

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



KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED

康達國際環保有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 6136)

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

HIGHLIGHTS

- Revenue was approximately RMB2,426.9 million, representing an increase of approximately 7.3% over the last year owing to the increase in revenue from construction services.
- Gross profit was RMB1,090.6 million, representing a slight increase of 0.1% over the last year. Gross profit margin decreased to 44.9% comparing with 48.2% for the last year mainly due to the increase in proportion of revenue from construction services which has lower gross profit margin.
- Net cash inflow from operating activities breaks the Group's record and reached RMB681.1 million, representing an increase of 69.0% over the last year.
- Profit attributable to owners of the parent was approximately RMB237.3 million, representing a sharp increase of approximately 41.2% as compared to the last year mainly due to the decrease in finance costs and administrative expenses comparing with the last year.
- Basic and diluted earnings per share attributable to ordinary equity holders of the parent for the year were RMB10.81 cents and RMB10.75 cents, respectively, representing an increase of approximately 37.7% and 36.9% as compared with the last year.
- The Board recommends a final dividend of HK0.5 cent per share for the year ended 31 December 2025 (2024: Nil).

The board (the "Board") of directors (the "Directors") of Kangda International Environmental Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2025 together with the comparative figures for the year ended 31 December 2024 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Year ended 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
REVENUE	3	2,426,854	2,261,282
Cost of sales		<u>(1,336,270)</u>	<u>(1,172,268)</u>
Gross profit		1,090,584	1,089,014
Other income and gains	4	89,346	66,814
Selling and distribution expenses		(908)	(956)
Administrative expenses		(246,808)	(284,040)
Other expenses		(137,462)	(88,290)
Finance costs	5	(446,805)	(544,211)
Share of profits and losses of:			
Associates		807	1,058
Joint ventures		(4,283)	(3,146)
PROFIT BEFORE TAX	6	344,471	236,243
Income tax expense	7	<u>(100,948)</u>	<u>(65,362)</u>
PROFIT FOR THE YEAR		<u>243,523</u>	<u>170,881</u>
Attributable to:			
Owners of the parent		237,260	167,998
Non-controlling interests		<u>6,263</u>	<u>2,883</u>
		<u>243,523</u>	<u>170,881</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic for profit for the year (expressed in RMB per share)	9	<u>10.81 cents</u>	<u>7.85 cents</u>
Diluted for profit for the year (expressed in RMB per share)	9	<u>10.75 cents</u>	<u>7.85 cents</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (continued)**

Year ended 31 December 2025

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	5,000	52,000
Income tax effect	(750)	(7,800)
	4,250	44,200
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	4,250	44,200
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	4,250	44,200
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	247,773	215,081
Attributable to:		
Owners of the parent	241,510	212,198
Non-controlling interests	6,263	2,883
	247,773	215,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		50,810	48,682
Investment properties		3,551	10,465
Right-of-use assets		4,047	1,737
Investments in associates		235,011	234,998
Investments in joint ventures		70,662	74,945
Service concession intangible assets		1,443,148	1,525,762
Other intangible assets		1,122	1,433
Goodwill		17,170	17,170
Financial receivables	<i>10</i>	9,527,339	9,631,996
Deferred tax assets		76,474	81,002
Prepayments, other receivables and other assets		15,747	18,731
Contract assets	<i>11</i>	396,732	492,730
		<hr/> 11,841,813 <hr/>	<hr/> 12,139,651 <hr/>
Total non-current assets			
CURRENT ASSETS			
Inventories		15,044	17,534
Contract assets	<i>11</i>	87,929	53,057
Equity investments designated at fair value through other comprehensive income		404,000	399,000
Financial receivables	<i>10</i>	1,976,967	2,041,985
Trade and bills receivables	<i>12</i>	3,004,689	3,169,688
Prepayments, other receivables and other assets		834,917	760,656
Financial assets at fair value through profit or loss		158	–
Pledged deposits		137,894	93,698
Cash and cash equivalents		258,951	122,158
		<hr/> 6,720,549 <hr/>	<hr/> 6,657,776 <hr/>
Assets of a disposal group classified as held for sale		127,064	356,499
		<hr/> 6,847,613 <hr/>	<hr/> 7,014,275 <hr/>
Total current assets			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	13	1,561,649	1,849,716
Other payables and accruals		130,889	142,038
Deferred income		11,840	–
Interest-bearing bank and other borrowings	14	3,406,543	2,960,777
Lease liabilities		1,749	427
Tax payable		106,484	89,223
		<u>5,219,154</u>	5,042,181
Liabilities directly associated with the assets classified as held for sale		–	260,448
Total current liabilities		<u>5,219,154</u>	<u>5,302,629</u>
NET CURRENT ASSETS		<u>1,628,459</u>	1,711,646
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,470,272</u>	<u>13,851,297</u>
NON-CURRENT LIABILITIES			
Trade and bills payables	13	348	4
Interest-bearing bank and other borrowings	14	5,930,146	6,649,551
Lease liabilities		2,418	1,521
Deferred income		17,550	–
Deferred tax liabilities		1,204,368	1,180,376
Total non-current liabilities		<u>7,154,830</u>	<u>7,831,452</u>
Net assets		<u>6,315,442</u>	<u>6,019,845</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		18,651	17,125
Reserves		6,207,140	5,917,837
		<u>6,225,791</u>	<u>5,934,962</u>
Non-controlling interests		<u>89,651</u>	84,883
Total equity		<u>6,315,442</u>	<u>6,019,845</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) as issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for equity investments designed at fair value through other comprehensive income and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, and any non-controlling interest; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to IAS 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. As the Group did not have foreign currency transactions, the amendments did not have any impact on the Group's financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to their nature. Each of the Group's operating segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

