中邦环境
ZONBONG ENVIRONMENT

ZONBONG LANDSCAPE ENVIRONMENTAL LIMITED
中邦园林环境股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1855

GLOBAL OFFERING

Sole Sponsor

中國通海企業融資
CHINA TONGHAI CAPITAL

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

中國通海證券
CHINA TONGHAI SECURITIES

Joint Bookrunners and Joint Lead Managers

民銀資本
CMBC CAPITAL HOLDINGS LIMITED

申萬宏源香港
SHENWAN HONGYUAN

西證國際
SOUTHWEST SECURITIES

浦銀國際
SPDB INTERNATIONAL

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**68,750,000 Shares (comprising 55,000,000 new Shares and 13,750,000 Sale Shares, and subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**6,876,000 Shares (subject to reallocation)**
Number of International Placing Shares	**:**	**61,874,000 Shares (comprising 48,124,000 new Shares and 13,750,000 Sale Shares, and subject to the Over-allotment Option and reallocation)**
Maximum Offer Price	**:**	**HKD2.42 per Offer Share (payable in full upon application in Hong Kong dollars and subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%**
Nominal Value	**:**	**HKD0.001 per Share**
Stock code	**:**	**1855**

Sole Sponsor

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浦銀國際 SPDB INTERNATIONAL

Joint Lead Managers

中州國際融資有限公司 CENTRAL CHINA INTERNATIONAL CAPITAL LIMITED
EDDID Eddid Securities and Futures 艾德證券期貨
千里碩 ELSTONE
偉祿亞太證券 REALORD ASIA PACIFIC SECURITIES
新城晉峰 SEAZEN RESOURCES

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Please refer to the section headed "Risk Factors" for a discussion of certain risks that you should consider in connection with an investment in the Offer Shares.

The Offer Price is expected to be fixed by the Price Determination Agreement between our Company, the Selling Shareholders and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Monday, 28 December 2020, or such later date or time as may be agreed by the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company, and the Selling Shareholders. The Offer Price will not be more than HKD2.42 per Offer Share and is expected to be not less than HKD1.90 per Offer Share. If our Company, the Selling Shareholders and the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) are unable to reach an agreement on the Offer Price by that date or time or such later date or time as agreed by our Company, the Selling Shareholders and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not become unconditional and will not proceed.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HKD2.42 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HKD2.42.

The Sole Global Coordinator, for themselves and on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that is stated in this prospectus (which is HKD1.90 to HKD2.42) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published on the website of our Company at *www.zonbong.com* and on the website of the Hong Kong Stock Exchange at *www.hkexnews.hk*. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Our Company is incorporated under the laws of the Cayman Islands and its businesses are principally located in the People's Republic of China. Potential investors should be aware of the differences in the legal, economic and financial systems between these countries and Hong Kong. Potential investors should also be aware that the regulatory frameworks in these countries are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the paragraph headed "Underwriting — Grounds for termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares are being offered and sold only outside of the United States as offshore transaction in reliance on Regulation S.

22 December 2020

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong on the website of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** *and our Company's website at* ***www.zonbong.com****.*

Latest time to complete electronic applications under **eWhite Form** service through the designated website at ***www.ewhiteform.com.hk***(2)	11:30 a.m. on Monday, 28 December 2020
Application lists open(3)	11:45 a.m. on Monday, 28 December 2020
Latest time to (a) lodge **WHITE** and **YELLOW** Application Forms, (b) complete payment for **eWhite Form** applications by effecting PPS payment transfers and (c) give **electronic application instructions** to HKSCC(4)	12:00 noon on Monday, 28 December 2020
Application lists close	12:00 noon on Monday, 28 December 2020
Expected Price Determination Date(5)	Monday, 28 December 2020

Announcement of:

- the Offer Price
- the level of indications of interest in the International Placing
- the level of applications in the Hong Kong Public Offering
- the basis of allocation under the Hong Kong Public Offering

to be published on the website of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** and our Company's website at ***www.zonbong.com*** on or before	Tuesday, 5 January 2021

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (Please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — K. Publication of Results") from . . . . Tuesday, 5 January 2021

Results of allocations in the Hong Kong Public Offering will be available at ***www.ewhiteform.com.hk/results*** with a "search by ID" function from . . . . Tuesday, 5 January 2021

Despatch/collection of share certificates, refund cheques/**eWhite Form** e-Refund payment instructions (if applicable) on or before(6)(7) . . . . Tuesday, 5 January 2021

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at . . . . 9:00 a.m. on Wednesday, 6 January 2021

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. If there is any change to the above expected timetable, our Company will make a separate announcement to inform investors accordingly. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application under the **eWhite Form** service through the designated website at ***www.ewhiteform.com.hk*** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 28 December 2020, the application lists will not open and close on that day. Please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — J. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus for further details.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares — F. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Monday, 28 December 2020 and in any event, not later than Monday, 4 January 2021. If, for any reason, the Offer Price is not agreed among the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholders on or before Monday, 4 January 2021, the Global Offering will not proceed and will lapse.

(6) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Wednesday, 6 January 2021 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. You should refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

CONTENTS

Page

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

Founded in 2008, we are an established service provider for landscaping and ecological restoration projects in the Three Northeast Provinces of the PRC. Our footprints have covered 13 provincial-level regions encompassing, among others, Jilin, Beijing, Tianjin, Inner Mongolia, and Xinjiang. The landscaping market in the PRC is highly fragmented and the leading companies in the landscaping market dominated the ecological restoration market in the PRC. According to the CIC Report, we ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry in the Three Northeast Provinces, with market shares of approximately 6.7% and 1.3%, respectively, in terms of revenue generated from projects located in the Three Northeast Provinces in 2019. According to the CIC Report, our market shares in the landscaping and ecological restoration industries in the PRC were approximately 0.08% and 0.58%, respectively, in terms of revenue generated in 2019. We distinguish ourselves from our competitors as a one-stop service provider with qualifications to provide both design and construction services. According to the CIC Report, as at the Latest Practicable Date, we were one of the six companies registered in the Three Northeast Provinces that simultaneously held the First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級資質) and the qualifications for conducting construction activities.

As at the Latest Practicable Date, our business segments include (i) landscaping; (ii) ecological restoration; and (iii) others including investigation, survey, design and technical consultancy for municipal construction projects. During the Track Record Period, we secured new businesses mainly through participating in tendering process or direct engagement. We have undertaken a total of 374 projects during the Track Record Period, of which 128 were landscaping projects, 64 were ecological restoration projects and 182 were projects relating to other services. As at the Latest Practicable Date, we had 60 ongoing landscaping projects, 36 ongoing ecological restoration projects and 69 ongoing other projects.

During the Track Record Period, landscaping was a major source of our Group's recognised revenue. We, as contractors, undertake landscaping projects from our customers, such as the design and/or construction of urban gardens, theme parks and private parks, with an aim to improving the environment of urban areas through the combination of our design and construction capabilities. In such projects, we provide a variety of landscape design and construction services based on our customers' needs including, among other things, terrain modification, planting of nursery plants, underground construction works such as pipe installation for water supply, as well as maintenance works.

We have placed increasing efforts in developing our ecological restoration segment since 2016, resulting in an overall growth in its contribution to our Group's recognised revenue over the Track Record Period. Ecological restoration projects are projects which seek to treat, mediate or restore damaged natural resources by applying specialised technology, equipment, plants or other biological agents. Our services for ecological restoration projects include, among others, underground pipeline construction for rainwater harvesting and sewage system, design and construction of ecological facilities such as rain garden, sponge city system and greening construction. Our ecological restoration projects include treatment of polluted rivers, building of urban waterfront parks, restoration of regional water ecology system and mine rehabilitation.

The key differences between our landscaping projects and our ecological restoration projects mainly lie in that (i) our landscaping projects are undertaken with an aim to improving the environment of urban areas, whereas our ecological restoration projects are undertaken with an aim to treating, mediating or restoring damaged natural resources; (ii) the construction works for our landscaping projects include, among other things, planting of nursery plants, construction of garden roads and installation of landscape facilities, whereas the construction works for our ecological restoration projects include, among other things, construction of ecological protection slope for soil consolidation, purification of polluted water through installation of aeration equipment and restoration of damaged land surface through spraying plant seeds and covering nonwovens over a large area; and (iii) as the primary aims of these two types of projects differ, (a) different sets of techniques and skills are utilised for the projects such that our landscaping projects may involve, among other things, seedlings cultivation skills and tree transplanting and supporting skills, whereas our ecological restoration projects may involve, among other things, Low Impact Development (LID), heavily-polluted water purification skills and honeycomb restraint system slope construction skills; and (b) our patented technologies applied to our landscaping projects (such as our cultivation method and growth medium for Hemerocallis or cultivating device for seedlings used for construction) are also distinct from those applied to our ecological restoration projects (such as our purification device for treating coking wastewater or the system for treating Class C medical wastewater). Please refer to the section headed "Appendix IV — Statutory and General Information" in this prospectus for further details of our patents.

