance guarantees of approximately RMB88,018,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC.

The Group had a dispute with Fujian Huifeng Construction Engineering Co., Ltd.* (福建惠豐建築工程有限公司), concerning a construction project contract, amounting to RMB73,477,000. Fujian Huifeng Construction Engineering Co., Ltd. claimed to the court in the PRC for the unpaid contract amount of RMB67,735,000 and overdue interest payable for the project payment of RMB5,742,000. As at 30 June 2025, the lawsuit is still in progress.

The Group had a dispute with Shihuajiujiu Construction Group Co., Ltd.* (世華九九建工集團有限公司), relating to a construction project contract. Shihuajiujiu Construction Group Co., Ltd. had filed a lawsuit claiming RMB18,363,000, which includes contract payments of RMB16,598,000, additional costs to expedite construction work of RMB1,201,000 and advance payments of RMB564,000. As at 30 June 2025, the lawsuit is still in progress.

The Group was involved in a litigation dispute with Kejing Lu arising from a construction project contract dispute between Kejing Lu and Yunnan Zhenghao Construction Engineering Co., Ltd.* (雲南正浩建設工程有限公司), an independent third party contractor of the Group. Kejing Lu named the Group as the second defendant, claiming a total compensation of RMB102,386,000 from both defendants, including an alleged unpaid project fees of RMB81,395,000 and the related default interest of RMB20,991,000. Kejing Lu has formally submitted the claim to the court for resolution and the three parties have presented their respective positions regarding the contractual obligations. As at 30 June 2025, the lawsuit is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employee Information

As at 30 June 2025, the Group had a total of 3,307 employees, with a male to female ratio of 3.3:1, mainly based in China. Total staff costs amounted to RMB258 million, which included basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund or regular contributions to the Mandatory Provident Fund Schemes on behalf of employees. The Group regularly reviews its remuneration policy, which is linked to the performance of individual employees and based on the salary trends prevailing in the aforesaid region. In addition, the Group continues to provide trainings (including professional skills training, production safety training, etc.) and development plans.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined in the Listing Rules)) during the six months ended 30 June 2025. As at 30 June 2025, there were no treasury shares held by the Company.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this interim report, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2025.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the six months ended 30 June 2025, there were no significant investments held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this interim report, the Group had no future plan for material investments or purchase of capital assets during the six months ended 30 June 2025.

EVENTS AFTER THE REPORTING PERIOD

With effect from 25 July 2025, Mr. Li Fujing has resigned as an executive Director and the chairman of the Board of the Company. Following his resignation, Mr. Li Fujing has ceased to act as the chairman and member of the nomination committee of the Company, a member of the remuneration committee of the Company, an Authorised Representative of the Company and the Process Agent of the Company. With effect from 25 July 2025, Mr. Li Qingsong, an executive Director and the chief executive officer of the Company, has been appointed as the chairman of the Board, the chairman and member of the nomination committee of the Company, a member of the remuneration committee of the Company, an Authorised Representative of the Company and the Process Agent of the Company. For details, please refer to the announcement of the Company dated 25 July 2025.

Save as disclosed in this interim report, there were no material events which would have an impact on the Company since 30 June 2025 and up to the date of this interim report.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2025, according to the information available to the Company and to the best knowledge of the Directors, none of the Directors, chief executives of the Company or their associates had interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2025, according to the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register maintained by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholders	Capacity of shareholders	Number of shares/underlying shares held ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
Beijing Capital (Hong Kong) Limited	Beneficial owner ^(Note 2)	6,449,026,736 (L)	45.11%
Beijing Capital Eco-Environment Protection Group Co., Ltd.	Interest of a controlled corporation ^(Note 2)	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited	Beneficial owner ^(Note 3)	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd.	Interest of a controlled corporation ^(Notes 2&3)	9,565,793,808 (L)	66.92%

Notes:

- "L" means holding a long position in Shares. Approximate percentage of shareholding is calculated based on the total number of issued shares of the Company of 14,294,733,167 shares as at 30 June 2025.
- Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Eco-Environment Protection Group Co., Ltd., which was controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Eco-Environment Protection Group Co., Ltd. were deemed to be interested in the shares held by Beijing Capital (Hong Kong) Limited by virtue of the SFO.
- BCG Chinastar International Investment Limited was a wholly-owned subsidiary of Beijing Capital Group Co., Ltd.. Therefore, Beijing Capital Group Co., Ltd. was deemed to be interested in the shares held by BCG Chinastar International Investment Limited by virtue of the SFO.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

