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ZONQING Environmental Limited

中庆环境股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1855)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025**

The board (the “**Board**”) of directors (the “**Directors**”) of ZONQING Environmental Limited (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2025 (the “**FY2025**”), together with the comparative figures for the year ended 31 December 2024 (the “**FY2024**”). The annual results and the financial information has been reviewed by audit committee of the Company (“**Audit Committee**”) and approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Note</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	5	1,638,680	1,743,092
Cost of sales		<u>(1,293,358)</u>	<u>(1,429,058)</u>
Gross profit		345,322	314,034
Other net income	6	4,289	15,638
Selling expenses		(33,331)	(34,414)
Administrative expenses		(89,604)	(82,277)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	7	<u>(61,163)</u>	<u>(79,847)</u>
Profit from operations		165,513	133,134
Finance costs	8(a)	(56,773)	(60,129)
Share of losses of associates		(9,566)	(2,740)
Share of losses of a joint venture		<u>(42,529)</u>	<u>(24,891)</u>
Profit before taxation	8	56,645	45,374
Income tax	9	<u>(29,432)</u>	<u>714</u>
Profit for the year		<u>27,213</u>	<u>46,088</u>
Attributable to:			
Equity shareholders of the Company		21,955	39,972
Non-controlling interests		<u>5,258</u>	<u>6,116</u>
Profit for the year		<u>27,213</u>	<u>46,088</u>
Earnings per share (RMB cents)			
Basic and diluted	10	<u>3</u>	<u>5</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Profit for the year	27,213	46,088
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve	1,787	(1,522)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	(415)	704
Other comprehensive income for the year	1,372	(818)
Total comprehensive income for the year	28,585	45,270
Attributable to:		
Equity shareholders of the Company	23,577	39,126
Non-controlling interests	5,008	6,144
Total comprehensive income for the year	28,585	45,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		38,726	37,264
Intangible assets		12,163	17,040
Right-of-use assets		7,827	12,740
Interest in associates		66,572	76,138
Interest in a joint venture		123,853	166,382
Other equity investments		70,452	68,351
Deferred tax assets		98,069	105,214
Non-current portion of trade receivables	12	556	545
Non-current portion of other receivables	13	66,376	–
		484,594	483,674
		484,594	483,674
Current assets			
Inventories and other contract costs		181,255	41,258
Contract assets	11	1,202,743	1,132,150
Trade and bills receivables	12	1,651,294	2,301,133
Prepayments, deposits and other receivables	13	543,696	286,935
Restricted bank deposits		13,008	15,600
Cash and cash equivalents		278,105	122,779
		3,870,101	3,899,855
		3,870,101	3,899,855
Current liabilities			
Trade and bills payables	14	1,383,221	1,578,145
Accrued expenses and other payables		263,879	353,986
Contract liabilities		1,096,657	726,695
Bank and other loans	15	759,782	882,813
Lease liabilities		2,642	2,746
Income tax payable		28,405	34,111
		3,534,586	3,578,496
		3,534,586	3,578,496

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Net current assets		<u>335,515</u>	<u>321,359</u>
Total assets less current liabilities		<u>820,109</u>	<u>805,033</u>
Non-current liabilities			
Bank and other loans	15	–	1,848
Lease liabilities		1,495	4,340
Deferred tax liabilities		4,740	1,930
Long-term payables		<u>–</u>	<u>1,723</u>
		<u>6,235</u>	<u>9,841</u>
NET ASSETS		<u><u>813,874</u></u>	<u><u>795,192</u></u>
CAPITAL AND RESERVES			
Share capital		230	230
Reserves		<u>695,486</u>	<u>668,744</u>
Total equity attributable to equity shareholders of the Company		695,716	668,974
Non-controlling interests		<u>118,158</u>	<u>126,218</u>
TOTAL EQUITY		<u><u>813,874</u></u>	<u><u>795,192</u></u>

NOTES

1 CORPORATE INFORMATION

ZONQING Environmental Limited (formerly known as ZONBONG Landscape Environmental Limited) (the “**Company**”) was incorporated in the Cayman Islands on 8 March 2019 with limited liability under the Companies Act (as revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 January 2021. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in construction and maintenance services for landscaping, ecological restoration and public work projects, provision of environmental hygiene services and other related projects. The Group is ultimately controlled by Mr. Sun Juqing (“**Mr. Sun**”) and Ms. Zhao Hongyu (the “**Controlling Parties**”).

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The annual results set out in this announcement are extracted from the Group’s statutory financial statements for the year ended 31 December 2025.

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the “**IASB**”). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new or amended standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other equity investments which is stated at their fair values.

The Company has its functional currency in Hong Kong dollar (“**HKD**”). As majority of the Group’s operation are conducted by the subsidiaries of the Group in Chinese Mainland in Renminbi (“**RMB**”), the consolidated financial statements are presented in Renminbi.

Based on the Group’s customers’ past history of making payments when due and current ability to pay and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate, the Group considers that it generally takes longer time for the Group to collect payments from the customers.

Notwithstanding the above condition, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. Management of the Group had prepared a cash flow forecast of the Group for at least the next twelve months from 31 December 2025, which has taken into account the following:

- The Group continues to improve its operating cash flows by accelerating the progress billings and collection of trade receivables, actively participating in bidding, negotiating with suppliers on payment terms, and reduction of operation expenses;
- The Group continues the negotiations with various banks to:
 - (i) renew the short-term bank loans upon maturity; and/or
 - (ii) provide additional bank facilities to the Group.
- ZIHG, which is controlled by the Controlling Parties, has committed to provide the necessary financial support for at least the next twelve months from 31 December 2025, including but not limited to:
 - (i) not require the Group repay the amounts due to ZIHG and its subsidiaries;
 - (ii) continue to provide or add additional guarantees to bank loans of the Group upon maturity;
 - (iii) provision of additional borrowing facilities from ZIHG and its subsidiaries, as needed; and/or
 - (iv) continue to provide additional non-interests bearing advances to the Group, as needed.

Based on a cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied amendments to ISA 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

Revenue from construction contracts and certain service contracts are recognised over time. Such revenue and profit recognition on incomplete projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction and design activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment losses for receivables and contract assets

The management maintains a loss allowance for receivables and contract assets for estimated losses resulting from the inability of the customers and other debtors to make the required payments. The management bases the estimates on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) **Recognition of deferred tax assets**

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit or loss in future periods.