- (a) the segment of Urban Water Treatment engages in the design, construction, upgrade and operation of waste water treatment plants (the "WTPs"), reclaimed water treatment plants (the "RWTPs"), sludge treatment plants (the "STPs") and water distribution plants (the "WDPs"), and in the operation and maintenance of waste water treatment facilities entrusted by governments ("O&M");
- (b) the segment of Water Environment Comprehensive Remediation engages in river harnessing and improvement, foul water body treatment, and sponge city construction; and
- (c) the segment of Rural Water Improvement engages in the construction and operation related to "the Water Environment Facilities of Beautiful Village" such as waste water treatment facilities and pipeline construction for collecting waste water so as to achieve rural living environment improvement.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that unallocated income and gains, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets exclude investment properties, unallocated intangible assets, unallocated deferred tax assets, unallocated prepayments, other receivables and other assets, unallocated pledged deposits, unallocated cash and cash equivalents, unallocated investments in associates and a joint venture and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, lease liabilities, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2025	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
Segment revenue (note 3)				
Sales to external customers	2,267,202	136,329	23,323	2,426,854
Total segment revenue	2,267,202	136,329	23,323	2,426,854
Segment results	545,060	29,452	(13,768)	560,744
<i>Reconciliation:</i>				
Unallocated income and gains				4,254
Share of profits and losses of unallocated associates				(55)
Share of profit and loss of an unallocated joint venture				(1,015)
Corporate and other unallocated expenses				(43,061)
Unallocated lease-related finance costs				(99)
Unallocated finance costs (other than interest on lease liabilities)				(176,297)
Profit before tax				344,471
Segment assets	16,248,492	1,190,876	603,314	18,042,682
<i>Reconciliation:</i>				
Corporate and other unallocated assets				646,744
Total assets				18,689,426
Segment liabilities	11,562,221	323,190	430,160	12,315,571
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				58,413
Total liabilities				12,373,984

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2025	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
Other segment information				
Investments in associates	–	234,729	–	234,729
Unallocated investments in associates				282
Investment in a joint venture	64,995	–	–	64,995
Unallocated investment in a joint venture				5,667
Share of profits and losses of associates	–	862	–	862
Share of profits and losses of unallocated associates				(55)
Share of profit and loss of a joint venture	(3,268)	–	–	(3,268)
Share of profit and loss of an unallocated joint venture				(1,015)
Impairment losses recognised in profit or loss, net [#]	(84,667)	(11,663)	–	(96,330)
Depreciation and amortisation	(89,632)	(8)	(23,057)	(112,697)
Unallocated depreciation and amortisation				(3,429)
Total depreciation and amortisation				(116,126)
Capital expenditure	16,487	–	–	16,487
Unallocated amounts				1,061
Total capital expenditure*				17,548

* Capital expenditure consists of additions to property, plant and equipment and service concession contract assets.

The impairment losses recognised in profit or loss consists of the impairment of financial receivables, the impairment of contract assets, the impairment of trade and bills receivables and the impairment of other receivables.

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2024	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 3)				
Sales to external customers	2,160,205	22,133	78,944	2,261,282
Total segment revenue	2,160,205	22,133	78,944	2,261,282
Segment results	460,393	25,182	21,969	507,544
<i>Reconciliation:</i>				
Unallocated income and gains				9,451
Share of profits and losses of unallocated associates				18
Share of profit and loss of an unallocated joint venture				(1,753)
Corporate and other unallocated expenses				(76,233)
Unallocated lease-related finance costs				(85)
Unallocated finance costs (other than interest on lease liabilities)				(202,699)
Profit before tax				236,243
Segment assets	16,785,400	1,153,880	643,461	18,582,741
<i>Reconciliation:</i>				
Corporate and other unallocated assets				571,185
Total assets				19,153,926
Segment liabilities	12,242,483	371,663	456,855	13,071,001
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				63,080
Total liabilities				13,134,081

2. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2024	Urban Water Treatment <i>RMB'000</i>	Water Environment Comprehensive Remediation <i>RMB'000</i>	Rural Water Improvement <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information				
Investments in associates	–	234,661	–	234,661
Unallocated investments in associates				337
Investment in a joint venture	68,263	–	–	68,263
Unallocated investment in a joint venture				6,682
Share of profits and losses of associates	–	1,040	–	1,040
Share of profits and losses of unallocated associates				18
Share of profit and loss of a joint venture	(1,393)	–	–	(1,393)
Share of profit and loss of an unallocated joint venture				(1,753)
Impairment losses recognised in profit or loss, net [#]	(69,435)	(3,554)	–	(72,989)
Depreciation and amortisation	(89,183)	(8)	(32,894)	(122,085)
Unallocated depreciation and amortisation				(4,124)
Total depreciation and amortisation				(126,209)
Capital expenditure	32,133	–	3,496	35,629
Unallocated amounts				34
Total capital expenditure*				35,663

* Capital expenditure consists of additions to property, plant and equipment and service concession contract assets.

The impairment losses recognised in profit or loss consists of the impairment of financial receivables, the impairment of contract assets, the impairment of trade receivables and the impairment of other receivables.

2. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Chinese mainland	<u>2,426,854</u>	<u>2,261,282</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Chinese mainland	<u>11,765,339</u>	<u>12,058,649</u>

All the non-current assets are located in Chinese mainland. The non-current asset information above excludes deferred tax assets.

Information about major customers

The revenue derived from the Group's two largest customers during the year is as follows:

Year ended 31 December 2025

	Urban Water Treatment <i>RMB'000</i>	Total <i>RMB'000</i>
Customer A	332,055	332,055
Customer B	<u>208,199</u>	<u>208,199</u>
	<u>540,254</u>	<u>540,254</u>

Year ended 31 December 2024

	Urban Water Treatment <i>RMB'000</i>	Total <i>RMB'000</i>
Customer A	188,092	188,092
Customer B	<u>140,732</u>	<u>140,732</u>
	<u>328,824</u>	<u>328,824</u>

3. REVENUE

The Group has entered into a number of service concession arrangements with certain governmental authorities or their designees (the “Grantors”) on a Build-Operate-Transfer (“BOT”) or a Transfer-Operate-Transfer (“TOT”) basis in respect of its WTPs, RWTPs, WDPs, STPs or other municipal infrastructure. These service concession arrangements generally involve the Group as an operator in (i) constructing WTPs, RWTPs, WDPs, STPs or other municipal infrastructure for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating WTPs, RWTPs, WDPs, STPs or other municipal infrastructure on behalf of the Grantors for periods ranging from 17 to 30 years (the “Service Concession Periods”), and the Group will be paid for its services over the Service Concession Periods at prices stipulated through a pricing mechanism.

The Group carries out construction works of other municipal infrastructure under engineering procurement construction (“EPC”) arrangements and agrees with EPC customers to enter into a settled agreement for the construction work during the construction.