Save as the aforesaid, the Company and the Directors were not aware of any person (other than the Directors or chief executives of the Company) or corporations who had any interests or short positions in the shares or underlying shares of the Company as at 30 June 2025 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has no any share option schemes currently in force.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that high standards of corporate governance are essential to the success of the Company and the Company is committed to maintaining a high level of corporate governance standards and practices. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "Previous CG Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") before the amendments to the Corporate Governance Code (the "New CG Code") came into effect on 1 July 2025, as the basis of the Company's corporate governance practices for the six months ended 30 June 2025. The Company has complied with all the applicable code provisions set out in the Previous CG Code for the six months ended 30 June 2025, except for a deviation from the code provision C.2.1 of the Previous CG Code (equivalent to C.2.1 of the New CG Code).

Pursuant to code provision C.2.1 of the Previous CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Following the appointment of Mr. Li Qingsong as the chairman of the Board, Mr. Li Qingsong will assume dual roles of the chairman of the Board and the chief executive officer of the Company. After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Li Qingsong, the Board is of the opinion that it is appropriate at the present stage for Mr. Li Qingsong to hold both positions as the chairman of the Board and the chief executive officer of the Company as it ensures the stability of the operations of the Company with consistent leadership and policy formulation, which is conducive to the efficiency of the Company's overall strategic planning and business decision-making and implementation. In addition, under the supervision by the current Board which consists of one non-executive Director and four independent non-executive Directors, the interests of the Shareholders will be adequately and fairly represented. Also, as all major decisions are made in consultation with and approved by the members of the Board, the Board believes that this arrangement will not have negative influence on the balance of power and authorisation between the Board and the management of the Company. Therefore, the Board considers the deviation from code provision C.2.1 of the Previous CG Code is appropriate under such circumstances. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstance arise.

In addition, the Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the New CG Code.

DIRECTORS' MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company. The Company has made specific enquiries of all Directors, and all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 June 2025.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

CHANGES IN INFORMATION OF DIRECTORS

The changes in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of publishing the Company's 2024 annual report are as follows:

Name of Director	Particulars of the Changes
Mr. Li Fujing	Resigned as an executive director and the chairman of the Board, authorised representative, process agent, the chairman and member of the nomination committee and a member of the remuneration committee of the Company on 25 July 2025
Mr. Li Qingsong	Appointed as the chairman of the Board, authorised representative, process agent, the chairman and member of the nomination committee and a member of the remuneration committee of the Company on 25 July 2025

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Dr. Chan Yee Wah, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen. Dr. Chan Yee Wah has been appointed as the chairlady of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices adopted by the Group during the six months ended 30 June 2025 and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results and interim report for the six months ended 30 June 2025 with the management. The Audit Committee is of the opinion that the unaudited interim results of the Group for the six months ended 30 June 2025 are in compliance with the relevant accounting standards, laws and regulations.

In addition, the Group's external auditors (the "Auditors") performed an independent review of the interim financial information for the six months ended 30 June 2025 in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Auditors based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



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Independent review report

To the shareholders of Capital Environment Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information set out on pages 13 to 36 which comprise the condensed consolidated statement of financial position of Capital Environment Holdings Limited and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2025 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information, including material accounting policy information (the “interim condensed consolidated financial information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

OTHER MATTER

The comparative interim condensed consolidated statement of financial position of the Group as at 31 December 2024 was audited by another auditor who expressed an unmodified opinion on those statements on 21 March 2025.

The comparative interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months ended 30 June 2024, and the related notes were reviewed by another auditor who expressed an unmodified conclusion on those statements on 20 August 2024.