During the Track Record Period, over 90% of our recognised revenue were generated from public sector projects. We believe that our active participation in public sector projects enables us to develop an in-depth understanding of the project requirements imposed by public sector entities and reinforce their confidence in our services. During the Track Record Period, we recognised a total revenue of approximately RMB2,543.0 million from public sector projects, of which 16 projects had contract sum of more than RMB100.0 million.

Our principal operating subsidiary, Zonbong Landscape, was listed on the NEEQ (under the stock code: 833026) on 28 July 2015, and subsequently voluntarily delisted on 23 November 2017 primarily because we considered a listing on the Stock Exchange can raise the brand awareness, enhance the corporate image and strengthen the corporate governance of our Group, and hence would benefit our financial performance. Please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Our Company and our Operating Subsidiaries — Zonbong Landscape — (ii) Listing on and delisting from NEEQ and changes in registered capital" in this prospectus for further details.

During the Track Record Period, we experienced promising growth in our revenue and gross profit from FY2017 to FY2019. The following table sets forth the breakdown of our Group's revenue and gross profit margin recognised by business segment during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%
										(unaudited)					
Landscaping	325,912	49.7	24.5	464,577	57.4	25.6	439,784	49.0	25.0	154,478	52.4	24.8	186,502	52.1	18.8
Ecological restoration	297,801	45.4	22.7	286,629	35.4	19.5	402,578	44.9	25.4	110,070	37.3	21.4	144,791	40.5	23.8
Others	31,783	4.9	40.7	58,238	7.2	36.7	55,124	6.1	38.2	30,261	10.3	34.7	26,592	7.4	67.9
Total	**655,496**	**100.0**	**24.5**	**809,444**	**100.0**	**24.3**	**897,486**	**100.0**	**26.0**	**294,809**	**100.0**	**24.5**	**357,885**	**100.0**	**24.5**

OUR BUSINESS MODEL AND OPERATIONAL WORKFLOW

Business models

During the Track Record Period, we were principally engaged in projects under the (i) traditional model; (ii) EPC model; and (iii) PPP model.

The following table sets forth the breakdown of our revenue and gross profit margin recognised by each business model during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	% (unaudited)	%	*RMB'000*	%	%
Traditional model.	150,181	23.0	23.1	137,230	17.0	18.0	422,575	47.1	21.5	85,591	29.0	23.9	162,703	45.5	22.2
EPC model	196,319	29.9	25.5	292,057	36.0	23.8	241,837	26.9	30.8	79,003	26.8	23.1	145,091	40.5	23.2
PPP model[1]	308,996	47.1	24.4	380,157	47.0	26.9	233,074	26.0	29.1	130,215	44.2	25.8	50,091	14.0	35.4
Total	**655,496**	**100.0**	**24.5**	**809,444**	**100.0**	**24.3**	**897,486**	**100.0**	**26.0**	**294,809**	**100.0**	**24.5**	**357,885**	**100.0**	**24.5**

Note:

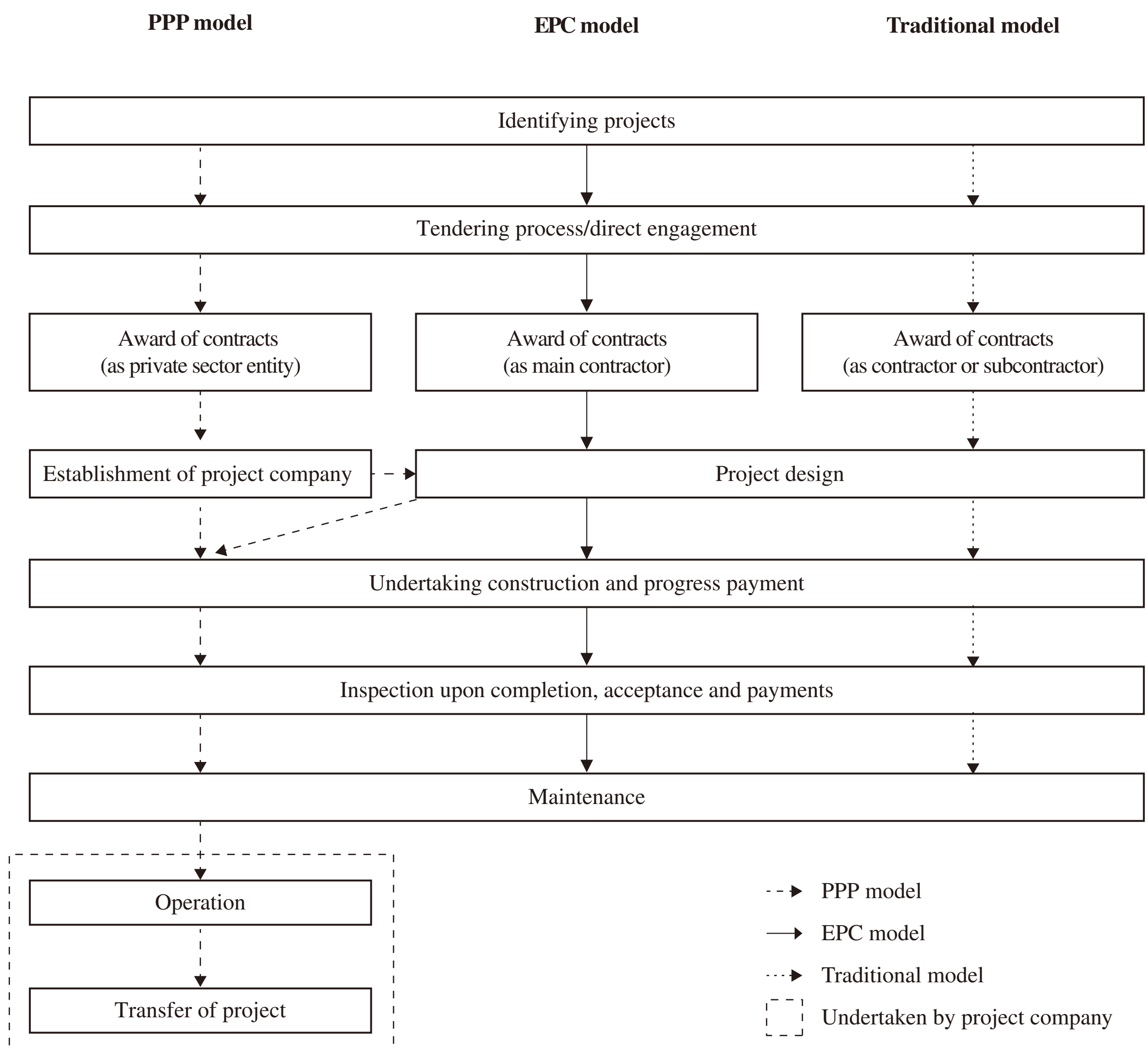
1. The revenue and gross profit recognised from projects under the PPP model during the Track Record Period represent revenue and gross profit recognised by our Group as a contractor for the construction and maintenance services for the respective PPP projects.

The following table sets forth the share of profits of an associate and a joint venture our Group invested in under the PPP model during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Share of profits of an associate. .	1,119	2,978	4,911	1,597	1,188
Share of profits of a joint venture	—	6,379	9,161	5,630	2,937

Operational workflow

The following simplified flow chart lists out the general workflow of our business operation:



OUR PROJECT PORTFOLIO

The following table sets forth the breakdown of our revenue recognised by region in the PRC during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
Revenue	**2017**		**2018**		**2019**		**2019**		**2020**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
The Three Northeast Provinces	392,271	59.8	678,262	83.8	711,217	79.2	219,610	74.5	265,501	74.2
North China	243,342	37.1	122,605	15.1	172,854	19.3	69,851	23.7	76,304	21.3
Southwest China	551	0.1	874	0.1	132	0.0	—	0.0	17	0.0
East China	19,332	3.0	7,703	1.0	13,283	1.5	5,348	1.8	16,063	4.5
Total	**655,496**	**100.0**	**809,444**	**100.0**	**897,486**	**100.0**	**294,809**	**100.0**	**357,885**	**100.0**

During the Track Record Period, we had undertaken a total of 374 projects, completed 70 landscaping projects, 27 ecological restoration projects and 100 other projects. The table below sets forth a breakdown of the projects undertaken by us by contract size during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2017			**2018**			**2019**			**2019**			**2020**		
	Revenue recognised		**No. of projects undertaken**	**Revenue recognised**		**No. of projects undertaken**	**Revenue recognised**		**No. of projects undertaken**	**Revenue**		**No. of projects undertaken**	**Revenue**		**No. of projects undertaken**
	RMB'000	*%*		*RMB'000*	*%*		*RMB'000*	*%*		*RMB'000*	*%*		*RMB'000*	*%*	
Over RMB100 million	501,229	76.5	14	659,302	81.5	15	514,415	57.3	14	204,444	69.4	13	171,379	47.9	14
Over RMB50 million up to RMB100 million	43,036	6.6	9	32,321	4.0	10	167,536	18.6	12	24,584	8.3	11	80,979	22.6	13
Over RMB10 million up to RMB50 million	57,177	8.7	32	71,532	8.8	30	138,785	15.5	31	36,309	12.3	27	85,279	23.8	36
Up to RMB10 million	54,054	8.2	148	46,289	5.7	149	76,750	8.6	135	29,472	10.0	112	20,248	5.7	117
Total	**655,496**	**100.0**	**203**	**809,444**	**100.0**	**204**	**897,486**	**100.0**	**192**	**294,809**	**100.0**	**163**	**357,885**	**100.0**	**180**

Ongoing and completed projects

The following table sets forth the movement of number of projects undertaken by us during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the six months ended 30 June	For the period from 1 July 2020 to the Latest Practicable Date
	2017	2018	2019	2020	
Opening balance of number of ongoing projects	123	141	129	135	177
Number of new projects commenced	80	63	63	45	58
Less: (number of projects completed)	62	75	57	3	70
Closing balance of number of ongoing projects	**141**	**129**	**135**	**177**	**165**[(1)]

Note:

1. As at the Latest Practicable Date, our 165 ongoing projects consisted of 146 backlog projects with outstanding performance obligations and 19 projects with no further revenue to be recognised. Such 19 projects with no further revenue to be recognised were classified as ongoing projects as we have not received the result of Settlement Audit or taking-over certificate from the customer.