Revenue represents: (i) an appropriate proportion of contract revenue from construction contracts under BOT arrangements, EPC arrangements and other construction service projects, net of tax and government surcharges; (ii) revenue from operation of WTPs, RWTPs, WDPs, STPs or other municipal infrastructure under BOT arrangements and TOT arrangements and the provision of Operation and Maintenance services; and (iii) financial income from service concession arrangements. The amounts of each of the significant categories of revenue during the year are as follows:

Revenue from contracts with customers

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from operating services	1,197,280	1,251,647
Revenue from construction services	512,784	266,035
Financial income from service concession arrangements	716,790	743,600
Total	<u>2,426,854</u>	<u>2,261,282</u>

3. REVENUE (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information

For the year ended 31 December 2025

Segments	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
Revenue from contracts with customers	<u>2,267,202</u>	<u>136,329</u>	<u>23,323</u>	<u>2,426,854</u>
Geographical market				
Chinese mainland	<u>2,267,202</u>	<u>136,329</u>	<u>23,323</u>	<u>2,426,854</u>
Total	<u><u>2,267,202</u></u>	<u><u>136,329</u></u>	<u><u>23,323</u></u>	<u><u>2,426,854</u></u>
Timing of revenue recognition				
Services transferred over time	<u>2,267,202</u>	<u>136,329</u>	<u>23,323</u>	<u>2,426,854</u>
Total	<u><u>2,267,202</u></u>	<u><u>136,329</u></u>	<u><u>23,323</u></u>	<u><u>2,426,854</u></u>

For the year ended 31 December 2024

Segments	Urban Water Treatment RMB'000	Water Environment Comprehensive Remediation RMB'000	Rural Water Improvement RMB'000	Total RMB'000
Revenue from contracts with customers	<u>2,160,205</u>	<u>22,133</u>	<u>78,944</u>	<u>2,261,282</u>
Geographical market				
Chinese mainland	<u>2,160,205</u>	<u>22,133</u>	<u>78,944</u>	<u>2,261,282</u>
Total	<u><u>2,160,205</u></u>	<u><u>22,133</u></u>	<u><u>78,944</u></u>	<u><u>2,261,282</u></u>
Timing of revenue recognition				
Services transferred over time	<u>2,160,205</u>	<u>22,133</u>	<u>78,944</u>	<u>2,261,282</u>
Total	<u><u>2,160,205</u></u>	<u><u>22,133</u></u>	<u><u>78,944</u></u>	<u><u>2,261,282</u></u>

3. REVENUE (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

Revenue from construction services, operating services of waste water treatment, reclaimed water treatment, water distribution and sludge treatment and financial income from service concession arrangements are recognised over time.

(b) Performance obligations

The aggregate amount of the transaction prices allocated to the performance obligations of BOT and TOT arrangements that are unsatisfied (or partially unsatisfied) as at 31 December 2025 was RMB29 billion (2024: RMB33 billion). The performance obligations expected to be recognised in more than one year relate to the services to be performed in respect of the BOT and TOT arrangements. The amounts disclosed above do not include variable consideration which is constrained.

4. OTHER INCOME AND GAINS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Government grants*	32,748	25,178
Interest income from loans to a third party	9,117	15,643
Bank interest income	750	2,215
Interest income from loans to an associate and a joint venture	3,431	1,985
Rental income less depreciation of investment properties	653	619
Others	42,647	21,174
Total	<u>89,346</u>	<u>66,814</u>

* Government grants primarily represented the value-added tax refund and the environmental protection funds for environmental technological improvements granted by government authorities. Certain environmental protection funds related to the upgrading of WTPs granted by government authorities are recognised as deferred income that is recognised in profit or loss on a systematic basis over the expected upgrade interval cycle. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest on interest-bearing bank and other borrowings	446,706	544,126
Interest on lease liabilities	99	85
Total	<u>446,805</u>	<u>544,211</u>

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
Cost of construction services		420,313	208,253
Cost of operation services		915,957	964,015
Total cost of services		1,336,270	1,172,268
Depreciation of property, plant and equipment		4,787	5,221
Depreciation of right-of-use assets		638	1,069
Amortisation of service concession intangible assets		109,993	118,958
Amortisation of other intangible assets		310	343
Impairment of financial receivables [#]	<i>10</i>	83,332	46,608
Impairment of contract assets [#]	<i>11</i>	318	99
(Reversal of impairment)/impairment of trade and bills receivables [#]	<i>12</i>	(5,081)	19,478
Impairment of other receivables [#]		17,761	6,804
Lease payments not included in the measurement of lease liabilities		187	325
Auditor's remuneration		2,552	2,552
Employee benefit expense (including directors' remuneration):			
Wages, salaries and allowances, social securities and benefits		230,639	228,251
Equity-settled share option expense		3,569	5,141
Pension scheme contributions (defined contribution scheme)*		22,968	25,669
Total employee benefit expense		257,176	259,061
Operating lease income		(1,051)	(1,237)
Less: Depreciation of investment properties		398	618
Rental income less depreciation of investment properties	<i>4</i>	(653)	(619)
Bank interest income	<i>4</i>	(750)	(2,215)
Government grants	<i>4</i>	(32,748)	(25,178)
Interest income from loans to a third party	<i>4</i>	(9,117)	(15,643)
Interest income from loans to a joint venture and an associate	<i>4</i>	(3,431)	(1,985)
Loss on disposal of items of property, plant and equipment, net		–	10
Foreign exchange differences, net		57	2,228

[#] The impairment of financial receivables, the impairment of contract assets, the impairment of trade and bills receivables and the impairment of other receivables are included in "Other expenses" in profit or loss.

^{*} There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current		
— Chinese mainland	53,594	37,414
Deferred	47,354	27,948
	<u>100,948</u>	<u>65,362</u>
Total tax charge for the year	<u>100,948</u>	<u>65,362</u>

8. DIVIDENDS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Proposed final — HK0.5 cent per ordinary share (2024: Nil)	11,535	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,194,118,000 (2024: 2,139,735,000) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

The calculations of basic and diluted earnings per share are based on:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>237,260</u>	<u>167,998</u>
	Number of shares	
	2025	2024
Shares:		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	2,194,118,000	2,139,735,000
Effect of dilution — weighted average number of ordinary shares: Share options	<u>13,395,000</u>	<u>—*</u>
Total	<u>2,207,513,000</u>	<u>2,139,735,000</u>

* No adjustment has been made in the weighted average number of ordinary shares in computing diluted earnings per share for the year ended 31 December 2024 as the exercise price of those share options was higher than the share price of the Company during the year.