5 REVENUE AND SEGMENT REPORTING

(a) **Revenue**

The Group is principally engaged in construction and maintenance services for landscaping, ecological restoration and public work projects, provision of environmental hygiene services and other related projects. Further details regarding the Group's principal activities are disclosed in Note 5(b).

(i) **Disaggregation of revenue**

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2025	2024
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Revenue from city renewal construction services	1,237,067	1,392,163
– Revenue from city operation and maintenance services	257,652	245,428
– Revenue from town planning design services	109,056	75,860
– Revenue from cultural tourism	34,905	29,641
	1,638,680	1,743,092

(ii) **Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date**

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction, maintenance and design contracts. The transaction price does not include any estimated amounts of variable consideration, unless at the reporting date it is highly probable that the Group will satisfy the conditions of variable consideration. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 24 months (2024: 19 months).

	2025	2024
	RMB'000	RMB'000
Remaining performance obligations expected to be satisfied	<u>3,411,385</u>	<u>3,596,580</u>

(b) **Segment reporting**

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segment.

- City renewal construction services: this segment includes construction services for landscaping, ecological restoration and municipal projects;
- City operation and maintenance services: this segment includes: (1) provision of maintenance services to landscaping, ecological restoration and municipal projects and public infrastructures; (2) provision of environmental hygiene services including cleaning and hygiene services to public infrastructures;
- Town planning design services: this segment includes investigation, survey, design and consultancy for construction projects; and
- Cultural tourism: this segment includes tickets fees, transportation fees and other services for scenic spots.

(i) **Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment result is gross profit.

The Group's other operating income and expenses, such as other net income, selling expenses, administrative expenses and impairment losses on trade and other receivables, contract assets and financial guarantees issued are not measured under individual segments. The Group's most senior executive management monitor the Group's assets and liabilities as a whole, accordingly, no segment assets and liabilities is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

	2025				
	City renewal construction services RMB'000	City operation and maintenance services RMB'000	Town planning design services RMB'000	Cultural tourism RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition					
Point in time	-	-	3,791	34,905	38,696
Over time	1,237,067	257,652	105,265	-	1,599,984
Revenue from external customers and reportable segment revenue	<u>1,237,067</u>	<u>257,652</u>	<u>109,056</u>	<u>34,905</u>	<u>1,638,680</u>
Reportable segment gross profit	<u>269,014</u>	<u>64,849</u>	<u>11,023</u>	<u>436</u>	<u>345,322</u>
	2024				
	City renewal construction services RMB'000	City operation and maintenance services RMB'000	Town planning design services RMB'000	Cultural tourism RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition					
Point in time	-	-	3,901	29,641	33,542
Over time	1,392,163	245,428	71,959	-	1,709,550
Revenue from external customers and reportable segment revenue	<u>1,392,163</u>	<u>245,428</u>	<u>75,860</u>	<u>29,641</u>	<u>1,743,092</u>
Reportable segment gross profit/(loss)	<u>236,338</u>	<u>66,935</u>	<u>(832)</u>	<u>11,593</u>	<u>314,034</u>

(ii) *Reconciliation of reportable segment revenue and profit or loss*

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Reportable segment revenue and consolidated revenue (Note 5(b)(i))	<u>1,638,680</u>	<u>1,743,092</u>
Profit		
Total reportable segment gross profit	345,322	314,034
Other net income	4,289	15,638
Selling expenses	(33,331)	(34,414)
Administrative expenses	(89,604)	(82,277)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	(61,163)	(79,847)
Finance costs	(56,773)	(60,129)
Share of losses of associates	(9,566)	(2,740)
Share of losses of a joint venture	(42,529)	(24,891)
Consolidated profit before taxation	<u>56,645</u>	<u>45,374</u>

(iii) *Geographic information*

The Group's revenue is generated from the city renewal construction services, city operation and maintenance services, town planning design services and cultural tourism in the People's Republic of China ("PRC"). The Group does not have material assets or operations outside the PRC, therefore, no segment analysis based on geographical locations of the customers and assets is presented.

6 OTHER NET INCOME

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on trade and other receivables	–	5,682
Interest income on bank deposits	1,414	775
Interest income on finance lease	332	340
Government grants	917	2,545
Net foreign exchange gain/(loss)	802	(912)
Net gain/(loss) on disposal of non-current assets	1	(296)
Income from financial guarantees issued	–	4,624
Dividends income	–	450
Others	823	2,430
	<u>4,289</u>	<u>15,638</u>

7 IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND FINANCIAL GUARANTEES ISSUED

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Impairment losses on trade and bills receivables	64,407	121,579
Reversal of impairment losses on contract assets	(10,290)	(55,530)
Impairment losses on prepayments, deposits and other receivables	21,860	11,574
(Reversal of impairment losses)/Impairment losses on financial guarantees issued	<u>(14,814)</u>	<u>2,224</u>
	<u>61,163</u>	<u>79,847</u>

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest on bank and other loans	56,459	59,913
Interest on lease liabilities	<u>314</u>	<u>216</u>
	<u>56,773</u>	<u>60,129</u>

No borrowing costs have been capitalised during the years ended 31 December 2025 and 2024.

(b) Staff costs

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Salaries, wages and other benefits	151,945	155,805
Contributions to defined contribution retirement schemes (Note)	<u>15,863</u>	<u>17,578</u>
	<u>167,808</u>	<u>173,383</u>

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce existing level of contributions. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

(c) **Other items**

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Depreciation of property, plant and equipment	10,865	9,592
Depreciation of right-of-use assets	5,643	3,858
Amortisation of intangible assets	3,352	1,795
Leases charges relating to short-term leases and leases of low-value assets	12,428	11,822
Research and development costs	67,234	76,583
Auditor's remuneration	2,921	3,118
Cost of inventories	436,027	580,427
	<u>436,027</u>	<u>580,427</u>

9 INCOME TAX

(a) **Taxation in the consolidated statement of profit or loss represents:**

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current tax		
Provision for the year	19,791	18,856
Deferred tax		
Origination and reversal of temporary differences	9,641	(19,570)
	<u>29,432</u>	<u>(714)</u>

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Profit before taxation	56,645	45,374
Notional tax on profit before taxation, calculated at the rates applicable to profits in the respective tax jurisdictions concerned (Notes (i), (ii) and (iii))	14,396	11,437
Tax concessions and effect of changes of tax rate (Note (iv))	(16,437)	(15,551)
Tax effect of unused tax losses and deductible temporary differences not recognised	30,741	1,503
Tax effect of non-deductible expenses	732	1,897
Income tax expense	<u>29,432</u>	<u>(714)</u>