Backlog

The following table sets forth the movement of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the six months ended 30 June 2020	For the period from 1 July 2020 to the Latest Practicable Date
	2017	2018	2019		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance of backlog	967,978	2,329,068	2,148,215	2,702,998	2,592,114
Aggregate estimated revenue of new projects commenced	2,016,586	628,591	1,452,269	247,001	760,653
Less: (Aggregate revenue recognised for completed works)	655,496	809,444	897,486	357,885	503,796
Closing balance of backlog	**2,329,068**	**2,148,215**	**2,702,998**	**2,592,114**	**2,848,971**

Note: The balance of backlog refers to our estimate of the aggregated amounts of the transaction value allocated to the remaining performance obligations, if any, under our ongoing projects and remaining revenues to be recognised for our completed projects due to the adjustment of certified value upon completion of Settlement Audit, which may be conducted subsequent to the receipt of taking-over certificate from the customers or transfer of completed construction and/or maintenance works, during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, we had 146 projects with total outstanding performance obligations of approximately RMB2,849.0 million to be recognised by 2028, of which approximately RMB115.7 million and RMB1,000.0 million are expected to be recognised for the period from the Latest Practicable Date to 31 December 2020 and the year ending 31 December 2021, respectively. This estimation is based on (i) in relation to construction works, the construction drawings made available to us as at the respective dates, which may not cover the entire scope of the project stipulated under the relevant project contract, and may be subject to subsequent changes, such as additions, reductions, modification and/or other changes; (ii) in relation to design works or other services such as survey and technical consultancy, the terms of the relevant contract; and (iii) our Directors' best knowledge and belief, having taken a relatively prudent estimation approach.

Based on our existing backlog as at the Latest Practicable Date, our Directors estimate that a majority of the revenue from such backlogs will be generated from Non-ZIHG Projects, and ZIHG Projects and Non-ZIHG Projects are estimated to contribute approximately 19.8% and 80.2% of the revenue expected to be recognised for the year ending 31 December 2020, respectively. For details of the closing balance of backlog of ZIHG Projects and Non-ZIHG Projects as at 31 December 2017, 2018, 2019, 30 June 2020 and the Latest Practicable Date, please refer to the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus.

SALES AND MAJOR CUSTOMERS

Tender success rate

Our Directors are of the view that the submission of tenders allows us to keep our presence in the market and keep us abreast of latest market requirements, which benefits us in preparing for similar tenders in the future. For FY2017, FY2018, FY2019 and 6M2020, we submitted 76, 59, 91 and 79 tenders, respectively, and during the same period, we recorded tender success rate of approximately 48.7%, 28.8%, 24.2% and 27.8%, respectively. For further details, please refer to the paragraph headed "Business — Sales and major customers — Tender success rate" in this prospectus.

Pricing policy

Our contracts for construction projects under the traditional model are typically awarded and carried out on a fixed-price basis and timetable for project completion. While our traditional construction projects are generally carried out on a fixed-price basis, for projects under both EPC and PPP model, we may experience discrepancies between the contract sum and the total settlement amount confirmed by the Settlement Audit as a result of fluctuation of prices with reference to the issued bills of quantities and based on the prices of materials confirmed by the relevant local governments. For further details, please refer to the paragraph headed "Business — Sales and major customers — Pricing policy" in this prospectus.

Major customers

Our customers include public sector entities and private sector entities in the PRC. In FY2017, FY2018, FY2019 and 6M2020, approximately 32.1%, 30.0%, 13.2% and 15.2%, respectively, of our revenue was attributed to our largest customer in the respective year. For the same periods, approximately 66.4%, 77.6%, 59.1% and 54.1%, respectively, of our revenue was attributed to our five largest customers in the respective year. The composition of our five largest customers during the Track Record Period varied from period-to-period for the reason that we obtained contracts from major customers mainly through tenders on a one-off basis. Our five largest customers during the Track Record Period were all public sector entities (save for ZCLLC, which is a private sector entity and a connected person of the Company, for FY2019, and Customer G, an Independent Third Party, for 6M2020). Please refer to the paragraph headed "Business — Sales and major customers — Major customers" in this prospectus for further details.

PROCUREMENT FROM SUPPLIERS

We procure raw materials from suppliers in the PRC according to the annual/monthly demand schedules and/or project demand schedules prepared by the procurement department based on the needs of our projects. In FY2017, FY2018, FY2019 and 6M2020, approximately 5.2%, 1.4%, 1.3% and 1.9%, respectively, of our cost of sales were attributed to purchases from our largest supplier for the respective year/period, while approximately 12.6%, 5.2%, 4.5% and 8.3%, respectively, of our cost of sales were attributed to purchases from our five largest suppliers for the respective year/period. Our five largest suppliers during the Track Record Period were all Independent Third Parties. For further details, please refer to the paragraph headed "Business — Procurement from suppliers" in this prospectus.

SUBCONTRACTING

We regularly engage third party subcontractors in our projects to provide extra workforce or professional speciality services. For further details, please refer to the paragraph headed "Business — Subcontracting" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following competitive advantages differentiate us from our competitors and will continue to enable us to capitalise on future growth opportunities: (i) one-stop service provider in landscaping and ecological restoration industries and strong brand recognition in the Three Northeast Provinces; (ii) robust in-house design capabilities in addition to landscaping and ecological restoration construction capabilities; (iii) diversified industry qualifications which allow us to undertake a diverse range of works for landscaping and ecological restoration projects; and (iv) a proven track record of sustainable financial performance and business growth under the leadership of our experienced and diversified senior management team supported by our dedicated professional teams and well-established relationship with external experts.

OUR BUSINESS STRATEGIES

We plan to implement the following strategies: (i) maintain our position in the Three Northeast Provinces, strengthen our position and increase our market share in North China, East China and Southwest China and strategically expand to other regions in the landscaping and ecological restoration industries in the PRC; (ii) enhance cooperation with local governments; (iii) enhance our technical competence for our sustainable growth and profitability; and (iv) continue to develop our information management system to further improve our work efficiency and internal management.

SUMMARY OF FINANCIAL INFORMATION

The information below set out a summary of our consolidated financial information during the Track Record Period. You should read the following financial information together with the financial information included in “Appendix I — Accountants’ Report” to this prospectus, including the notes thereto.

Summary data from consolidated statements of profit or loss

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	655,496	809,444	897,486	294,809	357,885
Cost of sales	(495,211)	(613,093)	(664,115)	(222,502)	(270,380)
Gross profit	160,285	196,351	233,371	72,307	87,505
Profit before taxation(1)	72,362	97,954	79,374	33,238	28,276
Profit for the year/period	52,031	70,813	49,453	22,599	21,315
Attributable to:					
Equity shareholders of the Company	52,627	70,413	49,496	22,557	21,189
Non-controlling interests	(596)	400	(43)	42	126
Profit for the year/period	52,031	70,813	49,453	22,599	21,315

Note:

1. During the Track Record Period, our Group recognised share of profits of an associate of approximately RMB1.1 million, RMB3.0 million, RMB4.9 million and RMB1.2 million and share of profits of a joint venture of nil, approximately RMB6.4 million, RMB9.2 million and RMB2.9 million for FY2017, FY2018, FY2019 and 6M2020, respectively.

Our revenue derived from landscaping segment contributed approximately 49.7%, 57.4%, 49.0% and 52.1% of our Group's total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. We have placed increasing effort in developing our ecological restoration segment since 2016 which contributed approximately 45.4%, 35.4%, 44.9% and 40.5% of our Group's total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. The fluctuation of our revenue from landscaping and ecological restoration segments during the Track Record Period, was largely driven by the fluctuation of revenue recognised for landscaping and ecological restoration projects according to the progress of the projects. Revenue derived from others segment contributed approximately 4.9%, 7.2%, 6.1% and 7.4% of our Group's total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively.