BDO Limited
Certified Public Accountants
IP Ka Ming
Practising Certificate no. P08322

Hong Kong
20 August 2025

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2025

	Notes	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
REVENUE	5	1,875,929	1,786,721
Cost of sales		<u>(1,169,922)</u>	<u>(1,136,244)</u>
Gross profit		706,007	650,477
Other income and gains	5	47,094	60,671
Selling expenses		(7,776)	(7,181)
Administrative expenses		(172,874)	(191,292)
Impairment losses on financial and contract assets, net		(110,673)	(40,576)
Other expenses		(4,385)	(24,306)
Finance costs	7	(196,734)	(212,903)
Share of (losses)/profits of associates		(3,403)	1,235
PROFIT BEFORE TAX	6	257,256	236,125
Income tax expense	8	(61,049)	(41,305)
PROFIT FOR THE PERIOD		196,207	194,820
Attributable to:			
Owners of the parent		188,182	170,656
Non-controlling interests		8,025	24,164
		196,207	194,820
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the period		RMB1.32 cents	RMB1.19 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
PROFIT FOR THE PERIOD	196,207	194,820
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	461	(2,251)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	461	(2,251)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	—	(200)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	—	(200)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	461	(2,451)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	196,668	192,369
Attributable to:		
Owners of the parent	188,417	169,307
Non-controlling interests	8,251	23,062
	196,668	192,369

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2025

	Notes	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	11	451,415	482,482
Right-of-use assets		77,097	61,873
Goodwill		6,055	6,055
Other intangible assets	12	4,788,328	4,744,501
Investments in associates		53,283	56,686
Deferred tax assets		83,158	65,185
Concession financial assets	13	7,798,637	7,685,079
Contract assets	14	69,827	376,999
Prepayments, other receivables and other assets	15	179,308	184,522
Pledged deposits		6,854	5,746
Total non-current assets		13,513,962	13,669,128
CURRENT ASSETS			
Inventories		95,975	89,743
Concession financial assets	13	1,767,307	1,665,781
Contract assets	14	1,506,593	1,204,044
Trade receivables	16	2,757,084	2,580,311
Prepayments, other receivables and other assets	15	932,198	975,034
Pledged deposits		45,995	37,198
Cash and cash equivalents		456,332	659,298
Total current assets		7,561,484	7,211,409
CURRENT LIABILITIES			
Trade payables	17	1,491,007	1,603,234
Other payables and accruals		274,552	257,671
Deferred income		16,392	17,601
Interest-bearing bank and other borrowings	18	4,869,288	3,040,100
Lease liabilities		10,717	–
Amounts due to related parties		8,304	268,000
Current tax payable		81,719	60,404
Total current liabilities		6,751,979	5,247,010
NET CURRENT ASSETS		809,505	1,964,399
TOTAL ASSETS LESS CURRENT LIABILITIES		14,323,467	15,633,527

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2025

	Notes	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
NON-CURRENT LIABILITIES			
Deferred income		329,622	333,344
Interest-bearing bank and other borrowings	18	6,061,484	7,607,111
Deferred tax liabilities		733,099	701,602
Lease liabilities		11,196	–
Total non-current liabilities		7,135,401	8,642,057
Net assets		7,188,066	6,991,470
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	19	1,275,167	1,275,167
Reserves		5,575,506	5,386,304
		6,850,673	6,661,471
Non-controlling interests		337,393	329,999
Total equity		7,188,066	6,991,470

Li Qingsong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Attributable to owners of the Company											
	Issued capital <i>RMB'000</i> (note 19)	Share premium* <i>RMB'000</i>	Capital reserve* <i>RMB'000</i>	Capital redemption reserve* <i>RMB'000</i>	Merger reserve* <i>RMB'000</i>	Other reserve* <i>RMB'000</i>	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve* <i>RMB'000</i>	Retained profits* <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
							<i>RMB'000</i>					
At 1 January 2025 (audited)	1,275,167	462,602	4,702	1,488,583	(481,084)	20,377	(16,233)	(273,119)	4,180,476	6,661,471	329,999	6,991,470
Profit for the period	-	-	-	-	-	-	-	-	188,182	188,182	8,025	196,207
Other comprehensive income for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	235	-	235	226	461
Total comprehensive income for the period	-	-	-	-	-	-	-	235	188,182	188,417	8,251	196,668
Acquisition of non-controlling interests	-	785	-	-	-	-	-	-	-	785	(2,985)	(2,200)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	8,214	8,214
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(6,086)	(6,086)
Provision for safety production expenditures	-	-	-	-	-	6,200	-	-	(6,200)	-	-	-
At 30 June 2025 (unaudited)	1,275,167	463,387	4,702	1,488,583	(481,084)	26,577	(16,233)	(272,884)	4,362,458	6,850,673	337,393	7,188,066