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2025 (2024: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2025 (2024: RMBNil).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, are not subject to any income tax.
- (iii) The subsidiaries of the Group established in Chinese Mainland are subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2025 (2024: 25%).
- (iv) Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2022 to 2024, 2023 to 2025 or from 2024 to 2026, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2025 (2024: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries entitle additional tax-deductible allowance amounted to 100% of qualified research and development costs for the year ended 31 December 2025 (2024: 100%).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB21,955,000 (2024: RMB39,972,000), and the weighted average of 825,000,000 ordinary shares in issue during the year (2024: 825,000,000 ordinary shares (restated)), calculated as follows:

Weighted average number of ordinary shares

	2025	2024
	<i>No. of shares</i>	<i>No. of shares</i>
	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	825,000	275,000
Effect of shares subdivision (<i>Note</i>)	—	550,000
	<hr/>	<hr/>
Issued ordinary shares at December	825,000	825,000
	<hr/> <hr/>	<hr/> <hr/>

Note:

With effect from 1 August 2024, The Company subdivides each of the existing issued and unissued shares of nominal value of HKD0.001 each in the share capital of the Company into three subdivided shares of nominal value of HKD0.0003 each. After this subdivision, the authorised ordinary shares and issued and fully paid ordinary shares of the Company were divided into 30,000,000,000 shares and 825,000,000 shares, respectively. The number of ordinary shares outstanding before the share subdivision completed on 1 August 2024 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the share subdivision had occurred at the beginning of the earliest period presented.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2025 and 2024. Hence, the diluted earnings per share is the same as basic earnings per share.

11 CONTRACT ASSETS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Contract assets		
– due from ZIHG and its subsidiaries, joint ventures and associates	46,078	47,712
– due from a joint venture	42,402	42,561
– due from an associate	44,304	39,828
– due from companies managed by key management personnel of ZIHG	44	165
– due from third parties	1,225,795	1,168,054
	1,358,623	1,298,320
Less: loss allowance	(155,880)	(166,170)
	1,202,743	1,132,150
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in “Trade and bills receivables”	1,633,159	2,277,707

The Group’s construction, maintenance and design contracts include payment schedules which require stage payments over the design, maintenance and construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The contract assets that could be billed and settled within one year according to terms of the contracts with customers are classified as current assets. Otherwise, the contract assets are classified as non-current assets.

The amounts of revenue during the year ended 31 December 2025 from performance obligations satisfied (or partially satisfied) in previous periods is RMB31,892,000 (2024: RMB22,679,000), mainly due to the changes in estimate of the stage of completion.

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB571,808,000 (31 December 2024: RMB471,056,000), which are expected to be billed after more than one year.

12 TRADE AND BILLS RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables		
– due from ZIHG and its subsidiaries, joint ventures and associates	101,183	204,112
– due from a joint venture	23,166	23,166
– due from an associate	35,901	37,901
– due from companies managed by key management personnel of ZIHG	8	11,100
– due from third parties	<u>1,913,329</u>	<u>2,433,812</u>
	2,073,587	2,710,091
Bills receivable	<u>14,209</u>	–
	2,087,796	2,710,091
Less: loss allowance	<u>(435,946)</u>	<u>(408,413)</u>
	<u><u>1,651,850</u></u>	<u><u>2,301,678</u></u>
Reconciliation to the consolidated statement of financial position:		
Non-current	556	545
Current	<u>1,651,294</u>	<u>2,301,133</u>
	<u><u>1,651,850</u></u>	<u><u>2,301,678</u></u>

All of the current trade and bills receivables, net of loss allowance, are expected to be recovered within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 year	588,885	1,014,258
1 to 2 years	303,617	719,257
2 to 3 years	463,499	203,285
3 to 4 years	153,851	229,910
4 to 5 years	139,076	47,957
Over 5 years	2,922	87,011
	<u>1,651,850</u>	<u>2,301,678</u>

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Amounts due from ZIHG and its subsidiaries, joint ventures and associates	89,124	2,498
Amounts due from an associate	84,959	72,129
Amounts due from a joint venture	116,669	66,089
Advances to third parties (<i>Note (i)</i>)	153,508	98,728
Advances to staff	1,699	1,524
Tax recoverable	25,459	14,783
Prepayments for purchase of raw materials	88,856	24,423
Deposits of bidding and performance for construction and design contracts	76,710	1,675
Deposits to secure the guarantees by third parties	13,999	15,650
Others	1,909	10,405
	<u>652,892</u>	<u>307,904</u>
Less: loss allowance	<u>(42,820)</u>	<u>(20,969)</u>
	<u>610,072</u>	<u>286,935</u>

Reconciliation to the consolidated statement of financial position:

Non-current (<i>Note (i)</i>)	66,376	–
Current	543,696	286,935
	<u>610,072</u>	<u>286,935</u>

Note (i): The amounts are non-interest bearing, including the non-current portion represented advances granted to a third party property developer, which are unsecured and with fixed term of repayment by 31 December 2027.

Except for the non-current portion of other receivables, all of the prepayments, deposits, and other receivables are expected to be recovered or recognised as expenses within one year.

14 TRADE AND BILLS PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade payables		
– due to ZIHG and its subsidiaries, joint ventures and associates	48,892	22,843
– due to companies managed by key management personnel of ZIHG	29,032	49,570
– due to third parties	1,300,297	1,496,232
Bills payables	5,000	9,500
	<u>1,383,221</u>	<u>1,578,145</u>

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 year	484,210	721,926
1 to 3 years	784,966	713,244
Over 3 years	114,045	142,975
	<u>1,383,221</u>	<u>1,578,145</u>

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

15 BANK AND OTHER LOANS

(a) The Group's bank and other loans comprise:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Bank loans:		
Guaranteed by related parties	30,000	74,737
Guaranteed by third parties (Note 15(d))	9,332	123,707
Guaranteed by related parties and third parties (Note 15(d))	108,232	339,294
Guaranteed by related parties and secured by trade and bills receivables and contract assets of the Group	–	99,310
Guaranteed by related parties and third parties and secured by trade and bills receivables and contract assets of the Group/related parties (Notes 15(c) and 15(d))	514,850	129,367
Secured by trade and bills receivables of the Group (Note 15(c))	12,972	40,000
Secured by bank deposits of the Group (Note 15(c))	–	30,000
Unguaranteed and unsecured	77,509	37,300
	<u>752,895</u>	<u>873,715</u>
Other loan:		
Unguaranteed and unsecured loans from third parties	5,050	8,098
Unguaranteed and unsecured loans from ZIHG and its subsidiaries, joint ventures and associates	–	1,000
Unguaranteed and unsecured loans from ZONBONG International Investment Limited (“ Zonbong International ”)	1,837	1,848
	<u>759,782</u>	<u>884,661</u>