Our cost of sales consists of cost of materials consumed, labour subcontracting cost, professional subcontracting cost, labour cost, machinery usage cost, commissioned design fees and consulting fees, depreciation cost and other direct cost. During the Track Record Period, our cost of materials consumed accounted for approximately 32.6%, 34.0%, 30.6% and 37.3% of the total cost of sales for FY2017, FY2018 and FY2019 and 6M2020, respectively. For the same periods, our labour subcontracting cost accounted for approximately 24.1%, 22.8%, 23.5% and 28.6% of the total cost of sales, respectively, and our professional subcontracting cost accounted for approximately 9.8%, 16.1%, 27.0% and 19.0% of the total cost of sales, respectively.

We maintained relatively stable gross profit margins during the Track Record Period. Our gross profit margin for landscaping segment increased from approximately 24.5% for FY2017 to approximately 25.6% for FY2018 and remained relatively stable for FY2019 of approximately 25.0%. Our gross profit margin for landscaping segment decreased from approximately 24.8% for 6M2019 to approximately 18.8% for 6M2020, which was mainly due to the relatively lower gross profit margins generated from certain of our projects newly commenced construction in late FY2019 and 6M2020 as a substantial portion of construction works for such projects involved construction of landscape facilities and buildings that required purchase of customised facilities and engagement of professional subcontractors, which led to higher cost of sales and lower gross profit margins for such projects. We recorded gross profit margins for ecological restoration segment of approximately 22.7%, 19.5% and 25.4% for FY2017, FY2018 and FY2019, respectively. Our gross profit margin for ecological restoration segment increased from approximately 21.4% for 6M2019 to approximately 23.8% for 6M2020. Such fluctuations were mainly due to the gross profit margins of large-scale ecological restoration projects we undertook during the Track Record Period. Our gross profit margins for others segment were approximately 40.7%, 36.7% and 38.2% for FY2017, FY2018 and FY2019, respectively. Such fluctuations were generally in line with the size of projects to which we provided design services as the gross profit margins recognised from larger scale projects were relatively higher than that from smaller scale projects undertaken by our Group during the same periods. Our gross profit margin for other segment increased from approximately 34.7% for 6M2019 to approximately 67.9% for 6M2020, which was mainly due to the decrease in commissioned design fees our Group incurred during 6M2020 as we determined that our staff training had enabled our design staff to undertake more design work, thereby reducing our need for outsourcing design works to external parties.

Our profit for the year increased by approximately RMB18.8 million or 36.1% from approximately RMB52.0 million for FY2017 to approximately RMB70.8 million for FY2018 and decreased by approximately RMB21.4 million or 30.2% to approximately RMB49.5 million for FY2019. Our profit for the period remained relatively stable for 6M2019 and 6M2020. The decrease in profit for the year for FY2019 was mainly due to (i) the increase in administrative expenses by approximately RMB14.9 million primarily as a result of the listing expenses incurred for FY2019; and (ii) the increase in impairment losses on trade and other receivables and contract assets by approximately RMB36.4 million which was mainly due to the write-off amount on long-term trade receivables for the Baishan Project (Phase I) and the Baishan Project (Phase II) as a result of the supplemental agreements entered into between our Group and the customer in October and November 2019 for the termination agreements of the Baishan Project (Phase I) and the Baishan Project (Phase II) in December and October 2018, respectively. Pursuant to such supplemental agreements, the customers would not be responsible for paying our Group in respect of interest on trade receivables in the amount of RMB24.6 million for the Baishan Project (Phase I) and RMB6.2 million for the Baishan Project (Phase II), respectively, and thus such interest on trade receivables were written off in FY2019. Please refer to paragraph headed "Financial Information — Description of major components of our consolidated statements of profit or loss — Impairment loss on trade and other receivables and contract assets" in this prospectus for further details. Such write-off of interest on trade receivables was non-recurring in nature.

As far as our Directors are aware, the Baishan Project (Phase I) and Baishan Project (Phase II) were originally undertaken by way of "government's purchase of services" (政府購買服務) in 2015 and 2016, respectively. Subsequent to the release of a policy by the PRC government in 2017 prohibiting local governments to undertake construction projects by way of "government's purchase of services", the customer of the Baishan Project (Phase I) and Baishan Project (Phase II) entered into termination agreements with our Group in compliance with the policy. Our Directors agreed to the terms of the supplemental agreements entered into between our Group and the customer of the Baishan Project (Phase I) and Baishan Project (Phase II) considering that it would be in the best interest of our Group in reaching as soon as possible a project settlement agreement setting out a concrete payment timeframe for the outstanding construction fees under the projects.

Summary data from consolidated statements of financial position

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	294,123	338,789	392,899	407,400
Current assets	883,014	1,149,319	1,307,214	1,352,253
Current liabilities	742,487	1,045,130	1,205,828	1,244,859
Net current assets	**140,527**	**104,189**	**101,386**	**107,394**
Non-current liabilities	163,737	103,547	86,856	81,767
Net assets	**270,913**	**339,431**	**407,429**	**433,027**
Total equity attributable to non-controlling interests	(596)	1,489	5,133	9,259

Summary data from consolidated statements of cash flows

The following table sets forth summary data from our consolidated statements of cash flows for the period indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash generated from operating activities before changes in working capital	106,444	143,072	164,245	44,949	56,638
Changes in working capital	(193,900)	(86,978)	(84,247)	(14,370)	(111,125)
Income tax paid	(25,318)	(20,080)	(39,869)	(34,328)	(19,502)
Net cash (used in)/generated from operating activities	(112,774)	36,014	40,129	(3,749)	(73,989)
Net cash (used in)/generated from investing activities	(21,236)	(87,929)	(86,469)	(53,667)	37,145
Net cash generated from/(used in) financing activities	232,282	(10,977)	64,438	59,116	165
Net increase/(decrease) in cash and cash equivalents	98,272	(62,892)	18,098	1,700	(36,679)
Cash and cash equivalents at 1 January	20,363	118,635	55,230	55,230	73,615
Effect of foreign exchange rate changes	—	(513)	287	173	5
Cash and cash equivalents at 31 December/30 June	118,635	55,230	73,615	57,103	36,941

For FY2017, our net cash used in operating activities was approximately RMB112.8 million, mainly attributable to the increase in (i) the gross amount of contract assets of approximately RMB221.4 million as a result of the increase in the quantity of work performed for projects undertaken by us; and (ii) the gross amount of trade receivables of approximately RMB60.6 million as a result of the general increase in revenue recognised from projects undertaken by us which commenced construction in FY2017, which was partially offset by (a) profit before taxation of approximately RMB72.4 million; and (b) the increase in trade and bills payables of approximately RMB101.3 million due to the general increase in the purchase of construction raw materials and subcontracting costs as a result of the increase in the size of projects undertaken during FY2017. For FY2018 and FY2019, our Group had net cash generated from operating activities in the amount of approximately RMB36.0 million and RMB40.1 million, respectively.

For 6M2020, our net cash used in operating activities was approximately RMB74.0 million, mainly attributable to the increase in (i) the gross amount of trade receivables of approximately RMB60.5 million and the gross amount of contract assets of approximately RMB65.4 million mainly attributable to the fact that we generally receive a larger portion of payments from our customers during the second half of the year, and that whilst the project company of the Shenjunshan Project paid approximately RMB186.9 million to our Group during 6M2019, it only made the payment to our Group shortly after 6M2020 in July and August 2020; and (ii) inventories and other contract costs of approximately RMB22.0 million as a result of the accumulation of contract costs incurred by us during 6M2020, which was partially offset by (a) the profit before taxation of approximately RMB28.3 million; and (b) the increase in trade and bills payables of approximately RMB28.4 million as a result of the increase in amount payable to material suppliers due to the general increase in revenue recognised for 6M2020.

We have implemented various measures to improve our cashflow positions including, among others, (i) introducing capital management measures which stipulate that all revenues and expenditures shall be included in the budget and the funds usage shall be carried out within the scope of the budget and the overall arrangement and control of capital shall be carried out through the preparation, implementation and assessment of the funds usage plans determined on an annual, quarterly, monthly and fortnightly basis to maintain the funds balance; (ii) establishing a centralised capital management system, which manages our capital usage by sectors, such as the construction sector, the design sector and the company level sector; (iii) prioritising the payment for our capital expenditures pursuant to their nature; (iv) assigning the responsible department and personnel in charge of the management of trade receivables by regularly monitoring trade receivable accounts and reminding our staff in relevant departments to collect overdue debts; (v) implementing various trade receivable management measures; and (vi) monitoring the number of trade receivable turnover days in comparison with the number of trade and bills payable turnover days with an aim to optimising the trade receivable turnover days relative to the trade and bills payable turnover days for a healthy settlement and payment position. Please refer to paragraph headed "Financial Information — Liquidity and capital resources — Cash flows" and paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" in this prospectus for further details.