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2025

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 19)	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2024 (audited)	1,275,167	462,602	4,702	1,488,583	(481,084)	10,507	(16,033)	(271,277)	3,956,223	6,429,390	266,475	6,695,865
Profit for the period	-	-	-	-	-	-	-	-	170,656	170,656	24,164	194,820
Other comprehensive income for the period:												
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(200)	-	-	(200)	-	(200)
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(1,149)	-	(1,149)	(1,102)	(2,251)
Total comprehensive income for the period	-	-	-	-	-	-	(200)	(1,149)	170,656	169,307	23,062	192,369
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	36,722	36,722
Provision for safety production expenditures	-	-	-	-	-	6,648	-	-	(6,648)	-	-	-
At 30 June 2024 (unaudited)	1,275,167	462,602	4,702	1,488,583	(481,084)	17,155	(16,233)	(272,426)	4,120,231	6,598,697	326,259	6,924,956

* These reserve accounts comprise the consolidated reserves of RMB5,575,506,000 (31 December 2024: RMB5,386,304,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Notes	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		257,256	236,125
Adjustments for:			
Depreciation and amortisation	6	138,201	143,983
Loss on disposal of items of property, plant and equipment	6	–	970
Impairment of financial and contract assets	6	110,673	40,576
Impairment loss recognised on property, plant and equipment	6	–	18,650
Share of losses/(profits) of associates		3,403	(1,235)
Interest income		(266,826)	(289,848)
Finance costs		196,734	212,903
		439,441	362,124
Increase in inventories		(6,232)	(2,658)
Decrease in concession financial assets and relevant contract assets in relation to service concession arrangements		341,922	379,242
Increase in other contract assets		(163,469)	(279,367)
Increase in trade receivables		(392,144)	(344,771)
Decrease/(increase) in prepayments, other receivables and other assets		51,795	(61,085)
Decrease in trade payables		(107,537)	(114,085)
Increase/(decrease) in other payables and accruals		37,336	(12,899)
Decrease in deferred income		(4,931)	(8,891)
Cash generated from/(used in) operations		196,181	(82,390)
Income tax paid		(26,210)	(29,004)
Net cash flows generated from/(used in) operating activities		169,971	(111,394)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2025

	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(6,863)	(10,874)
Additions of other intangible assets in relation to service concession arrangements and relevant contract assets	(173,100)	(74,319)
Additions to other intangible assets	(24)	(15)
Interest received	4,757	1,734
Capital injection to an associate	–	(5,975)
Proceeds from sale of service concession right	–	35,567
Placement of pledged deposits	(15,337)	–
Release of pledged deposits	5,432	1,468
Net cash used in investing activities	(185,135)	(52,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(122,364)	(144,932)
New bank and other borrowings	235,221	626,626
New loan from an immediate shareholder of the Company	30,000	–
Repayment of bank and other borrowings	(329,891)	(508,389)
Repayment of loans from non-controlling interests of subsidiaries	(1,157)	–
Dividend paid to non-controlling interests of subsidiaries	(6,086)	–
Acquisition of non-controlling interests of subsidiaries	(2,200)	–
Capital contribution from non-controlling interests of subsidiaries	8,214	36,722
Net cash (used in)/generated from financing activities	(188,263)	10,027
NET DECREASE IN CASH AND CASH EQUIVALENTS	(203,427)	(153,781)
Cash and cash equivalents at beginning of period	659,298	661,811
Effect of foreign exchange rate changes on cash and cash equivalents, net	461	(1,287)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	456,332	506,743
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	509,181	545,752
Pledged deposits	(52,849)	(39,009)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	456,332	506,743

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

1. CORPORATE AND GROUP INFORMATION

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

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

The immediate holding company of the Company is Beijing Capital (Hong Kong) Limited (“Beijing Capital (HK)”), a company incorporated in Hong Kong, and the ultimate holding company is Beijing Capital Group Co., Ltd. (“Beijing Capital Group”), a state-owned enterprise registered in the People’s Republic of China (“PRC”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2025 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2024.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following amendments to HKFRS Accounting Standards for the first time for the current period’s financial information:

Amendments to HKAS 21 and HKFRS 1

Lack of Exchangeability

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments have had no material impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