10. FINANCIAL RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Receivables under service concession arrangements	11,508,458	11,677,750
Impairment	<u>(4,152)</u>	<u>(3,769)</u>
Net carrying amount	11,504,306	11,673,981
Portion classified as current assets	<u>(1,976,967)</u>	<u>(2,041,985)</u>
Non-current portion	<u>9,527,339</u>	<u>9,631,996</u>

Receivables for service concession arrangements arose from the service concession contracts to build and operate WTPs or STPs and were recognised to the extent that the Group has an unconditional contractual right to receive cash from or at the direction of the Grantor.

Financial receivables were unbilled receivables mainly due from governmental authorities in Chinese mainland, as the Grantors in respect of the Group's service concession arrangements. The Group does not hold any collateral or other credit enhancements over these balances. Financial receivables represent contract assets as the rights to considerations have yet to be unconditional.

In 2025, RMB319,626,000 (2024: RMB331,018,000) of financial receivables on the statement of financial position arising from construction services were reduced once the performance obligation was satisfied.

10. FINANCIAL RECEIVABLES (continued)

The movements in the loss allowance for impairment of financial receivables are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At beginning of year	3,769	3,015
Impairment losses (<i>note 6</i>)	83,332	46,608
Disposal of subsidiaries	(57,057)	–
Transfer to assets held for sale	(25,892)	(45,854)
	<u>4,152</u>	<u>3,769</u>
At end of year	<u>4,152</u>	<u>3,769</u>

An impairment analysis is performed at each reporting date using a provision matrix. The provision matrix is initially based on the probabilities of default rates which are estimated based on historical observed default rates and published credit ratings of credit bonds issued in Chinese mainland. The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information.

The increase in the loss allowance was mainly due to the increase in the expected credit loss rate of financial receivables.

As at 31 December 2025, the Group's financial receivables with a carrying value of RMB5,757,038,000 (2024: RMB7,238,507,000) were pledged to secure certain interest-bearing bank and other borrowings granted to the Group (note 14).

11. CONTRACT ASSETS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Contract assets arising from:		
Construction services	485,749	546,557
Impairment	(1,088)	(770)
Net carrying amount	<u>484,661</u>	<u>545,787</u>
Portion classified as current assets	(87,929)	(53,057)
Non-current portion	<u>396,732</u>	<u>492,730</u>

11. CONTRACT ASSETS (continued)

Contract assets are initially recognised for revenue earned from 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 installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to intangible assets and contract assets included in financial receivables under service concession arrangements and operating concession for BOT arrangements and trade and bills receivables for other construction contracts when the rights to considerations are unconditional. The decrease in contract assets in 2025 was the result of the completion of construction services.

The movements in the loss allowance for impairment of contract assets are as follows:

	2025 RMB'000	2024 <i>RMB'000</i>
At beginning of the year	770	671
Impairment losses, net (<i>note 6</i>)	318	99
At end of the year	1,088	770

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on default rates and published credit ratings of credit bonds issued in Chinese mainland. 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.

At 31 December 2025, the Group's contract assets with a carrying value of RMB133,411,000 (2024: RMB70,277,000) were pledged to secure certain interest-bearing bank and other borrowings granted to the Group (note 14).

Included in the Group's contract assets are amounts due from the Group's associates of RMB39,665,000 (2024: RMB39,442,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

12. TRADE AND BILLS RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	3,105,866	3,299,208
Bills receivable	2,248	–
Impairment	<u>(103,425)</u>	<u>(129,520)</u>
Net carrying amount	<u><u>3,004,689</u></u>	<u><u>3,169,688</u></u>

The Group's major customers are the PRC government authorities or agencies. The Group not only provides construction service and operation service pursuant to its service concession arrangements, but also provides construction service under other construction service projects.

Trade and bills receivables represent the unsettled amounts being billed to the customers in accordance with the terms specified in the contracts governing the relevant transactions. The Group does not have a standardised and universal credit period granted to the construction service customers. The credit period for individual customers of construction service is considered on a case-by-case basis. Trade and bills receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from the Group's associates of RMB101,442,000 (2024: RMB99,297,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

At 31 December 2025, the Group's trade and bills receivables with a carrying value of RMB2,269,093,000 (2024: RMB1,444,439,000) were pledged to secure certain interest-bearing bank and other borrowings granted to the Group (note 14).

An ageing analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 3 months	609,977	530,805
4 to 6 months	466,295	428,710
7 to 12 months	632,828	585,175
Over 12 months	<u>1,295,589</u>	<u>1,624,998</u>
Total	<u><u>3,004,689</u></u>	<u><u>3,169,688</u></u>

12. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At beginning of the year	129,520	110,042
Impairment losses, net (<i>note 6</i>)	(5,081)	19,478
Disposal of subsidiaries	(21,014)	–
At end of the year	<u>103,425</u>	<u>129,520</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2025

	Within 3 months	4 to 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	1.33%	1.55%	1.80%	5.56%	3.33%
Gross carrying amount (RMB'000)	618,189	473,638	644,447	1,371,840	3,108,114
Expected credit losses (RMB'000)	8,212	7,343	11,619	76,251	103,425

As at 31 December 2024

	Within 3 months	4 to 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	0.98%	1.16%	1.59%	6.33%	3.93%
Gross carrying amount (RMB'000)	536,078	433,744	594,654	1,734,732	3,299,208
Expected credit losses (RMB'000)	5,273	5,034	9,479	109,734	129,520

13. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing. The credit periods granted by each individual supplier are on a case-by-case basis and are set out in the supplier contracts.

For retention money payables included in trade payables, in respect of guarantees granted by the suppliers, the due dates usually range from one to two years after the completion of the construction work or the preliminary acceptance of equipment.