Contract assets and trade receivables

Contract assets are recognised when our Group recognises revenue before being unconditionally entitled for billing under the payment terms as set out in the contract (such as upon completion of Settlement Audit, transfer of completed construction works or other payment milestones as stipulated in the contract). Contract assets are reclassified to trade receivables when work performed by us have become unconditionally entitled for billing under the payment terms. Our Group maintains a loss allowance for trade receivables and contract assets for estimated losses resulting from the default on contractual obligation by the customers.

Our Directors believe that most of the trade receivables and contract assets aged over one year will be collected and have made loss allowance based on the historical loss rates for different ages of the trade receivables and contract assets (and added a risk premium on the expected loss rates as at 30 June 2020 considering the uncertainty arising from the outbreak of COVID-19). On this basis, our Directors are of the view that sufficient and appropriate loss allowance has been made for the expected credit loss on contract assets and trade receivables during the Track Record Period. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" for further details of the bases of our Directors' view on such loss allowance made.

Analysis of the increase in our turnover days and long outstanding balances for contract assets and trade receivables

Our turnover days based on the aggregate amount of contract assets and trade receivables were approximately 457.5 days, 492.6 days, 520.1 days and 715.2 days for FY2017, FY2018, FY2019 and 6M2020, respectively. The increase in turnover days for contract assets and trade receivables from FY2017 to FY2019 was mainly due to the relatively long ageing of contract assets and trade receivables for a number of large-scale projects, which particularly distorted our normalised contract assets and trade receivable turnover days as well as the large amount of contract assets and trade receivables from our large-scale projects, the Shenjunshan Project and the Meihekou Project (according to the CIC Report, for landscaping or ecological restoration projects of a larger scale in the PRC, a substantial portion of payments are generally made at the later stage of the project). Please refer to paragraphs headed "Financial Information — Description of major components of our consolidated statements of financial position — Contract assets" and "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" for details regarding such large-scale projects.

As at the Latest Practicable Date, approximately 20.1% and 23.1% of our contract assets (amounting to approximately RMB85.5 million and RMB123.7 million) as at 31 December 2017 and 2018, respectively, have not been converted into trade receivables. To the best knowledge, information and belief of our Directors, such outstanding contract assets remained unconverted primarily due to, among other things, that the Settlement Audit for the relevant projects has not been completed or other payment milestones (such as completion of the maintenance period) have not been fulfilled as at the Latest Practicable Date. Our Directors are not aware of any issue which will materially affect the conversion of such contracts assets into trade receivables in the future. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Contract assets" for further details of the circumstances leading to such outstanding contract assets and the bases of the views of our Directors and the Sole Sponsor on the conversion of such contract assets.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, a majority of our trade receivables were aged within three years. Approximately 21.3% of our trade receivables (amounting to approximately RMB135.3 million) as at 30 June 2020 were aged three years or more. Such outstanding trade receivables primarily arose from the delay in payments for the trade receivables for two large-scaled projects amounted to approximately RMB119.7 million and collectively accounted for approximately 88.4% of our trade receivables as at 30 June 2020 aged three years or more. Our Directors are of the view that there are no material issue on the recoverability of such trade receivables based on, among other factors, the customers' payment history and credibility. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" for the detailed reasons for the aforementioned delays in payments and bases of the views of our Directors and the Sole Sponsor on the recoverability of such trade receivables.

Among the balances of contract assets aged more than one year as at 31 December 2017, 2018 and 2019 and 30 June 2020, the balances of our contract assets for public sector projects accounted for approximately 100.0%, 100.0%, 99.8% and 99.8%, respectively. Among the balances of trade receivables aged more than one year as at 31 December 2017, 2018 and 2019 and 30 June 2020, the balances of our trade receivables for public sector projects accounted for approximately 98.8%, 97.4%, 99.3% and 99.8%, respectively. As a majority of our long outstanding contract assets and trade receivables were due from public sector entities during the Track Record Period and our Directors believe that the risk of non-repayment from the public sector entities is relatively low considering the general high credibility and low default rate for public sector entities as customers, our Directors are not aware of any material issue on the recoverability of such long outstanding contract assets and trade receivables.

Our Directors believe that the relatively long ageing of trade receivables and long conversion period of contract assets is not uncommon in the landscaping and ecological restoration industry in the PRC, especially where the customers are state-invested enterprises or the government, which is also consistent with the CIC Report. According to the CIC Report, for projects with state-invested enterprises or the government as customers, the industry range for conversion period of contract assets is approximately one to three years and the industry range for settlement period of trade receivables is one to five years, depending on the scale of the projects in the landscaping and ecological restoration industry in the PRC. Please refer to the paragraph headed "Industry Overview — Accounts receivables performance" in the prospectus for further information.

We have put in place a number of measures including customer credit assessment policies and contract assets and trade receivable control policies in relation to credit risk and liquidity risk associated with long outstanding contract assets and trade receivables. Please refer to paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" in the prospectus for details.

Nevertheless, the delay in conversion of contract assets into trade receivables and the settlement from the customers may adversely affect our business operations, working capital and cash flow positions. Please refer to paragraphs headed "Risk factors — Risks relating to our business — Our business operations, working capital and cash flow position may be adversely affected by the delay in processing payment or fail to settle our bills by our customers which are mostly public sector entities (including governments and their affiliated entities) that generally take a relatively long time for billing and settlement, and our overdue receivables collection management system may not be able to mitigate all our risks" and "Risk factors — Risks relating to our business — We are paid by our customers in instalments in accordance with progress of the projects and we cannot guarantee that our customers will pay for our unbilled work on time and in full" in this prospectus for further details.

Indebtedness

The following table sets forth the components of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2017	**2018**	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank and other loans	462,500	515,542	495,000	529,136	537,500
Amount due to related parties	11,851	2,377	17,482	1,836	1,836
Amount due to third party	—	2,000	95,600	95,600	81,239
Lease liabilities	5,753	4,020	8,117	765	586
	480,104	**523,939**	**616,199**	**627,337**	**621,161**
Contingent liabilities	—	—	460,000	507,000	542,700
Financial guarantees issued	—	—	39,496	40,556	39,388

As at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 October 2020, we had outstanding bank and other loans of RMB462.5 million, approximately RMB515.5 million, RMB495.0 million, approximately RMB529.1 million and approximately RMB537.5 million, respectively. As at the Latest Practicable Date, we had total unutilised banking facilities of RMB120.0 million.

Apart from the impact of fluctuation the amount of bank and other loans, the increase in our indebtedness as at 31 December 2019, 30 June 2020 and 31 October 2020 as compared to that as at the previous reporting dates was mainly attributable to the increase in amount due to third party and contingent liabilities. Please refer to the paragraph headed "Financial Information — Selected financial data of consolidated statements of financial position items — Accrued expenses and other payable" for further details. As at 31 December 2019 and 30 June 2020, our Group has issued guarantees in respect of bank loans to Tianjun Tourism, a joint venture of our Group and Changchun Xianbang, an associate of our Group, respectively. Please refer to the paragraph headed "Financial Information — Indebtedness" for further details.

Working capital

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand, cash generated from operations and bank borrowings and loans from related parties. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) status of existing projects including their stage of development and project progress as well as new project pipeline; (ii) the level of our trade payables, trade receivables and contract assets, prepayments and their respective payment and receipt progress and status; and (iii) our ability to obtain external financing. We have also diligently reviewed future cash flow requirements and assessed our ability to meet debt repayment schedules, and if necessary, adjust the investment, financing and dividend payout plans so as to ensure we maintain sufficient working capital. Please refer to paragraph headed "Financial Information — Liquidity and capital resources — Cash flows" in this prospectus for more details regarding our capital and trade receivables management measures. In addition to the above, we have also adopted various credit control policy and measures to improve the conversion of contract assets and collection of trade receivables and thus enhance our Group's cash inflow as disclosed in the paragraph headed "Financial Information — Selected financial data of consolidated statements of financial position item — Trade receivables" in this prospectus.

Our Directors are of the opinion that we will have sufficient financial resources and working capital to meet our working capital requirement for the next 12 months from the date of this prospectus, taking into account a number of key considerations and key factors as further elaborated in the paragraph headed "Financial Information — Working capital" in this prospectus. The Sole Sponsor is satisfied that to the best knowledge of the Sole Sponsor, our Directors' opinion on the working capital sufficiency for the next 12 months from the date of this prospectus as disclosed above has been given by our Directors after due and careful enquiries.