(b) The Group's bank and other loans are repayable as follows:

As of the end of the reporting period, the bank and other loans were repayable as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 1 year or on demand	759,782	882,813
After 1 year but within 2 years	–	1,848
	<u>759,782</u>	<u>884,661</u>

(c) **Certain of the Group’s bank loans are secured by the following assets of the Group:**

	2025 <i>RMB’000</i>	2024 <i>RMB’000</i>
Trade and bills receivables and contract assets	41,403	17,473
Bank deposits	–	15,000
	<u>41,403</u>	<u>17,473</u>

(d) **Certain of the Group’s bank loans are guaranteed by third parties, where related parties provide counter-guarantee and/or secured by assets of the Group to these third parties:**

	2025 <i>RMB’000</i>	2024 <i>RMB’000</i>
Counter-guarantee by related parties	347,000	592,368
Trade and bills receivables and contract assets	262,746	512,088
Guarantee deposits	13,999	15,650
	<u>623,745</u>	<u>1,119,106</u>

(e) **Bank loans arising from supplier finance arrangements**

The Group has entered into loans with banks for pay certain suppliers with banks, under which the Group obtained credit in respect of the invoice amounts owed to certain suppliers of construction materials and services. The banking facilities in relation to these arrangements are guaranteed by third parties.

Under these arrangements, the banks pay suppliers the amounts owed by the Group on the original due dates, which are normally 30 – 365 days after the invoice date. The Group then settles with the banks approximately one year after the original due dates with the suppliers, with interest.

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as “bank and other loans”, in view of the nature and function of such liabilities when compared with the Group’s trade payables. As at 31 December 2025, the carrying amount of financial liabilities under these arrangements amounted to RMB63,300,000, RMB63,300,000 of which suppliers have received payments from the banks.

In the consolidated cash flow statement, payments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks amounting to RMB63,300,000 are non-cash transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During FY2025, revenue of the Group was approximately RMB1,638.68 million, representing a decrease of approximately 6.0% as compared with FY2024. The revenue of the Group was mainly generated from: (i) revenue from city renewal services, (ii) revenue from city operation and maintenance services, (iii) revenue from town planning design services; and (iv) revenue from cultural tourism, which accounted for approximately 75.5%, 15.7%, 6.7% and 2.1% of the total revenue for FY2025, respectively.

In FY2025, details of the Group's business segments are set out below:

1. **City renewal services:** the business scope covers construction engineering services in various fields such as landscaping, municipal projects, ecological management, mine restoration and city renewal. With the provision of high-quality engineering services as its core, the Group is able to efficiently mobilise its resources in a unified manner to focus on completing various projects with tight schedules, heavy workloads and high quality.
2. **City operation and maintenance services:** In recent years, the Group has accelerated the layout of city operation and maintenance business, and has successfully established a comprehensive city operation service chain covering municipal infrastructure maintenance, rail transportation maintenance, urban and rural smart environmental sanitation, green maintenance and ecological maintenance.
3. **Town planning design services:** The Group's town planning design services include project investigation, survey, design and consultancy. Leveraging its strong innovative capability, resource integration capability and comprehensive end-to-end planning and design management system, the business portfolio broadly covers various fields such as architectural design, city renewal, rural revitalisation, ecological environment design, engineering survey and municipal public works design.
4. **Cultural tourism:** The business covers the planning, construction and operation of regional cultural tourism hotspots, complexes and natural landscape tourism areas.

Adhering to the general development principle of seeking progress while maintaining stability and positive momentum, the Company is committed to enhancing the quality of internal services on one hand to strengthen its market bidding competitiveness; on the other hand, it actively advances its nationwide presence, particularly in key regions such as Guangdong and Sichuan, where deep market engagement has already delivered significant phased results.

During FY2025, the Group submitted a total of 1,002 tenders, representing an increase of 90 tender submissions or approximately 9.87% as compared with FY2024, and the Group recorded a tender success rate of 18.76% for FY2025, representing a decrease of approximately 46.53% on tender success rate when compared with FY2024. The decrease in tender success rate was mainly due to an increase in the number of tenders as the Group continued to implement its national development strategy during FY2025, and actively engaged in bidding in Guangdong, Sichuan and other outbound regions. At the same time, given the Group's heightened emphasis on project quality and the improvement of selection standards, the decrease in tender success rate reflects the Group's more prudent and quality-focused bidding strategy.

During FY2025, the Group has won tenders for several sizeable projects, including:

- (i) the second batch main contracting for the Changchun City Five Largest Wastewater Treatment Systems “One Plant, One Policy” Quality Improvement and Efficiency Enhancement Project – 2025 municipal-Level project (with a successful bid price of approximately RMB310.58 million);
- (ii) the main contracting for the Changchun New Area urban village redevelopment project (youth-friendly community) (with a successful bid price of approximately RMB294.04 million);
- (iii) the main contracting for the Changchun Xikang Road Area ageing pipeline network renovation project (with a successful bid price of approximately RMB100.38 million);
- (iv) the Dongguan Shijie Town primary, secondary and tertiary industry integrated development common prosperity demonstration zone supporting facilities construction project (with a successful bid price of approximately RMB128.69 million).

During FY2025, the Group's subsidiaries also achieved multiple industry honours and technical accomplishments. Jinghe Design Group Limited* (境和設計集團有限公司) (“**Jinghe Design Group**”), which designed the construction Project of Homm Changchun Beihu, was awarded the Gold Prize of the International Sustainable Urban Renewal Spatial Renovation Design Award (國際可持續城市更新空間改造設計獎金獎) for 2025; Zonbong Ecology Environmental Construction Limited* (中邦生態環境有限公司) (“**Zonbong Ecology Environmental**”) was awarded the national “Credit Star Certificate (8-Star)” (信用星級證書(8星)), granted jointly by China Association of Construction Enterprise Management and Credit Evaluation Engineering Committee, it was also awarded and honoured as an “Excellent Construction Enterprise in Jilin Province” (吉林省優秀施工企業) by the Jilin Provincial Construction Association; and Changchun Chengjianweihe Group Co., Ltd.* (長春市城建維護集團股份有限公司) (“**Changchun Chengjianweihe**”) was awarded the national “Credit Star Certificate (6-Star)” (信用星級證書(6星)) by the China Association of Construction Enterprise Management.