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Bills payable (<i>note (a)</i>)	33,441	20,155
TOT payables (<i>note (b)</i>)	3,985	3,985
Trade payables	<u>1,524,571</u>	<u>1,825,580</u>
Total	<u><u>1,561,997</u></u>	<u><u>1,849,720</u></u>
Less: Non-current portion	<u>348</u>	<u>4</u>
Current portion	<u><u>1,561,649</u></u>	<u><u>1,849,716</u></u>

Notes:

- (a) As at 31 December 2025, the Group's bills payable were secured by the pledged deposits amounting to RMB24,039,000 (2024: RMB20,155,000).
- (b) TOT payables represented amounts due to the Grantors based on the payment schedules set out in the relevant TOT contracts at the end of the year.

An ageing analysis of the Group's trade and bills payables as at the end of the year is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 3 months	264,053	313,775
4 to 6 months	71,316	83,862
7 to 12 months	177,019	257,212
Over 12 months	<u>1,049,609</u>	<u>1,194,871</u>
Total	<u><u>1,561,997</u></u>	<u><u>1,849,720</u></u>

The carrying amounts of the current portion of the trade and bills payables approximate to their fair values.

Included in the Group's trade and bills payables are amounts due to the Group's associate of RMB10,120,000 (2024: RMB10,120,000).

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2025			31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term bank loans — secured	3.10-4.10	2026	83,346	2.90-4.50	2025	382,148
Short term bank loans — unsecured	2.50-6.72	2026	1,218,574	3.10-6.96	2025	1,272,985
Short term other loans — unsecured	8.00	2026	92,300	—	—	—
Current portion of long term bank loans — secured	2.56-6.00	2026	900,284	3.60-6.00	2025	384,876
Current portion of long term bank loans — unsecured	1.20-5.50	2026	403,056	1.20-5.50	2025	99,811
Current portion of long term other loans — secured	4.60-6.65	2026	544,210	4.60-6.65	2025	682,358
Current portion of long term other loans — unsecured	5.80-9.25	2026	164,773	6.50-9.40	2025	138,599
Total — current			3,406,543			2,960,777
Non-current						
Long term bank loans — secured	2.56-6.00	2027-2045	3,342,190	3.60-6.00	2026-2045	3,443,700
Long term bank loans — unsecured	1.20-5.50	2027-2039	149,470	1.20-5.50	2026-2039	512,415
Long term other loans — secured	4.60-6.65	2027-2034	1,516,863	4.60-6.65	2026-2034	1,765,963
Long term other loans — unsecured	5.80-9.25	2027	921,623	6.50-9.40	2026-2027	927,473
Total — non-current			5,930,146			6,649,551
Total			9,336,689			9,610,328
Interest-bearing bank and other borrowings denominated in:						
— RMB			9,314,375			9,585,710
— United States dollar			22,314			24,618
Total			9,336,689			9,610,328

14. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Analysed into:		
Interest-bearing bank and other borrowings repayable:		
Within one year	3,406,543	2,960,777
In the second year	2,106,189	2,693,182
In the third to fifth years, inclusive	1,958,231	2,218,571
Beyond five years	1,865,726	1,737,798
Total	<u>9,336,689</u>	<u>9,610,328</u>

Certain of the Group's bank borrowings are subject to certain covenants that are tested yearly. The Group considers there is no indication that it will have difficulties in complying with this covenant.

The above secured interest-bearing bank and other borrowings are secured by certain assets with carrying values as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Property, plant and equipment	7,303	8,138
Investment properties	571	571
Financial receivables (<i>note 10</i>)	5,757,038	7,238,507
Trade receivables (<i>note 12</i>)	2,269,093	1,444,439
Pledged deposits	98,780	60,287
Service concession intangible assets	1,102,170	1,106,152
Contract assets (<i>note 11</i>)	133,411	70,277

The Group's interest-bearing bank and other borrowings of RMB4,046,192,000 (2024: RMB3,546,844,000) were guaranteed by the Company's investments in certain subsidiaries and unlisted equity investments.

Nil of the Group's borrowings were guaranteed by a director of the Company (31 December 2024: RMB432,350,000).

15. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2025 (the “Reporting Period”), the Group’s principal business activities remained focusing on the Urban Water Treatment, followed by the on-hand projects of Water Environment Comprehensive Remediation and the Rural Water Improvement.

The scope of Urban Water Treatment includes the design, construction, upgrade and operation of WTPs, RWTPs, STPs, WDPs, and in the operation and maintenance of wastewater treatment facilities entrusted by governments (the “O&M”). The Group’s business has covered the overall industry chain in Urban Water Treatment industry by executing contracts of BOT, TOT, Public-Private-Partnership (the “PPP”), Build-Own-Operate (the “BOO”), EPC and O&M. The Group had 103 service concession arrangement projects under operation while its operational treatment capacity was over 4 million tons per day as at 31 December 2025.

The scope of Water Environment Comprehensive Remediation includes river harnessing and improvement, foul water body treatment and sponge city construction. The Group engages in Water Environment Comprehensive Remediation by executing previously signed contracts of PPP and EPC.

The scope of Rural Water Improvement includes the construction and operation related to “the Water Environment Facilities of Beautiful Village” such as: wastewater treatment facilities and pipeline construction for collecting wastewater so as to achieve rural living environment improvement. The Group started to carry out this business since 2016 by executing the contracts of PPP.

In the future, the Group will continuously focus on the business of Urban Water Treatment to get steady cash flows and invest in high- quality, value-adding upstream and downstream businesses of water industry. The Group is very confident about the Group’s prospects and future profitability and we will dedicate more efforts to enhance the profitability and effectiveness of the Group.

1.1 Urban Water Treatment

As at 31 December 2025, the Group had entered into a total of 106 service concession arrangements projects, including 100 wastewater treatment plants, 1 water distribution plant, 3 sludge treatment plants and 2 reclaimed water treatment plants. The Group will further expand its Urban Water Treatment chain in the future, in order to improve its profitability and competitiveness.