Key financial ratios

	For the year ended 31 December			For the six months ended
	2017	2018	2019	2020
Return on equity	26.7%	23.1%	13.4%	5.1%
Return on total assets	5.5%	5.3%	3.1%	1.2%
Interest coverage	3.9	3.6	2.9	2.5

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Current ratio	1.2	1.1	1.1	1.1
Gearing ratio	170.7%	151.9%	121.5%	122.2%
Net debt to equity ratio	126.9%	135.6%	103.4%	113.7%

Our return on equity amounted to approximately 26.7%, 23.1% and 13.4% for FY2017, FY2018 and FY2019, respectively. Our return on equity decreased from approximately 26.7% in FY2017 to approximately 23.1% in FY2018, mainly due to the increase in the average of the beginning and ending balance of total equity attributable to the Shareholders for FY2018 as compared with FY2017 primarily as a result of the issuance of shares during FY2017. Our return on equity further decreased to approximately 13.4% in FY2019, mainly due to the decrease in the net profit recognised during FY2019 as compared with FY2018 primarily as a result of the increase in impairment losses on trade receivables and contract assets incurred for the Baishan Project (Phase I) and the Baishan Project (Phase II) in FY2019 as disclosed in the paragraph headed "Financial Information — Description of major components of our consolidated statements of profit or loss" in this prospectus. Our return on equity amounted to approximately 5.1% for 6M2020, but it is not comparable to the corresponding figures for FY2017, FY2018 and FY2019 as the profit before tax used in the calculation refers to the half-year figure for 6M2020 and has not been annualised.

Our return on total assets amounted to approximately 5.5%, 5.3% and 3.1% for FY2017, FY2018 and FY2019, respectively. Our return on total assets decreased from approximately 5.5% in FY2017 to approximately 5.3% in FY2018 and further decreased to approximately 3.1% in FY2019. Such decrease was mainly attributable to the relatively larger total assets growth outweighed the growth in net profit. Our return on total assets further decreased to approximately 3.1% in FY2019, which was mainly due to the decrease in net profit recognised during FY2019 primarily as disclosed in the paragraph headed "Financial Information — Description of major components of our consolidated statements of profit or loss" in this prospectus. Our return on total assets amounted to approximately 1.2% for 6M2020, but it is not comparable to the corresponding figures for FY2017, FY2018 and FY2019 as the profit before tax for the calculation refers to the half-year figure for 6M2020 and has not been annualised.

Our interest coverage amounted to approximately 3.9, 3.6, 2.9 and 2.5 for FY2017, FY2018, FY2019 and 6M2020, respectively. Our interest coverage decreased from approximately 3.9 times in FY2017 to approximately 3.6 times in FY2018 and approximately 2.9 times in FY2019 and further decreased to approximately 2.5 times in 6M2020. Such decrease was mainly due to the increase in interest expenses primarily resulting from the increase in interest rates on bank loans and the increase in our short-term bank loans with higher interest rates attached to as compared with long-term loans during the Track Record Period.

Our current ratio remained relatively stable during the Track Record Period, which amounted as approximately 1.2 times, 1.1 times, 1.1 times and 1.1 times as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Our gearing ratio was approximately 170.7%, 151.9%, 121.5% and 122.2% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Such decrease was mainly due to the increase in total equity outweighed the increase in bank loans during this period.

Our net to equity ratio amounted to approximately 126.9%, 135.6%, 103.4% and 113.7% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our net debt to equity ratio increased from approximately 126.9% as at 31 December 2017 to approximately 135.6% as at 31 December 2018, which was mainly due to the increase in net debt during this period. Our net debt to equity ratio decreased from approximately 135.6% as at 31 December 2018 to approximately 103.4% as at 31 December 2019. Such decrease was mainly due to the decrease in our net debt primarily resulting from the increase in our cash and cash equivalent, which outweighed the increase in bank loans as at 31 December 2018. Our net debt to equity ratio increased to approximately 113.7% as at 30 June 2020 from approximately 103.4% as at 31 December 2019, which was mainly due to the increase in balance of bank loans during this period.

For further information of the key financial ratios of our Group, please refer to the paragraph headed “Financial Information — Key financial ratios” in this prospectus.

RISK FACTORS

We believe that there are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. For further details, please refer to the section headed “Risk Factors” in this prospectus. The following highlights some of the risks which our Directors consider to be material: (i) our business operations, working capital and cash flow position may be adversely affected by the delay in processing payment or fail to settle our bills by our customers which are mostly public sector entities (including governments and their affiliated entities) that generally take a relatively long time for billing and settlement, and our overdue receivables collection management system may not be able to mitigate all our risks; (ii) we are paid by our customers in instalments in accordance with progress of the projects and we cannot guarantee that our customers will pay for our unbilled work on time and in full; (iii) we may not be able to obtain adequate financing for our current projects and expansion plans; (iv) our cost estimates for projects may not always be accurate and we may not be able to complete projects within our cost estimates; and (v) we generate our revenue from one-off projects through tendering process. Our business performance may be adversely affected if we fail to maintain or improve our current successful rate in bidding and obtain adequate projects.

SHAREHOLDER INFORMATION

Our Controlling Shareholders

Immediately upon completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme, Zonqing International will hold approximately 65.89% of our Company's entire issued share capital. Zonqing International is owned as to 35% by Ms. Zhao Hongyu, 27% by Mr. Sun, 10% by Ms. Li Ping, 5% by Mr. Hou Baoshan, 5% by Mr. Liu, 5% by Mr. Shao Zhanguang, 5% by Mr. Sun Juzhi, 4% by Mr. Shan Dejiang, 1% by Mr. Li Peng, 1% by Mr. Liu Changli, 1% by Mr. Wei Xiaoguang and 1% by Mr. Weng Hongzhao (collectively the "**Ultimate Controlling Shareholders**"). Please refer to the section "Relationship with our Controlling Shareholders" in this prospectus for details of our Ultimate Controlling Shareholders.

Zonqing International is a Controlling Shareholder as it is entitled to exercise or control the exercise of 30% or more of the voting power at the general meeting of our Company immediately following the Listing and, on the basis that our Ultimate Controlling Shareholders restrict their ability to exercise direct control over our Company by holding their interests through Zonqing International, our Ultimate Controlling Shareholders are presumed to be a group of Controlling Shareholders. Therefore, Zonqing International and our Ultimate Controlling Shareholders are regarded as our Controlling Shareholders for the purpose of the Listing Rules.

Relationship with the ZIHG Group

As at the Latest Practicable Date, our Ultimate Controlling Shareholders owned the entire equity interest in ZIHG, which together with other members of the ZIHG Group, mainly engages in the infrastructure and municipal construction works business and other businesses. During the

Track Record Period, we collaborated with the ZIHG Group to jointly bid for projects. Where projects, particularly those under the EPC and PPP models, require various qualifications, licences and expertise but our Group does not fulfil all the requirements, we may collaborate with various partners, including the ZIHG Group, to participate in joint bidding, with a view to enhancing the likelihood of a successful tender. During the Track Record Period, our Group also acted as subcontractor or other related service provider to the ZIHG Group. Our revenue derived from ZIHG Projects contributed to approximately 19.2%, 54.4%, 33.7% and 19.7% of our Group's total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. For further details of our relationship with the ZIHG Group, please refer to the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus.

We cannot assure you that our relationship with the ZIHG Group will not deteriorate or terminate at any time. In the event that our Group or the ZIHG Group decides to reduce or terminate transaction with each other, including the collaboration with each other in joint bidding, our likelihood of winning tenders for projects which require the qualifications, licences and expertise of the ZIHG Group may be adversely affected if we cannot collaborate with other service providers which possess similar qualifications, licences and expertise as the ZIHG Group. This could result in a decrease in the number of projects that our Group could secure and our financial position and business performance may as a result be materially and adversely affected. For details of the risks associated with our relationship with the ZIHG Group, please refer to the paragraph headed "Risk Factors — Risks relating to our Business — Our business performance may be adversely affected if our relationship with the ZIHG Group deteriorates or terminates" in this prospectus.

Our Pre-IPO Investor

The following table sets forth the summary of the pre-IPO investment in our Group:

Name of the Pre-IPO Investor	Mr. Chung Chi Fung
Amount of consideration	RMB10,559,763
Investment cost per Share paid under the pre-IPO investment *(Note 1)*	Approximately HKD1.09 (equivalent to approximately RMB0.96)
Discount to the Offer Price (based on the midpoint of the indicative Offer Price range)	Approximately 49.5%

Shareholding in our Company immediately after the Reorganisation but before the completion of the Global Offering and the Capitalisation Issue	Approximately 5%
Shareholding in our Company immediately upon the completion of the Global Offering and the Capitalisation Issue	4%

Notes:

1. Based on the 10,993,730 Shares to be held by Wing Tak Group upon completion of the Capitalisation issue and the Global Offering.

CONNECTED TRANSACTIONS

Prior to the Listing Date, we have entered into a number of agreements with entities which will become our connected persons upon Listing. The transactions disclosed under the section will continue upon Listing and therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules. For further information, please refer to the section headed "Connected Transactions" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, none of our Company or any of our subsidiaries had been involved in any litigation or arbitration of material importance that would have a material adverse effect on our business, financial position or results of operations, and to the best knowledge of our Directors, we are not aware of any pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries, which could have a material adverse effect on our Group's business, financial position or results of operations.

There were certain deficiencies in our legal compliance in the PRC during the Track Record Period, namely (i) non-compliance in respect of social insurance and housing provident fund contributions; and (ii) non-compliance in relation to commencement of construction works without going through tendering process and obtaining construction work commencement permit. For further details, please refer to the paragraph headed "Business — Legal proceedings and compliance" in this prospectus.