RISK MANAGEMENT

The Group recognises that risk management is critical to safeguarding efficient and effective operation. Accordingly, the Board is responsible for formulating risk management strategies, while the management is responsible for identifying and monitoring the execution. Management continuously identifies the material risks faced by the Group's businesses (including investment risk, interest rate risk, liquidity risk, etc.), and formulates appropriate risk management and internal control measures to ensure their effective implementation in daily operations. There was no material deficiency in the Group's internal control during FY2025.

PROSPECTS

In 2025, China's economy advanced under pressure and demonstrated strong resilience. Overall economic performance remained stable with steady progress, as gross domestic product grew by 5% to reach RMB140.19 trillion. China introduced intensive supportive policies across three dimensions— debt settlement, market expansion and competitive environment— creating a favourable development environment for the engineering and construction industry. The Group captured this policy window and achieved steady development during the period of structural industry adjustment.

In 2025, China introduced intensive tourism support policies across three dimensions— consumption stimulation, market order and industry integration— positioning the cultural tourism sector as a pillar industry for development. The Group accurately identifies the policy direction and, leveraging its core engineering construction business, actively expands into new tracks such as cultural tourism infrastructure, urban renewal and tourism integration.

In April 2025, the General Office of the Ministry of Finance and the General Office of the Ministry of Housing and Urban-Rural Development jointly issued the “Notice on Carrying Out the 2025 Central Government Financial Support for Urban Renewal Actions”. In May, the General Office of the CPC Central Committee and the General Office of the State Council released the “Opinions on Continuously Promoting Urban Renewal Initiatives”, which explicitly promotes renovation projects for old urban communities, obsolete industrial areas and urban ecosystems, thereby providing strong support for the Group's strategic layout in the city renewal sector. Looking ahead, the Group will continue to leverage its professional expertise, technological accumulation and regional experience to focus on three key directions of “urban ecology + infrastructure + cultural tourism” to enhance its integrated project solution capabilities.

In 2026, with the improvement of the funding environment, the release of high-quality projects, and the optimisation of competitive order, favourable policy tailwinds have arrived and the industry ecosystem has been reshaped. The Group will continue to closely follow the national strategy, maintaining strategic patience and resilience, while seizing policy opportunities, deepening presence in core regions, focusing on key customers, and continuously enhancing core competitiveness. By deepening market expansion, accelerated digital transformation, and optimised operational management, we will promote high-quality and sustainable development.

As the inaugural year of the “15th Five-Year Plan”, 2026 represents a pivotal year for the Group, where structural opportunities outweigh challenges. With China’s systematic resolution of local government debt, the implementation of more proactive fiscal policies, and the deepening of the “investment in people and urban renewal” strategy, the engineering and construction industry is poised to benefit from the dual advantages of an improved funding environment and the release of high-quality projects.

The Group will capture this historic window period to advance a comprehensive transformation from a traditional engineering contractor to an “integrated urban–rural development service provider”, focusing on the three major tracks of city renewal, intelligent construction and green infrastructure. Through this repositioning, the Group aims to achieve a dual breakthrough in both operational quality and economies of scale.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 6.0% or approximately RMB104.4 million from approximately RMB1,743.1 million for FY2024 to approximately RMB1,638.7 million for FY2025. The decrease in revenue was mainly due to the decrease in the number of newly awarded contracts of the Company as compared to last year due to the impact of macroeconomic environment and industry policies. Meanwhile, the Company continued to refine its bidding strategies, implement stricter project selection criteria and strengthen risk identification and profitability assessments and proactively focus on high-quality projects, resulting in periodic fluctuations in the bid success rate. These changes reflect the Company's accelerated transition from scale expansion to high-quality development, laying a solid foundation for long-term operations.

City renewal construction services

The Group recorded a decrease in revenue from the city renewal construction services segment, from approximately RMB1,392.2 million for FY2024 to approximately RMB1,237.1 million for FY2025, representing a decrease of approximately 11.1% or approximately RMB155.1 million, which was mainly due to the decrease in the number of newly awarded contracts as compared to last year due to the impact of policies and macro economic environment. Meanwhile, the bid success rate declined due to greater focus on project quality and stricter selection criteria, reflecting the Group's more prudent and high-quality bidding strategy.

City operation and maintenance services

The Group recorded an increase in revenue from the city operation and maintenance services segment, from approximately RMB245.4 million for FY2024 to approximately RMB257.7 million for FY2025, representing an increase of approximately 5.0% or approximately RMB12.2 million, which was mainly due to improved operational efficiency of existing projects and faster project settlement, which jointly contributed to steady revenue growth during the period.

Town planning design services

The Group recorded an increase in revenue from the town planning design services segment, from approximately RMB75.9 million for FY2024 to approximately RMB109.1 million for FY2025, representing an increase of approximately 43.8% or approximately RMB33.2 million, which was mainly due to the recognition of revenue during the period from projects awarded and contracted in prior periods and accelerated project execution, which jointly contributed to a significant increase in business performance during the period.

Cultural tourism

Following the launch of this business segment in FY2024, the Group continued its efforts in capturing business development and revenue growth opportunities under the segment of cultural tourism. The Group recorded an increase in revenue from the cultural tourism segment, from approximately RMB29.6 million for FY2024 to approximately RMB34.9 million for FY2025, representing an increase of approximately 17.8% or approximately RMB5.3 million, which was mainly due to the significant recovery of domestic tourism demand and increased willingness of tourists to travel with a steady increase in per-capita spending, underpinned by the ever-improving cultural tourism product portfolio and further strengthened promotional activities in the market.

Source of income under this business segment comprised of ticket fees, transportation fees, catering income and amusement service fees collected at scenic spots, etc.

Financial management and treasury policy

The Group adopted prudent funding and treasury management policies while maintaining an overall healthy financial position. The Group's source of funding was raised by cash generated from operating activities and bank borrowings. The Group's treasury policies mainly include managing capital liquidity and yield to safeguard the healthy development of the principal businesses of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations. The Group is from time to time considering various alternatives including but not limited to financial institution borrowings, non-financial institution borrowings, bonds issuance, etc.