Analysis of the Group's projects on hand as at 31 December 2025 is as follows:

	Daily wastewater treatment capacity	Daily water distribution capacity	Daily reclaimed water treatment capacity	Daily sludge treatment capacity	Total
<i>(Tonnes)</i>					
In operation	4,039,500	–	65,000	550	4,105,050
Not yet start operation/ Not yet transferred	80,500	30,000	–	–	110,500
Total	<u>4,120,000</u>	<u>30,000</u>	<u>65,000</u>	<u>550</u>	<u>4,215,550</u>
<i>(Number of projects)</i>					
In operation	98	–	2	3	103
Not yet start operation/ Not yet transferred	2	1	–	–	3
Total	<u>100</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>106</u>

	Number of projects	Treatment capacity <i>(Tonnes/Day)</i>	Actual processing volume during the year ended 31 December 2025 <i>(Million Tonnes)</i>
Wastewater treatment services			
Shandong	44	1,190,000	364.0
Henan	22	1,040,000	309.4
Heilongjiang	6	425,000	131.2
Shanxi	2	350,000	118.6
Zhejiang	2	250,000	86.4
Guangdong	3	190,000	63.5
Anhui	2	160,000	53.0
Jiangsu	5	100,000	36.1
Other provinces/municipalities*	14	415,000	85.4
	100	4,120,000	1,247.6
Water distribution services	1	30,000	–
Reclaimed water treatment services	2	65,000	4.5
Total	103	4,215,000	1,252.1
Sludge treatment services	3	550	–
Total	106	4,215,550	1,252.1

* Other provinces/municipalities include Beijing, Tianjin, Hebei, Jilin, Liaoning, Shaanxi, Sichuan and Fujian.

1.1.1 Operation Services

As at 31 December 2025, the Group had 98 wastewater treatment projects, 2 reclaimed water treatment projects and 3 sludge treatment projects in operation in Chinese mainland. Total daily treatment capacity of wastewater treatment plants, reclaimed water treatment plants, and sludge treatment plants in operation for the year ended 31 December 2025 reached 4,039,500 tonnes (2024: 4,089,500 tonnes), 65,000 tonnes (2024: 65,000 tonnes), and 550 tonnes (2024: 550 tonnes), respectively. For the year ended 31 December 2025, the annualized

utilization rate for wastewater and reclaimed water treatment plants in operation was approximately 84% (2024: 85%). The actual average water treatment tariff for the year ended 31 December 2025 was approximately RMB1.62 per tonne (2024: approximately RMB1.60 per tonne). The actual aggregate processing volume for the year ended 31 December 2025 was 1,252.1 million tonnes, representing a decrease of 2% compared to the same period last year (year ended 31 December 2024: 1,278.4 million tonnes).

Total operation revenue of the Group's Urban Water Treatment services recorded for the year ended 31 December 2025 was RMB1,167.8 million, representing a decrease of approximately 1% as compared to the same period of last year (year ended 31 December 2024: RMB1,176.2 million). The corresponding decrease was primarily due to the disposal of service concession projects in the Reporting Period.

1.1.2 Construction Services

The Group entered into a number of service concession arrangements under BOT, BOO and PPP contracts in relation to its Urban Water Treatment business. Under the International Financial Reporting Interpretation Committee 12 Service Concession Arrangements, the Group recognises the construction revenue with reference to the fair value of the construction service delivered in the building phase. The fair value of such service is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the inception date of service concession agreement. Construction revenue from BOT, BOO, PPP and EPC projects is recognized by using the percentage-of-completion method.

For the year ended 31 December 2025, construction revenue was recognised for 16 projects, including 14 wastewater treatment plants, 1 water distribution plant, and 1 sludge treatment plant, which were mainly located in Shandong, Shanxi, and Heilongjiang provinces in Chinese mainland. Total construction revenue of those projects for the year ended 31 December 2025 was RMB394.0 million, representing a year-on-year increase of approximately 57% (year ended 31 December 2024: RMB251.2 million). The corresponding increase was primarily due to the increase in construction work of new upgrade projects. As at 31 December 2025, the total daily treatment capacity of the service concession arrangements plants, which were still in the construction stage, was 30,500 tonnes, including 500 tonnes of wastewater treatment plant and 30,000 tonnes of water distribution plant.

1.2 Water Environment Comprehensive Remediation

In the year of 2025, the Group continued to devote efforts to implementing the existing projects of Water Environment Comprehensive Remediation. The Group devoted efforts to lower the risk and enhance the reasonable profit for the existing projects. The Group will integrate resources to execute the Water Environment Comprehensive Remediation projects under the contracts of EPC and O&M.

The Group had 6 Water Environment Comprehensive Remediation projects under construction during the year ended 31 December 2025. The projects were mainly located in Heilongjiang and Henan provinces in Chinese mainland. For the year ended 31 December 2025, total revenue of those projects was RMB136.3 million, representing a significant increase as compared to the same period last year (year ended 31 December 2024: RMB22.1 million). The corresponding increase was primarily due to the execution of newly signed EPC projects.

1.3 Rural Water Improvement

The Group had 2 Rural Water Improvement projects during the year ended 31 December 2025. The projects were located in Guangdong province in Chinese mainland. For the year ended 31 December 2025, total revenue of those projects was RMB23.3 million, representing a year-on-year decrease of approximately 70% (year ended 31 December 2024: RMB78.9 million). The corresponding decrease was primarily due to the decrease in the construction and operation revenue.

FINANCIAL ANALYSIS

Revenue

For the year ended 31 December 2025, the Group recorded a revenue of RMB2,426.9 million, representing an increase of approximately 7% as compared to the previous corresponding period of RMB2,261.3 million. The increase was mainly due to the increase in construction work of new upgrade projects of Urban Water Treatment and the execution of newly signed EPC projects of Water Environment Comprehensive Remediation, which result in the increase in construction revenue.

Cost of Sales

The Group's cost of sales for the year ended 31 December 2025 amounted to RMB1,336.3 million, including construction costs of RMB420.3 million and operation costs of water treatment plants of RMB916.0 million, representing an increase of approximately 14% as compared to the previous corresponding period of RMB1,172.3 million. The increase was mainly due to the increase in construction costs of new upgrade projects of Urban Water Treatment, and the increase in construction cost of newly signed EPC projects of Water Environment Comprehensive Remediation.

Gross Profit Margin

For the year ended 31 December 2025, the Group's gross profit margin was approximately 45%, representing a decrease of 3 percentage points as compared to the previous corresponding period of approximately 48%. The decrease was primarily due to the increase in the proportion of construction revenue.