LISTING EXPENSES

The estimated total listing expenses (based on the midpoint of our indicative Offer Price range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HKD55.8 million, representing approximately 46.9% of the total estimated gross proceeds to be received by our Group from the Global Offering assuming an Offer Price of HKD2.16 per Offer Share (being the midpoint of our indicative Offer Price range between HKD1.90 and HKD2.42 per Offer Share. As at 30 June 2020, we have incurred listing expenses of approximately RMB30.9 million, of which RMB25.1 million were charged to our consolidated statements of profit or loss and approximately RMB5.8 million were capitalised as prepayments, deposits and other receivables. We expect to incur additional listing expenses of approximately RMB17.7 million, of which approximately RMB6.1 million will be charged to our equity and approximately RMB11.6 million will be charged to our consolidated statements of profit or loss for the six months ending 31 December 2020. The listing expenses above are the latest practicable estimate and for reference only. The actual amount may differ from this estimate.

OFFERING STATISTICS

	Based on the Offer Price of HKD1.90 per Offer Share	Based on the Offer Price of HKD2.42 per Offer Share
Market capitalisation of our Shares at Listing(1) . .	HKD522.5 million	HKD665.5 million
Unaudited pro forma adjusted net tangible assets attributable to equity shareholder of the Company per Share(2)	HKD2.10	HKD2.19

Notes:

1. The calculation of the market capitalisation of our Shares is based on 275,000,000 Shares expected to be in issue immediately after completion of the Global Offering, but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.

2. For further details, please refer to “Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Adjusted Net Tangible Assets” to this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HKD2.16 per Offer Share (being the midpoint of the stated range between HKD1.90 and HKD2.42 per Offer Share), we estimate that we will receive net proceeds of approximately HKD63.0 million from the Global Offering after deducting underwriting commissions and other estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised. To be in line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below: (i) approximately 14.8%, or HKD9.3 million, is expected to be used for the establishment of regional design offices in Beijing, Shanghai and Chongqing; (ii) approximately 23.7%, or HKD15.0 million, is expected to be used for the upfront costs of the upcoming construction work of the Changchun Zoo Project; (iii) approximately 26.1% or the HKD16.4 million, is expected to be used for investment into Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司); (iv) approximately 7.4% or HKD4.7 million, is expected to be used for acquiring a centralised ERP system to enhance our information technology capability and project implementation efficiency; (v) approximately 18.0% or HKD11.3 million, is expected to be used for the repayment of our bank loan; and (vi) approximately 10.0%, or HKD6.3 million, is expected to be used as general working capital of our Group. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

DIVIDEND

During the Track Record Period, no dividend had been paid or declared by our Company and other entities comprising our Group to our equity shareholders. We do not expect to formulate any specific dividend policy for the time being to distribute regular dividends immediately after the Listing. Subject to the Companies Act, our Memorandum of Association and the Articles of Association, our Directors may, by resolution, declare and authorise a distribution of dividends in the future, which, if any, however will depends on various factors such as the results of our operations, cash flow, capital requirements, general financial conditions, and other factors which they may deem relevant at such time.

We cannot assure you that we will be able to distribute dividends in any of the future year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

RECENT DEVELOPMENT

The Impact of the COVID-19 outbreak

An outbreak of the respiratory disease COVID-19 was first reported in December 2019 and subsequently expanded globally. According to the CIC Report, the outbreak of COVID-19 in the PRC has generally delayed the completion of the landscaping and ecological restoration projects by 15 to 30 days in the PRC.

During the outbreak of COVID-19 and up to the Latest Practicable Date, we are not aware of any lockdown measures in place in the cities where our ongoing projects were located. During the first quarter of 2020, we experienced a temporary suspension for 11 ongoing construction projects due to the outbreak of COVID-19, all of which were resumed by the end of April 2020 with an average suspension period of 17 days based on our estimation. We have been adjusting our construction plans in such projects accordingly to expedite the construction progress to minimise the impact of the suspension and to avoid delay in the completion of these projects. As at the Latest Practicable Date, our Directors believe that such temporary suspension of our ongoing projects have not caused any material delay in the construction progress of the projects considering that the suspension period were relatively short as compared to the overall construction period for such projects, and there were no material changes in the contract terms of our backlog projects or the situations of our backlog projects due to the outbreak of COVID-19.

Based on our unaudited management accounts, our revenue for the ten months ended 31 October 2020 increased moderately as compared to the corresponding period in 2019, which was mainly due to the commencement of construction for a large-scale landscaping project in 6M2020. Our gross profit margin remained relatively stable and our gross profit increased moderately from the ten months ended 31 October 2019 to the ten months ended 31 October 2020. Our net current assets potions remained relatively stable from 30 June 2020 to 31 October 2020.

To the best knowledge and belief of our Directors after making reasonable enquiries, the impact of the outbreak of COVID-19 on our financial position and results of business operations has been temporary and minimal and our Directors estimate that our Group will be able to maintain its financial viability for at least the following 12 months, assuming our Group is able to obtain the net proceeds from the Global Offering and carry out its future plans as explained in the section headed “Future Plans and Use of Proceeds” in this prospectus.

In the extreme and unlikely event that the business operations of our Group are completely suspended on a temporary basis, assuming that (i) no additional revenue is recorded; and (ii) prudent estimates are made on the settlement of trade receivables and trade payables as of 31 October 2020 based on historical settlement pattern, and based on our cash and bank balance, the anticipated level of trade receivable collection, our available and expected banking facilities and anticipated trade payables settlement, borrowings, monthly fixed cash outflows (such as staff costs, interest expenses, and rent) and 10% of the estimated net proceeds from the Global Offering as working capital, we believe that we will have sufficient working capital for our business and remain financially viable for at least the next 12 months from the date of this prospectus.

Please refer to the paragraph headed "Financial Information — Recent development — The impact of the COVID-19 outbreak" for further details regarding, among other things, the impact of the COVID-19 outbreak on our Group and our assessment on our financial performance and viability following such outbreak.

No material adverse change

Our Directors confirm that, save for the non-recurring listing expenses for the Listing, of which approximately RMB18.9 million is estimated to be recorded in our Group's consolidated statements of profit or loss for the year ending 31 December 2020, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 30 June 2020, being the date to which our Company's latest audited consolidated financial statements were prepared as set forth in "Appendix I — Accountants' Report" in this prospectus, up to the date of this prospectus. As far as our Directors are aware, there was no material change in the general market conditions that had affected or would affect our Group's business operations or financial condition materially and adversely.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"6M2019"	the six months ended 30 June 2019
"6M2020"	the six months ended 30 June 2020
"Application Form(s)"	the **WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or, where the context so requires, any of them which is used in relation to the Global Offering
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 14 December 2020 and will come into effect upon Listing, a summary of which is set out in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this prospectus
"associate(s)" or "close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Baishan Project (Phase I)"	Landscape and Greening Project of Baishan City (Phase I) (白山市城市綠化及景觀提升項目一期工程), located at Baishan City, Jilin Province
"Baishan Project (Phase II)"	Landscape and Greening Project of Baishan City (Phase II) (白山市城市綠化及景觀提升項目二期工程), located at Baishan City, Jilin Province
"Beihu Project"	New Urbanisation Construction Project in Changchun New Area (Phase I Project — EPC Project for Greening of Changchun Beihu Science and Technology Development Zone in 2017) (長春新區新型城鎮化建設項目(一期工程 — 2017年長春北湖科技開發區綠化EPC工程)), located at Changchun City, Jilin Province
"Board" or "Board of Directors"	the board of Directors of our Company

"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the capitalisation of an amount of HKD219,178.972 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 219,178,972 Shares for allotment and issue to our Shareholder(s) as resolved by our Shareholders on 14 December 2020
"Companies Act"	The Companies Act (2020 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant(s)"	a CCASS clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Central government", "Chinese government" or "PRC government"	The Government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"Changchun Zoo Project"	The Phase I Construction Project for the Relocation of Changchun Zoo (Bid Section II) (長春市動物園搬遷一期建設項目建築工程02標段)

"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Chuanhu Project"	Main Contracting Project of Chuanhu Basin as part of the Ecological Restoration Project for Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程—串湖流域項目工程總承包)
"CIC"	China Insights Consultancy Limited, a market research and consulting company, an Independent Third Party
"CIC Report"	a market research report commissioned by us and prepared by CIC, the content of which is quoted in this prospectus
"Circular 37"	Circular of the SAFE on Issues Related to Foreign Exchange Administration in Terms of Overseas Investments and Financing via Special Purpose Companies and Return Investment by Domestic Residents (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by the SAFE on 4 July 2014 and effective from the same day
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," or "our Company", "our", "we" or "us"	ZONBONG LANDSCAPE Environmental Limited (中邦园林环境股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 March 2019, which, as at the date of this prospectus, is owned as to approximately 87.36% by Zonqing International, approximately 7.64% by Zonbong International and 5% by Wing Tak Group