For the year ended 31 December 2025, the Company reported a gain attributable to shareholders of RMB22.0 million, compared with profit attributable to shareholders of RMB40.0 million in 2024, a negative variance of approximately RMB18.0 million. The change in our financial results is mainly due to the increased share of losses from associates and joint ventures operation.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 10.0% or approximately RMB31.3 million from approximately RMB314.0 million for FY2024 to approximately RMB345.3 million for FY2025. The increase in gross profit was mainly due to the effective implementation of the Group's budget control measures. Gross profit margin of the Group increased from approximately 18.0% for FY2024 to approximately 21.1% for FY2025. The increase in gross profit margin was mainly due to the Group's continued efforts to refine its cost control system for engineering projects, improve its cost control mechanisms and enhance its execution, which effectively drove a slight increase in project profitability.

Other net income

The Group's other income decreased by approximately 72.6% or approximately RMB11.3 million from approximately RMB15.6 million for FY2024 to approximately RMB4.3 million for FY2025, which was mainly due to the decreased interest income on trade and other receivables and the income from financial guarantees issued.

Selling expenses

The Group's selling expenses primarily comprised of expenses incurred in relation to sales support and marketing activities of the Group.

The Group's selling expenses remains stable at approximately RMB33.3 million and approximately RMB34.4 million in FY2025 and FY2024, respectively.

Administrative expenses

The Group's administrative expenses primarily comprised expenses incurred in relation to the general operation of the Group.

The administrative expenses increased from approximately RMB82.3 million for FY2024 to approximately RMB89.6 million for FY2025, representing an increase of approximately 8.9% or approximately RMB7.3 million. The increase in administrative expenses was due to the strengthened management of project settlement of the Group during the year, which resulted in a significant improvement in project settlement and thus an increase in surtaxes.

Impairment losses under the expected credit loss (“ECL”) model

The impairment losses on trade and other receivables and contract assets under the ECL model for FY2025 was approximately RMB61.2 million (FY2024: approximately RMB79.8 million). The decreased was mainly due to the fact that in FY2025 the government focused on promoting the measurement or settlement of aging contract assets, which facilitated the Group’s billing and settlement of contract assets, leading to a reduction in impairment losses.

Finance costs

The Group’s finance costs mainly represented interest expenses on bank loans, and it decreased by approximately 5.6% or approximately RMB3.4 million from approximately RMB60.1 million for FY2024 to approximately RMB56.8 million for FY2025, which was mainly due to the decrease in bank loans and other borrowings of the Group attributable to the substantial improvement in the settlement of overdue accounts through the issuance of special bonds with the easing of local government debt pressures.

Share of losses of associates

The Group’s share of losses of associates represented losses shared from two associates, namely Changchun Xianbang Municipal and Landscape Limited (長春現邦市政園林有限責任公司) (“**Changchun Xianbang**”) and Tianjin Nangang Municipal Garden Engineering Limited* (天津南港市政園林工程有限公司) (formerly known as Sipoke (Tianjin) Industrial Services Company Limited* (斯泊克(天津)產業服務有限公司)) (“**Tianjin Nangang**”).

Changchun Xianbang was established in Changchun, the PRC, in 2017 as a project company responsible for financing, developing, operating and maintaining the Group’s Public-Private-Partnership (“**PPP**”) project of Landscape and Greening Enhancement and Maintenance and Municipal Infrastructure Management and Maintenance for the Economic Development Zone (經開區綠化景觀提升維護及市政設施管理維護PPP項目), which commenced in 2017. The Group has been holding 50.0% equity interest in Changchun Xianbang since its establishment and it was accounted as the Group’s associate given that the Group did not have the power to control its financial and operating policies.

The Group has also acquired 20% interest in Tianjin Nangang on 17 February 2022 at a consideration of approximately RMB4.72 million from an independent third party, which represents an investment in an associate of the Group. The acquisition falls within the de minimis criteria and is fully-exempted from the reporting, announcement and shareholders approval requirements in the Main Board Listing Rules. Tianjin Nangang is a comprehensive platform company based in Nangang Industrial Park (the “**Park**”) and integrating quality resources from various parties, Tianjin Nangang is positioned as a quality service provider in the Park. It is committed to provide public utility services to the Park Management Committee and consulting, construction, operations, and maintenance services to enterprises in the Park.

During FY2025, share of losses of associates attributable to the Group increased by approximately RMB6.8 million from approximately RMB2.7 million for FY2024 to approximately RMB9.6 million for FY2025. Such increase of the share of loss was mainly due to the increased ECL allowance for Changchun Xianbang.

Share of losses of a joint venture

The Group's share of losses of a joint venture represents losses shared from the Group's jointly controlled project company, namely Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) (“**Tianjun Tourism**”), which was registered in Inner Mongolia, the PRC, as a project company responsible for financing, developing, operating and maintaining the Group's PPP project, the Shenjunshan Ecological Restoration and Landscaping Project (神駿山生態修復及景觀項目), which commenced in 2017. The Group has been holding 75.0% equity interest in Tianjun Tourism since its incorporation and it was accounted as the Group's joint venture given that the power to control its financial and operating policies was jointly held by the Group and another shareholder.

During FY2025, losses of Tianjun Tourism attributable to the Group increased by approximately RMB17.6 million from a loss of approximately RMB24.9 million for FY2024 to a loss of approximately RMB42.5 million for FY2025. Such increase in losses was mainly due to the increased ECL allowance for trade receivables of Tianjun Tourism after adjustments based on the credit risk assessment, which reflects the Group's prudent approach to asset quality management.

Income tax

The Group is subject to taxation on profit earning in or derived from the tax jurisdictions where the Group's subsidiaries are domiciled and operated in the PRC. The subsidiaries of the Group established in the PRC are subject to corporate income tax in the PRC at 25% according to the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and the Implementation Regulation for the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例).

Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2022 to 2024, from 2023 to 2025 or from 2024 to 2026, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for FY2025 (2024: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to additional tax deductible allowance amounted to 100% of qualified research and development costs for FY2025 (2024: 100%).

The Group's income tax changed from approximately RMB-0.7 million for FY2024 to approximately RMB29.4 million for FY2025, which was mainly due to the decrease in deductible temporary differences recognised as deferred tax assets in prior year.

Net current assets

The Group's net current assets increased by approximately 4.4% or approximately RMB14.2 million from approximately RMB321.4 million as at 31 December 2024 to approximately RMB335.5 million as at 31 December 2025. Such increase was due to the decrease in bank and other loans.