Other Income and Gains

The Group recorded other income and gains of RMB89.3 million for the year ended 31 December 2025, representing an increase of approximately 34% as compared to the previous corresponding period of RMB66.8 million. The amount for the Reporting Period primarily included government grants of RMB32.7 million, which mainly comprised of VAT refund under "Notice on the Issuing of the Catalogue of Value-Added Tax Preferences for Products and Labor Services Involving the Comprehensive Utilization of Resources (Cai Shui [2015] No. 78)"* (關於印發《資源綜合利用產品和勞務增值稅優惠目錄》的通知(財稅[2015]78號文)) and grants for environmental protection, interest income of RMB12.5 million from loans to a third party, a joint venture, and an associate.

Administrative Expenses

The Group's administrative expenses for the year ended 31 December 2025 was RMB246.8 million, representing a decrease of approximately 13% as compared to the previous corresponding period of RMB284.0 million. The decrease was mainly due to the Group's adoption of refined management, optimization of internal management processes and strict control of nonessential expenses.

* For identification purposes only

Other Expenses

Other expenses for the year ended 31 December 2025 was RMB137.5 million, representing a significant increase as compared to the previous corresponding period of RMB88.3 million. The increase was mainly due to the losses on disposal of subsidiaries to facilitate capital recovery.

Finance Costs

The Group's finance costs for the year ended 31 December 2025 was RMB446.8 million, representing a decrease of approximately 18% as compared to the previous corresponding period of RMB544.2 million. The decrease in finance costs was mainly due to the decrease in average borrowing rate of 0.79 percentage points as compared to the previous corresponding period, and the decrease in average balance of interest-bearing bank and other borrowings. The average interest rate for the Reporting Period was 4.72%.

Share of Profits and Losses of Associates

The Group's share of profits of associates for the year ended 31 December 2025 was RMB0.8 million, representing a minor decrease as compared to the share of profits of associates of RMB1.1 million in the previous corresponding period. The Group will further execute practical ways to reduce the losses brought by the associates.

Share of Profits and Losses of Joint ventures

Share of losses of joint ventures for the year ended 31 December 2025 was RMB4.3 million, representing a minor increase as compared to share of losses of joint ventures of RMB3.1 million in the previous corresponding period. The Group will further execute practical ways to reduce the losses brought by the joint ventures.

Income Tax Expense

Income tax expense for the year ended 31 December 2025 included the current PRC income tax of RMB53.6 million and deferred tax expenses of RMB47.3 million, which were RMB37.4 million and RMB28.0 million for the previous corresponding period, respectively. The Group's effective tax rate for the year ended 31 December 2025 was approximately 29%, representing an increase of 1 percentage point as compared with approximately 28% for the previous corresponding period, which was mainly due to the increase in effect of tax effect of disposal of subsidiaries.

Financial Receivables

	As at	
	31 December 2025	31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables for service concession arrangements	11,504,306	11,673,981
Portion classified as current	<u>(1,976,967)</u>	<u>(2,041,985)</u>
Non-current portion	<u>9,527,339</u>	<u>9,631,996</u>

As at 31 December 2025, the Group's financial receivables of RMB11,504.3 million (31 December 2024: RMB11,674.0 million) decreased by RMB169.7 million, which was mainly due to the increase in the portion transferred to service concession intangible assets and subsidiaries disposed, which were partially offset by the increase in financial receivables which were reclassified from contract assets once the construction and upgrade period is ended for the water treatment projects.

Contract Assets

	As at	
	31 December 2025	31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets	484,661	545,787
Portion classified as current	<u>(87,929)</u>	<u>(53,057)</u>
Non-current portion	<u>396,732</u>	<u>492,730</u>

As at 31 December 2025, the Group's contract assets of RMB484.7 million (31 December 2024: RMB545.8 million), decreased by RMB61.1 million, mainly due to the net impact of reclassification from contract assets to financial receivables and the increase of construction of the Group's projects under BOT, PPP, and EPC contracts.

Trade and Bills Receivables

As at 31 December 2025, the Group's trade and bills receivables of RMB3,004.7 million (31 December 2024: RMB3,169.7 million) mainly arose from the provision of wastewater treatment and sludge treatment services for Urban Water Treatment projects, construction services for the Group's Water Environment Comprehensive Remediation projects, and the construction and operation services for Rural Water Improvement

projects. The balance decreased by RMB165.0 million, mainly due to (i) the decrease in Urban Water Treatment projects receivables of approximately RMB313.5 million, (ii) the net increase of Water Environment Comprehensive Remediation projects receivables of approximately RMB101.5 million, which included EPC and BT project receivables of approximately RMB197.1 million arising from the progress billing and cash collection from EPC projects of approximately RMB95.6 million.

Prepayments, Other Receivables and Other Assets

As at 31 December 2025, the Group's prepayments, other receivables and other assets of RMB850.7 million (31 December 2024: RMB779.4 million) increased by RMB71.3 million, mainly arising from the increase in prepayments and deposits of approximately RMB15.5 million related to the construction of wastewater treatment plants, the increase in deductible input VAT of approximately RMB20.6 million, and the increase in other operational receivables of approximately RMB52.4 million.

Cash and Cash Equivalents

As at 31 December 2025, the Group's cash and cash equivalents of RMB259.0 million (31 December 2024: RMB177.1 million) increased by RMB81.9 million as compared with that as at the end of previous period. The increase was due to the increase in cash inflows in operating activities of the Group.

	For the year ended	
	31 December	
	2025	2024
	RMB'000	RMB'000
Net cash flows from operating activities ⁽¹⁾	681,140	403,143
Net cash flows from investing activities	7,298	151,770
Net cash flows used in financing activities	(606,537)	(626,024)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	81,901	(71,111)
Effect of foreign exchange rate changes	(46)	(153)
Cash and cash equivalents at beginning of the period	177,096	248,360
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	258,951	177,096
Cash and cash equivalents attributable to a disposal group classified as held for sale	–	(54,938)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of financial position	258,951	122,158
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (1) For the year ended 31 December 2025 and 2024, the Group invested RMB199.9 million and RMB165.1 million, respectively, in the Group's BOT/TOT and PPP projects. Such investments were accounted for as cash flows used in operating activities. Under the relevant accounting treatment, part of such cash outflows used in operating activities was used to form the non-current portion of financial receivables and contract assets in the Group's consolidated statement of financial position. For the year ended 31 December 2025 and 2024, the Group would have incurred cash inflows of RMB881.0 million and RMB568.2 million, respectively, if the Group's investments in BOT/TOT and PPP activities were not accounted for as cashflows used in operating activities

Trade and Bills Payables

As at 31 December 2025, the Group's trade and bills payables of RMB1,562.0 million (31 December 2024: RMB1,849.7 million) decreased by RMB287.7 million. The decrease was primarily due to the subsidiaries disposed in the Reporting Period.