5. REVENUE, OTHER INCOME AND GAINS

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

Revenue

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Revenue from contracts with customers	1,616,554	1,523,209
Effective interest income on concession financial assets	259,375	263,512
Total	1,875,929	1,786,721

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Types of goods or services		
Construction services under service concession arrangements	81,017	121,208
Operation services under service concession arrangements	1,106,485	1,038,898
Operation services not under service concession arrangements	184,039	178,349
Others	245,013	184,754
Total	1,616,554	1,523,209
Timing of revenue recognition		
Goods transferred at a point in time	38,858	53,523
Services transferred over time	1,577,696	1,469,686
Total	1,616,554	1,523,209

Other income and gains

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Bank interest income	4,757	1,734
Other interest income	2,694	24,602
Government grants	32,705	33,955
Others	6,938	380
Total	47,094	60,671

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Cost of services rendered for service concession arrangements	760,018	750,677
Cost of other services provided	394,168	347,589
Cost of inventories sold	15,736	37,978
Depreciation		
– Property, plant and equipment	28,581	30,900
– Right-of-use assets	6,215	7,198
Amortisation of other intangible assets	103,405	105,885
	138,201	143,983
Research and development costs	15,561	22,188
Lease payments not included in the measurement of lease liabilities	4,076	2,574
Auditor's remuneration	1,030	1,278
Employee benefit expense (excluding directors' remuneration):		
– Wages and salaries	90,228	88,217
– Pension scheme contributions	23,337	22,247
	113,565	110,464
Impairment of financial and contract assets, net:		
– Impairment of trade receivables	80,346	32,326
– (Reversal of)/impairment of financial assets included in prepayments, other receivables and other assets	(3,745)	1,463
– Impairment of concession financial assets and relevant contract assets	34,072	6,787
	110,673	40,576
Impairment of property, plant and equipment (note)	–	18,650
Loss on disposal of items of property, plant and equipment (note)	–	970

Note: these items are included in other expenses.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

7. FINANCE COSTS

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Interest on bank and other borrowings	198,537	213,012
Interest on lease liabilities	418	240
Total interest	198,955	213,252
Less: Interest capitalised	2,239	1,203
Others	196,716 18	212,049 854
Total	196,734	212,903

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2024: 16.5%) on the estimated assemble profits arising in Hong Kong during the period.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Thirty-three (six months ended 30 June 2024: thirty-eight) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Three (six months ended 30 June 2024: nine) were exempted from PRC income taxes, whereas another twenty-two (six months ended 30 June 2024: twenty-one) were entitled to a preferential tax of 12.5%, and another eight (six months ended 30 June 2024: eight) were entitled to different preferential tax rates of 2.5% or 15%, respectively, for the reporting period.

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Charge for the period		
– Hong Kong	2,753	–
– Mainland China	44,772	19,887
Deferred	13,524	21,418
Total	61,049	41,305

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (six months ended 30 June 2024: 14,294,733,167) in issue during the period.

The Group had no dilutive potential ordinary shares in issue during the six months ended 30 June 2025 and 2024.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>188,182</u>	<u>170,656</u>
	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>14,294,733,167</u>	<u>14,294,733,167</u>

10. DIVIDENDS

No dividend was proposed by the Company for the six months ended 30 June 2025 (six months ended 30 June 2024: RMBNil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group acquired assets with a cost of RMB6,863,000 (six months ended 30 June 2024: RMB10,874,000)

Assets with a net book value of RMB970,000 were disposed of by the Group during the six months ended 30 June 2024, resulting in a net loss on disposal of RMB970,000.

No impairment was recognised during the six months ended 30 June 2025 (six months ended 30 June 2024: RMB18,650,000).

12. OTHER INTANGIBLE ASSETS

For the six months ended 30 June 2025, addition of RMB147,208,000 in other intangible assets arising from service concession arrangements is mainly due to the completion of the construction of build-operate-transfer ("BOT") projects.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

13. CONCESSION FINANCIAL ASSETS

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
Concession financial assets	9,739,302	9,488,236
Impairment	(173,358)	(137,376)
	<u>9,565,944</u>	<u>9,350,860</u>
Analysed for reporting purposes as:		
Current assets	1,767,307	1,665,781
Non-current assets	7,798,637	7,685,079
Total	<u>9,565,944</u>	<u>9,350,860</u>

The Group provides construction and operation services to the certain government authorities in the PRC ("Grantor") under the service concession arrangements, the consideration received or receivable by the Group is recognised in accordance with HKFRS 15. The consideration may be rights to a financial asset, or an intangible asset. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor for the construction services; the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group recognises an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. Sometimes the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, the Group accounts separately for each component of the consideration. Both types of consideration are classified as a contract asset during the construction period in accordance with HKFRS 15.