Inventories and other contract costs

The following table sets out a breakdown of inventories and other contract costs of the Group as at 31 December 2025 and 2024:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Inventories – construction materials	24,416	14,809
Other contract costs	156,839	26,449
	181,255	41,258

The Group's inventories principally consisted of construction materials and other contract costs, including costs that the Group incurred in relation to fulfilling a contract or an identifiable anticipated contract. Such costs include direct labour costs, direct material costs and subcontracting fees, etc..

As at 31 December 2025, included in the capitalised contract costs is of RMB156.8 million related to the construction costs incurred for the project of Tianpuqiao South Basin (天普橋以南流域工程), a landscape construction project located in Changchun, Jilin province. As at the date of this announcement, the Group has not yet entered into contract with the counterparty for this project. Based on legal advice and assessment from the directors of the Company, the directors of the Company believe that they are in agreement with the counterparty that the costs incurred to fulfil the contract can be compensated. The capitalised contract costs related to the project are expected to be recovered after the bidding and contracting process.

Contract assets

The Group's contract assets increased by approximately 6.2% or approximately RMB70.6 million from approximately RMB1,132.2 million as at 31 December 2024 to approximately RMB1,202.7 million as at 31 December 2025. The increase in contract assets was mainly due to a time lag between settlement and the timing of recognition as some projects have not yet completed settlement.

Trade and bills receivables

The Group's trade and bills receivables decreased by approximately 28.2% or approximately RMB649.8 million from approximately RMB2,301.1 million as at 31 December 2024 to approximately RMB1,651.3 million as at 31 December 2025. The decrease was primarily due to the timely collection of outstanding amounts during the year and a lower level of credit sales compared to the previous reporting period.

Restricted bank deposits

The Group's restricted bank deposits decreased by approximately 16.6% or approximately RMB2.6 million from approximately RMB15.6 million as at 31 December 2024 to approximately RMB13.0 million as at 31 December 2025, which was mainly due to the release of restricted funds pledged as collateral for bills and borrowings upon the maturity of the relevant bills and repayment of the debts, resulting in a decrease in the balance of restricted bank deposits.

Trade and bills payables

The Group's trade and bills payables decreased by approximately 12.4% or approximately RMB194.9 million from approximately RMB1,578.1 million as at 31 December 2024 to approximately RMB1,383.2 million as at 31 December 2025, which was due to the increased payments to suppliers to ensure supply chain stability.

Capital commitments

The table below sets out the amount of the capital commitments of the Group as at 31 December 2025 and 2024:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Authorised but not contracted for	<u>2,574</u>	<u>15,824</u>

As at 31 December 2025, the capital commitments authorised but not contracted for are mainly used for information technology systems and construction equipment and office equipment.

Indebtedness

As at 31 December 2025, the Group had borrowings of approximately RMB759.8 million (31 December 2024: approximately RMB884.6 million) which are in RMB predominantly. Based on the scheduled repayment terms set out in the loan agreements, approximately RMB759.8 million (31 December 2024: approximately RMB882.8 million) of the borrowings are payable within 1 year. Some of the borrowings were secured and guaranteed by trade and bills receivables and contract assets and bank deposits of the Group, related parties or third-party guarantee companies.

As at 31 December 2025, the Group had utilised all of the banking facilities.

During FY2025, none of the covenants relating to the bank loans of the Group had been breached.

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios for the years/as at each of the dates indicated:

	Year ended 31 December	
	2025	2024
Gross profit margin (%) ⁽¹⁾	21.1	18.0
Net profit margin (%) ⁽²⁾	1.7	2.6
Return on equity (%) ⁽³⁾	3.4	6.0
Return on total assets (%) ⁽⁴⁾	0.6	1.1

	As at 31 December	
	2025	2024
Current ratio ⁽⁵⁾	1.1	1.1
Gearing ratio ⁽⁶⁾	0.9	1.1
Net debt to equity ratio ⁽⁷⁾	0.6	1.0

Notes:

- (1) Gross profit margin for the year was calculated based on gross profit divided by total revenue for the respective year and multiplied by 100%.
- (2) Net profit margin for the year was calculated based on profit for the year divided by total revenue for the respective year and multiplied by 100%.
- (3) Return on equity for the year was calculated based on the profit for the year attributable to equity shareholders of the Company for the respective year divided by the average of the beginning and ending balance of total equity attributable to equity shareholders of the Company as at the respective year end and multiplied by 100%.

- (4) Return on total assets for the year was calculated based on the net profit for the year divided by the average of the beginning and ending balance of total assets as at the respective year end and multiplied by 100%.
- (5) Current ratio was calculated based on the total current assets as at the respective year end divided by the total current liabilities as at the respective year end.
- (6) Gearing ratio was calculated based on the total Bank and other loans as at the respective year end divided by total equity as at the respective year end.
- (7) Net debt to equity ratio was calculated based on net borrowings (being total borrowings net of cash and cash equivalents) as at the respective year end divided by total equity as at the respective year end.

Return on equity

The return on equity decreased from 6.0% for FY2024 to 3.4% for FY2025, primarily due to a decrease in net profit for the year, resulting in a decrease in the return on equity.

Return on total assets

The return on total assets decrease from 1.1% for FY2024 to 0.6% for FY2025, primarily due to a decrease in net profit for the year, resulting in a decrease in the return on total assets.

Current ratio

The current ratio remained the same from 1.1 for FY2024 to 1.1 for FY2025.

Gearing ratio

The gearing ratio decreased from 1.1 as at 31 December 2024 to 0.9 as at 31 December 2025 due to a decrease in interest-bearing liabilities resulting from the repayment of bank and other loans.

Net debt to equity ratio

The net debt to equity ratio decreased from 1.0 as at 31 December 2024 to 0.6 as at 31 December 2025 due to a decrease in interest-bearing liabilities resulting from the repayment of bank and other loans.

MATERIAL ACQUISITIONS AND DISPOSALS

With a view to enhance the Group's overall strength, the Group has been exploring opportunities to expand and diversify its business portfolios by acquisition if any appropriate acquisition target is identified. In determining the appropriate acquisition target, the Group would consider various factors, such as the target company's operating history, development potential of the target company, the qualifications possessed by the target company, etc. Save as aforesaid, the Group has no specific plan for any major investment or acquisition for major capital assets or other businesses.

The Company has no material acquisitions or disposals of assets, subsidiaries, associates and joint ventures during the year ended and as at 31 December 2025.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2025 and 31 December 2024, except for the associate and joint venture of the Group as disclosed in this announcement, the Group did not hold any significant investments.