Other Payables and Accruals

As at 31 December 2025, the Group's other payables and accruals of RMB130.9 million (31 December 2024: RMB142.0 million), decreased by RMB11.1 million, which was mainly due to the decrease in salary and welfare payables, the decrease in advance equity payment, which were partially offset by the increase in other operational payables.

Liquidity and Financial Resources

The Group's principal liquidity and capital requirements primarily relate to investments in Urban Water Treatment projects, Water Environment Comprehensive Remediation projects, and Rural Water Improvement projects, merger and acquisition of subsidiaries, costs and expenses related to the operation and maintenance of the Group's facilities, working capital and general corporate purpose.

As at 31 December 2025, the carrying amount of the Group's cash and cash equivalents was RMB259.0 million, representing an increase of approximately RMB81.9 million as compared to RMB177.1 million as at 31 December 2024, which was mainly due to the net cash inflows of RMB681.1 million from operating activities, the net cash outflows used in financing activities of RMB606.5 million for debt repayment and interest payment.

As at 31 December 2025, the Group's total interest-bearing debts decreased to RMB9,336.7 million (31 December 2024: RMB9,610.3 million), 63.5% (31 December 2024: 69.2%) of the Group's interest-bearing debts are long term; over 70% of interest-bearing bank and other borrowings bear interest at floating rates.

As at 31 December 2025, the Group had banking facilities amounting to RMB9,092.3 million, of which RMB1,642.9 million have not been utilized. The unutilized amount of RMB278.8 million were mainly limited to be utilized on environmental protection infrastructure and comprehensive management.

As at 31 December 2025, the gearing ratio of the Group (calculated by total liabilities divided by total assets) decreased by 2.4 percentage points as compared with the previous corresponding period, decreased to 66.2%, while the gearing ratio was 68.6%, as at the corresponding period last year.

Charges on the Group's Assets

Outstanding balance of interest-bearing bank and other borrowings as at 31 December 2025 was approximately RMB9,336.7 million, which were repayable within one month to twenty years and were secured by financial receivables, service concession intangible assets, investment properties, trade receivables, equity interests in an investment company, contract assets, pledged deposits, and property, plant and equipment of which the total amounts of the pledge of assets amounted to RMB9,818.4 million.

Capital Expenditure

During the year ended 31 December 2025, the Group's total capital expenditure were RMB312.3 million, compared to RMB203.8 million in 2024, mainly representing the consideration of approximately RMB310.6 million for construction and acquisition of BOT, TOT, BOO and PPP projects.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 2,187 employees as at 31 December 2025. The remuneration package of the Group is generally determined with reference to market conditions and individual performance. Salaries are normally reviewed annually based on performance appraisals and other relevant factors. The Group provides external and internal training programs to its employees.

In respect of pension scheme contributions, the Group adopts a defined contribution plan. The Group's contributions to the defined contribution plan are recognised as expenses when incurred. Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group and its subsidiaries to reduce the existing level of contributions.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any significant contingent liabilities (31 December 2024: Nil).

FOREIGN EXCHANGE RISK

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. As at 31 December 2025, except for the bank deposits and certain amount of interest-bearing bank borrowings denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations. Currently, the Group has not used derivative financial instruments to hedge its foreign currency risk.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed, no significant events took place subsequent to 31 December 2025.

PROPOSED FINAL DIVIDEND

The Board has recommended a final dividend of HK0.5 cent per ordinary share (2024: nil), which is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 12 June 2026 (the “Annual General Meeting”) and will be payable on or about Friday, 7 August 2026 to the shareholders whose names appear on the register of members on Friday, 10 July 2026.

CLOSURE OF REGISTER OF MEMBERS

(a) For Annual General Meeting

The transfer books and register of members of the Company will be closed from Tuesday, 9 June 2026 to Friday, 12 June 2026, both days inclusive, during which period no transfer of the share(s) of the Company (the “Shares”) can be registered. The record date for entitlement to attend and vote at the Annual General Meeting is Friday, 12 June 2026. In order to be qualified for attending and voting at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2026.

(b) For entitlement to the proposed final dividend

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders of the Company at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Friday, 10 July 2026. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 8 July 2026 to Friday, 10 July 2026, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, for registration not later than 4:30 p.m. on Tuesday, 7 July 2026. Subject to the approval by shareholders of the Company at the Annual General Meeting, the proposed final dividend will be paid on or around Friday, 7 August 2026.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and permitted under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), are held by the public at all times during the year ended 31 December 2025 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. During the year ended 31 December 2025, the Company has complied with all the applicable provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises three independent non-executive Directors, namely Mr. Chau Kam Wing Donald (Chairman of Audit Committee), Mr. Peng Yongzhen and Mr. Chang Qing.

The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting process, internal control and risk management systems, oversee the audit process, monitor, review and assist in the research of the Company's environmental, social and governance matters, and perform other duties and responsibilities as assigned by the Board. The Audit Committee has reviewed and

approved the final results for the year ended 31 December 2025 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and risk management systems. The Audit Committee considers that appropriate accounting policies have been adopted in the preparation of relevant results and sufficient disclosures have been made.

SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, 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 this preliminary announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2025.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2025.

**PUBLICATION OF THE CONSOLIDATED ANNUAL RESULTS AND 2025
ANNUAL REPORT ON THE WEBSITES OF THE HONG KONG STOCK
EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Hong Kong Stock Exchange and the Company, and the 2025 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

By order of the Board
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED
LI Zhong
Executive Director

Hong Kong, 19 March 2026

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Du Lindong, Mr. LI Zhong, Ms. LIU Yujie, and Mr. DUAN, Jerry Linnan as executive Directors; Mr. ZHAO Juanxian (alias, ZHAO Junxian) as non-executive Director; and Mr. CHAU Kam Wing Donald, Mr. CHANG Qing and Mr. PENG Yongzhen as independent non-executive Directors.