The effective interest rates used in service concession arrangements ranged from 3.56% to 6.50%.

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

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 30 June 2025, the probability of default applied ranging from 0.08% to 1.98% and the loss given default was estimated to be 45% or 75%, which led to an impairment of RMB35,982,000 recognised during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

14. CONTRACT ASSETS

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
Contract assets arising from:		
Construction services	814,370	955,928
Electricity generation	806,080	671,055
Impairment	(44,030)	(45,940)
Total	1,576,420	1,581,043
Analysed into:		
Current assets	1,506,593	1,204,044
Non-current assets	69,827	376,999
Total	1,576,420	1,581,043

The Group entered into service concession arrangements in respect of the waste management and waste-to-energy business in the PRC. According to HKFRS 15, the receivables in relation to the construction services should be accounted for as contract assets.

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

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

As at 30 June 2025, the probability of default applied ranging from 0.08% to 0.22% (31 December 2024: 0.08% to 1.98%) and the estimated loss given default of 45% (2024: 45%) were applied to determine the impairment of contract assets in relation to concession financial assets arising from construction services. An impairment of RMB1,910,000 was reversed during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
Advances to suppliers	59,040	46,429
Value-added tax receivables	452,072	503,907
Interest receivable	5,024	5,024
Tender deposits	257,282	257,472
Disposal receivables (note)	188,217	188,217
Others	149,871	158,507
Total	1,111,506	1,159,556
Analysed into:		
Current assets	932,198	975,034
Non-current assets	179,308	184,522
Total	1,111,506	1,159,556

Note:

The amounts were in relation to the termination of three service concession arrangements, resulting in receivables due from Beijing Yanqing District Urban and Rural Environmental Management Center (北京市延慶區環境衛生服務中心), Huludao municipal government (葫蘆島市政府) and Weng'an county government (薊安縣政府) amounting to RMB81,204,000, RMB75,502,000 and RMB31,511,000, respectively.

16. TRADE RECEIVABLES

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
Trade receivables	3,013,308	2,756,189
Impairment	(256,224)	(175,878)
Net carrying amount	2,757,084	2,580,311
Analysed into:		
Current assets	2,757,084	2,580,311
Non-current assets	—	—
	2,757,084	2,580,311

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

16. TRADE RECEIVABLES *(Continued)*

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

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
0 to 90 days	736,270	733,892
91 to 180 days	376,251	460,243
181 to 365 days	638,155	481,109
1 to 2 years	470,031	530,656
2 to 3 years	396,261	148,376
Over 3 years	140,116	226,035
Total	2,757,084	2,580,311

17. TRADE PAYABLES

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

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
0 to 90 days	776,135	886,617
91 to 180 days	408,963	58,730
181 to 365 days	55,003	455,415
1 to 2 years	131,893	106,108
2 to 3 years	63,928	62,378
Over 3 years	55,085	33,986
Total	1,491,007	1,603,234

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
Secured bank and other borrowings	6,426,381	6,489,729
Unsecured bank and other borrowings	4,504,391	4,157,482
Total	10,930,772	10,647,211
Carrying amount repayable:		
Within one year	4,869,288	3,040,100
More than one year, but not exceeding two years	608,369	2,270,798
More than two years, but not exceeding five years	1,873,171	1,770,068
Beyond five years	3,579,944	3,566,245
Total	10,930,772	10,647,211
Less: amounts due within one year shown under current liabilities	4,869,288	3,040,100
Non-current liabilities	6,061,484	7,607,111

Notes:

- Bank loans of RMB290,931,000 as at 30 June 2025 (31 December 2024: RMB303,451,000) were guaranteed by the corporate guarantee of the Group.
- Bank loans of RMB1,094,195,000 as at 30 June 2025 (31 December 2024: RMB1,097,126,000) were secured by certain service concession arrangements of the Group.
- Bank loans of RMB4,686,566,000 as at 30 June 2025 (31 December 2024: RMB4,694,717,000) were guaranteed by the corporate guarantee of the Group, and were secured by certain service concession arrangements of the Group.
- A bank loan of RMB70,846,000 as at 30 June 2025 (31 December 2024: RMB83,346,000) was guaranteed by the corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司), the non-controlling interests of Beijing Shoujian.
- Bank loans of RMB100,961,000 as at 30 June 2025 (31 December 2024: RMB113,581,000) were guaranteed by the corporate guarantee of the Group, and were secured by the leasehold land with a carrying amount of RMB34,746,000 (31 December 2024: RMB35,145,000).
- Other loan of RMB94,203,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 30 June 2025 (31 December 2024: RMB103,168,000) was guaranteed by the corporate guarantee of the Group, and was secured by the service concession arrangement of Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司).
- As of June 30, 2025, bank loans of RMB88,679,000 (31 December 2024: RMB94,340,000) were secured by certain service concession arrangements of the Group, and by related land and buildings with a net book value of RMB150,084,000 (31 December 2024: RMB155,161,000).
- Other loan of RMB3,841,826,000 from Beijing Capital Eco-Environmental Protection Group Co., Ltd., an intermediate holding company of the Company as at 30 June 2025 (31 December 2024: RMB3,470,000,000) was unsecured with interest-bearing at 4.38% per annum and due in November 2025, March 2026 and May 2026.

As at 30 June 2025, the Group had bank loans of RMB277,040,000 for which certain loan agreement terms were met to permit the lenders to demand accelerated repayment. The terms of these bank loans have not been renegotiated up to the date of approval of these financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

19. ISSUED CAPITAL Shares

	30 June 2025 HK\$'000 Unaudited	31 December 2024 HK\$'000 Audited
Authorised: 33,683,800,000 (2024: 33,683,800,000) ordinary shares of HK\$0.1 each	3,368,380	3,368,380
	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
Issued and fully paid: 14,294,733,167 ordinary shares of HK\$0.1 each	1,275,167	1,275,167

20. PERFORMANCE GUARANTEES AND CONTINGENT LIABILITIES

- (a) The Group also provided performance guarantees with a total amount of RMB88,018,000 (31 December 2024: RMB222,779,000) to the grantors in connection with the construction and operation services provided according to the service concession arrangements or to the lenders in connection with borrowings.
- (b) The Group had a dispute with Fujian Huifeng Construction Engineering Co., Ltd. (福建惠豐建築工程有限公司), relating to a construction project contract amounting to RMB73,477,000. Fujian Huifeng Construction Engineering Co., Ltd. claimed to the court for the unpaid contract amount of RMB67,735,000 and overdue interest payable for project payment of RMB5,742,000. As at 30 June 2025, the lawsuit is still in progress.
- (c) The Group had a dispute with Shihuajiujiu Construction Group Co., Ltd. (世華九九建工集團有限公司), relating to a construction project contract. Shihuajiujiu Construction Group Co., Ltd. had filed a lawsuit claiming RMB18,363,000, which includes contract payments of RMB16,598,000, additional costs to expedite construction work of RMB1,201,000 and reimbursable advance of RMB564,000. As at 30 June 2025, the lawsuit is still in progress.
- (d) The Group was involved in a dispute with Kejing Lu, concerning a construction project contract between Kejing Lu and Yunnan Zhenghao Construction Engineering Co., Ltd. (雲南正浩建設工程有限公司), an independent third party contractor of the Group, Kejing Lu named the Group as the second defendant with the total claiming amount of RMB102,386,000 from both defendants, which includes an alleged unpaid project fees of RMB81,395,000 and the related default interest of RMB20,991,000. Kejing Lu has formally submitted the claim to the court for resolution and the three parties present their respective positions regarding the contractual obligations. As at 30 June 2025, the lawsuit is still in progress.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

21. COMMITMENTS

The Group had contracted construction work for construction obligation under service concession arrangements amounting to RMB150,234,000 as at 30 June 2025 (31 December 2024: RMB169,460,000).

22. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in elsewhere to the financial statements, the Group had the following transactions with related parties during the six months ended 30 June 2025:

(a) The material transactions and balances with government-related entities are listed below:

The subsidiaries of the Group operate in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). The immediate shareholders of the Company, Beijing Capital (HK) and BCG Chinastar International Investment Limited ("BCG Chinastar"), which are companies incorporated in Hong Kong with limited liability, are ultimately controlled by the PRC government. The ultimate parent of both immediate shareholders is Beijing Capital Group, which is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

(i) Material transactions and balances with related parties within Beijing Capital Group:

Name of the related parties	Nature of the transactions	For the six months ended 30 June	
		2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Beijing Capital (HK)	Rental expenses ⁽¹⁾	—	411
Sichuan Bluestone Construction Co., Ltd.	Rendering of construction service ⁽²⁾	1,925	3,762
Beijing Capital Eco-Environmental Protection Group Co., Ltd.	Interest expenses ⁽³⁾	77,440	71,924
Yanjin Shouchuang Water Service Co., Ltd.	Procurement of water resources ⁽⁴⁾	1,439	1,550

⁽¹⁾ The rental expenses were related to the office rental from Beijing Capital (HK).

⁽²⁾ The construction service was related to an environmental remediation project subcontracted to the Group. Trade receivables due from Sichuan Bluestone Construction Co., Ltd. (a fellow subsidiary of the Company) were RMB24,670,000 (31 December 2024: RMB34,062,000).

⁽³⁾ The interest expenses were related to the loan with principal of RMB3,500,000,000 from Beijing Capital Eco-Environmental Protection Group Co., Ltd., which bears interest at 4.38% per annum. Interest payables due to Beijing Capital Eco-Environmental Protection Group Co., Ltd. as at 30 June 2025 were RMB341,826,000 (31 December 2024: RMB264,387,000).

⁽⁴⁾ The Group purchased water from Yanjin Shouchuang Water Service Co., Ltd., a fellow subsidiary of the Company. The trade payables were RMB353,000 (31 December 2024: RMB124,000) as at 30 June 2025.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

22. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The material transactions and balances with government-related entities are listed below:
(Continued)

(i) *Material transactions and balances with related parties within Beijing Capital Group:*
(Continued)

These transactions were conducted in accordance with the terms mutually agreed with the relevant parties. Rental expenses were charged according to the contracts agreed by both parties. Interest expenses were charged based on normal terms and agreed through negotiations between the parties. The services/purchases were made according to the prices and conditions mutually agreed by both parties.

(ii) *Material transactions and balances with other government-related entities:*

The Group recognised revenue from the construction services and operation services of RMB81,107,000 (six months ended 30 June 2024: RMB121,208,000) and RMB1,106,485,000 (six months ended 30 June 2024: RMB1,038,898,000), respectively, under service concession arrangements with the local governments in the PRC.

As at 30 June 2025, concession financial assets and relevant contract assets of RMB9,603,193,000 (31 December 2024: RMB9,600,515,000) were due from the local governments in the PRC in relation to the construction services mentioned above.

RMB1,087,964,000 (31 December 2024: RMB710,947,000) of trade receivables and RMB762,080,000 (31 December 2024: RMB671,055,000) of contract assets were due from the local governments in the PRC, including the Ministry of Finance of the PRC, in relation to government dismantling tariffs and electricity generation.

Trade receivables due from the local governments in the PRC in relation to the waste management service and electricity generation were RMB2,059,745,000 (31 December 2024: RMB1,938,354,000).

Apart from the transactions disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider that those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counterparty is a government-related entity or not.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2025

22. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The emoluments of key management personnel during the period are as follows:

	For the six months ended 30 June	
	2025 RMB'000 Unaudited	2024 RMB'000 Unaudited
Short-term benefits	2,124	2,803
Post-employment benefits	135	195
Total	2,259	2,998

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments are reasonably approximate to fair values except bank and other borrowings for which carrying amounts and fair values are as follows:

	Carrying amounts		Fair values	
	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited	30 June 2025 RMB'000 Unaudited	31 December 2024 RMB'000 Audited
Financial liabilities				
Interest-bearing bank and other borrowings	10,930,772	10,647,211	10,665,596	10,764,819

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the chief executive officer and the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2025 were assessed to be insignificant.

Assets measured at fair value:

No asset was measured at fair value as at 30 June 2025 (31 December 2024: Nil).

Liabilities measured at fair value:

No liability was measured at fair value as at 30 June 2025 (31 December 2024: Nil).

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 20 August 2025.



Capital Environment Holdings Limited
首創環境控股有限公司