For discussion of the performance of the Group's associates and joint venture, please refer to the paragraphs headed "Share of losses of associates" and "Share of losses of a joint venture" in this announcement above.

CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES ISSUED

As at 31 December 2025, the Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2025, the balance of the bank loan is RMB253,000,000 (31 December 2024: RMB RMB285,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. As at 31 December 2025, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB15,087,000 (31 December 2024: RMB24,000,000).

As at 31 December 2025, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2025, the balance of the bank loan is RMB91,500,000 (31 December 2024: RMB116,500,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB12,685,000 and RMB2,692,000 and was recognised as “accrued expenses and other payables – financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. As at 31 December 2025, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB4,699,000 (31 December 2024: RMB10,600,000).

The directors do not believe it is probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, and the Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed “MATERIAL ACQUISITIONS AND DISPOSALS” in this announcement, the Group has no future plan for material investments or capital assets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Given the Group’s operation is mainly conducted in the PRC with most of the Group’s transactions denominated and settled in RMB, the currency risk is insignificant.

Credit risk

The Group's credit risk is primarily attributable to the carrying amounts of trade receivables and contract assets, and financial guarantees issued by the Group.

At 31 December 2025, 27.2% (31 December 2024: 22.1%) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 69.9% (31 December 2024: 54.2%) of the total trade receivables were due from the Group's five largest debtors. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has limited credit risk on cash and cash equivalents because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's customers are primarily entities in the public sector. The Group generally requires customers to settle progress billings in accordance with the relevant contracted terms and other debts in accordance with their relevant agreements. Thus, the Directors believe that the Group has limited exposure to credit risk.

The Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, i.e. a joint venture of the Group, and Changchun Xianbang i.e. an associate of the Group, respectively. The Directors do not believe it to be probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, such that the Group will have to make specified payments to reimburse the beneficiary of the guarantee for losses that the bank incurs.

Liquidity risk

The liquidity of the Group depends primarily on the Group's ability to maintain adequate cash inflows from business operations to meet debt repayment obligations as they fall due and the Group's ability to obtain external financing to meet committed future capital expenditures. It is the Group's policy to regularly monitor its liquidity status and compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2025, fixed rate borrowings accounted for 100.0% of total borrowings of the Group whereas variable rate borrowings accounted for 0.0% of total borrowings of the Group.

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of dividend for FY2025 (2024: RMBnil). The recommendation was considered by a number of factors, including the need to prioritize long term goals by investing resources and efforts for ongoing business growth and capacity.

Employees and remuneration policies

The Group's Remuneration Management Policy and Fringe Benefits System has been formulated to establish a systematic remuneration system, which enabling the employees to have full vision and understanding of the Group's human resources management function, human resources management policies and system, composition and accounting of remuneration and fringe benefits etc., so as to ensure and enhance the transparency and fairness. The Group has established a systematic and effective talent training mechanism to enhance employees' sense of belonging through diversified employee activities and provide competitive remuneration and fringe benefits to its employees. The Group would ensure its employees are awarded on a performance related basis within the general framework of the Group's Remuneration Management System.

As at 31 December 2025, the Group had 782 employees. The Remuneration Committee was set up for reviewing the Group's remuneration policy and structure of the Directors, senior management and employees of the Group. The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Mr. Yin Jun, Mr. Lee Kwok Tung Louis and Mr. Gao Xiangnong, Mr. Yin Jun is the chairman of the Remuneration Committee.

Purchase, sale and redemption of listed securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2025.

Securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms in accordance to the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). The Company, having made specific enquiry with all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors for FY2025.

Events after the reporting period

Subsequent to the Reporting Period, as set out in the announcement of the Company dated 30 January 2026, in relation to the discloseable and connected transaction concerning an agreement entered into between Zonbong Ecology Environmental Construction Limited* (中邦生態環境有限公司) (“**Zonbong Ecology**”) and Zhongqing Investment Holding Group Limited Liability Company* (中慶投資控股(集團)有限責任公司) (“**ZIHG**”) on 8 December 2025. Zonbong Ecology was the indirect non-wholly owned subsidiary of the Group and ZIHG was a connected person of the Company. Pursuant to the agreement, Zonbong Ecology advanced RMB87.1 million to ZIHG as temporary working capital. For details, please refer to the Company’s announcement dated 30 January 2026.

Corporate governance practices

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability.

The Company has adopted and complied with the code provisions as set out in Corporate Governance Code (the “**CG Code**”) as contained in Appendix C1 to the Listing Rules from time to time as the guidelines for corporate governance of the Company, and has complied with the CG Code throughout the Reporting Period save for the following deviations:

Code Provision D.1.2 of the CG Code stipulates that management should provide all members of the board with, and the board and each director are entitled to and should request for, monthly updates giving a balanced and understandable assessment of the issuer’s financial and operating performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules.

During the FY2025, the Company could not fully comply with CG Code D.1.2, which requires monthly updates to the board due to the discovery of a non-compliant related-party transaction during the monthly report preparation, which inadvertently delayed the finalization and publishing schedule.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis (chairman of the Audit Committee), Mr. Gao Xiangnong and Mr. Yin Jun. The Audit Committee has reviewed and discussed with management the accounting standards and practices adopted by the Group, risk and internal controls and financial reporting matters and has reviewed the Group’s consolidated financial statements for FY2025 and the consolidated financial information as set out in this announcement.

* *for identification purpose only*

Scope of work of the auditors

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Annual general meeting

The date of the annual general meeting of the Company (the "AGM") will be announced in due course. Shareholders of the Company should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

Publication of results announcement and annual report

This announcement will be published on the website of the Company at www.zonqing.net and the website of the Stock Exchange at www.hkexnews.hk. The annual report will be dispatched to the Shareholders upon their request, and be available on the above websites in due course.

By order of the Board
ZONQING Environmental Limited
Sun Juqing
Chairman and non-executive Director

Hong Kong, 31 March 2026

As at the date of this announcement, the Board of the Company comprises Mr. Liu Haitao (vice-chairman) and Ms. Wang Yan as executive Directors, Mr. Sun Juqing (chairman), Ms. Lyu Hongyan and Mr. Shao Zhanguang as non-executive Directors, and Mr. Gao Xiangnong, Mr. Yin Jun and Mr. Lee Kwok Tung Louis as independent non-executive Directors.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *For identification purpose only*