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise and for the purpose of this prospectus, refers to Zonqing International, Ms. Zhao Hongyu, Mr. Sun, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao immediately following completion of the Capitalisation Issue and the Global Offering, further details of which are contained in the section headed "Relationship with Our Controlling Shareholders" in this prospectus
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	an infectious disease caused by the recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2), first reported in December 2019
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	a deed of indemnity dated 14 December 2020 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in "Appendix IV — Statutory and General Information — E. Other Information — 1. Deed of Indemnity" to this prospectus
"Deed of Non-competition"	a deed of non-competition dated 14 December 2020 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) regarding the non-competition undertaking, further information of which is set out in the section headed "Relationship with Our Controlling Shareholders" in this prospectus
"Director(s)"	the director(s) of our Company

"Dongxinkai River Project"	Main Contracting Project of Dongxinkai River Range as part of the Ecological Management and Restoration Project for Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 東新開河流域項目工程總承包), located at Changchun City, Jilin Province
"East China"	Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province in the PRC
"EDZ Project"	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養護及市政設施管理維護PPP項目), located at Changchun City, Jilin Province
"EIT"	the PRC Enterprise Income Tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"**eWhite Form(s)**"	the application form(s) for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designate website of **eWhite Form** at ***www.ewhiteform.com.hk***
"**eWhite Form** Service Provider"	the **eWhite Form** service provider designated by our Company as specified on the designated website at ***www.ewhiteform.com.hk***
"FY2017"	financial year of our Company ended 31 December 2017
"FY2018"	financial year of our Company ended 31 December 2018
"FY2019"	financial year of our Company ended 31 December 2019
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **eWhite Form** Service Provider

"Green Investment"	Jilin Green Development Investment Center (Limited Partnership) (吉林省綠色發展投資中心(有限合夥)), a limited partnership established under the laws of the PRC on 28 October 2016 and our indirect subsidiary, owned as to approximately 98.90% by Zonbong Landscape and 1.10% by Jilin Province Huaxin Fund Management Co., Ltd (吉林省華信基金管理有限公司), a wholly-owned subsidiary of ZIHG
"Group," "our Group," "we" or "us"	our Company and our subsidiaries or, where the context so requires, with respect to any time prior to our Company becoming the holding company of our current subsidiaries, our Company's current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKD" or "Hong Kong dollar(s)"	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the 6,876,000 new Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price, subject to any adjustment or re-allocation as described in the section "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus

"Hong Kong Share Registrar"	Boardroom Share Registrars (HK) Limited, our Hong Kong Share Registrar and Transfer Office
"Hong Kong Underwriters"	the underwriters for the Hong Kong Public Offering as listed in the paragraph headed "Underwriting — Underwriters — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 21 December 2020 relating to the Hong Kong Public Offering entered into by our Company, the Warranting Shareholders, Mr. Liu Haitao, Mr. Wang Xudong, Ms. Wang Yan, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in the paragraph headed "Underwriting — Underwriting Arrangements — Hong Kong Underwriting Agreement" in this prospectus
"IASB"	International Accounting Standards Board
"Independent Third Party(ies)"	individual(s) or company(ies) which are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholder of our Company or any of our subsidiaries or any of their respective associates
"IFRSs"	the International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Inner Mongolia"	the Inner Mongolia Autonomous Region in the PRC
"International Placing"	the conditional placing of the International Placing Shares for and on behalf of our Company outside the United States (including professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed "Structure of the Global Offering" in this prospectus

"International Placing Shares"	the 61,874,000 Shares (including 48,124,000 new Shares and 13,750,000 Sale Shares) being initially offered by our Company and the Selling Shareholders for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters and the Sole Global Coordinator with whom we expect to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing and expected to be entered into by our Company, the Warranting Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date
"Jilin Shengyi"	Jilin Shengyi Engineering Consulting Limited (吉林晟藝工程諮詢有限公司), a limited liability company established under the laws of the PRC on 28 February 2019 and owned as to 35% by Ms. Zhao Hongyu, 27% by Mr. Sun, 5% by Mr. Liu and 33% by other nine PRC individuals. It is an associate of our Controlling Shareholders
"Jilin Zonbong"	Jilin Zonbong Ecological Environmental Limited (吉林中邦生態環境有限公司), a company established under the laws of the PRC on 29 September 2018 and our indirect wholly-owned subsidiary
"Joint Bookrunners"	China Tonghai Securities Limited, CMBC Securities Company Limited, Shenwan Hongyuan Capital (H.K.) Limited, Southwest Securities (HK) Brokerage Limited, SPDB International Capital Limited, being the joint bookrunners for the Global Offering

"Joint Lead Managers"	China Tonghai Securities Limited, CMBC Securities Company Limited, Shenwan Hongyuan Capital (H.K.) Limited, Southwest Securities (HK) Brokerage Limited, SPDB International Capital Limited, Central China International Capital Limited, Eddid Securities and Futures Limited, Elstone Securities Limited, Realord Asia Pacific Securities Limited, Seazen Resources Securities Limited, being the joint lead managers for the Global Offering
"Latest Practicable Date"	13 December 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealing in the Shares on the Main Board commences
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Meihekou Project"	PPP Project for the Water Storage of Lilu Town, Meihekou City, Jilin Province (吉林省梅河口市李爐鄉蓄水工程(PPP)項目), located at Meihekou City, Jilin Province
"Meihekou Ecological Restoration Project"	Ecological Restoration Project for Mountain, River, Forest, Land, Lake and Grass of Meihekou City (Huifa River Basin Water Environment Comprehensive Treatment Project) and Ancillary Works (梅河口市山水林田湖草生態保護修復工程(輝發河流域水環境綜合治理工程)及附屬工程), located at Meihekou City, Jilin Province

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted on 14 December 2020 with effect from Listing, as amended from time to time, a summary of which is set out in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this prospectus
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"MOT"	the Ministry of Transport of the PRC (中華人民共和國交通運輸部)
"Mr. Liu"	Liu Haitao (劉海濤), chairman of the Board, executive Director of our Company and one of our Controlling Shareholders
"Mr. Sun"	Sun Juqing (孫舉慶), non-executive Director of the Board of our Company and one of our Controlling Shareholders
"Nanxi Project"	Main Contracting Project of Nanxi Water Culture Ecological Park as part of the Ecological Treatment Project of Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 南溪水文化生態園工程總承包), located at Changchun City, Jilin Province
"NEEQ"	the National Equities Exchange and Quotations Co., Ltd., a PRC over-the-counter system for trading shares of public companies
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)

"Non-ZIHG Projects"	has the meaning ascribed to it in the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus
"North China"	Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia in the PRC
"Offer Price"	the final price per Offer Share in HKD (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the Sole Global Coordinator, exercisable by it on behalf of the International Underwriters pursuant to the International Underwriting Agreement
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Adviser"	Dentons Law Offices, the legal adviser to our Company as to PRC law for the purpose of the Listing
"Price Determination Agreement"	the agreement among the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholders on the Price Determination Date to fix and record the Offer Price

"Price Determination Date"	the date on which the final Offer Price is to be determined by our Company, the Selling Shareholders and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), which is expected to be on or about Monday, 28 December 2020 and in any event, not later than Monday, 4 January 2021
"project owner"	the entity which holds the ownership to the assets under a project (such as the infrastructure under the project) and engages contractor(s) or cooperates with third party(ies) in connection with the project
"prospectus"	this prospectus being issued in connection with the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers or representatives or any other parties involved in the Global Offering
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shareholder(s)"	holder(s) of our Share(s)
"Selling Shareholder(s)"	Zonqing International and Zonbong International
"Share(s)"	shares in the share capital of our Company
"Sale Share(s)"	the 13,750,000 Shares initially offered for sale by the Selling Shareholder(s) under the International Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 14 December 2020, the principal terms of which are summarised in "Appendix IV — Statutory and General Information — D. Share Option Scheme" to this prospectus
"Shenjunshan Project"	Shenjunshan Ecological Restoration and Landscaping Project (神駿山生態修復及景觀項目), a PPP Project located at Ulanhot, Inner Mongolia
"Sole Sponsor"	China Tonghai Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Sole Global Coordinator"	China Tonghai Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"Southwest China"	Chongqing, Sichuan Province, Guizhou Province, Yunnan Province and Tibet Autonomous Region
"Stabilising Manager"	China Tonghai Securities Limited
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between Zonqing International and the Stabilising Manager pursuant to which Zonqing International will agree to lend up to 10,312,500 Shares to the Stabilising Manager on the terms set forth therein
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended from time to time
"Track Record Period"	the period comprising the FY2017, FY2018, FY2019 and 6M2020
"Three Northeast Provinces" or "Northeast China"	Jilin Province, Liaoning Province, and Heilongjiang Province in the PRC
"Ultimate Controlling Shareholder(s)"	refers to Ms. Zhao Hongyu, Mr. Sun, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao, further details of which are contained in the section headed "Relationship with Our Controlling Shareholders" in this prospectus
"Underwriter(s)"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
"VAT"	value-added tax

"Warranting Shareholders"	Ms. Zhao Hongyu, Mr. Sun Juqing, Mr. Liu Haitao, Ms. Li Ping, Zonqing International and Zonbong International, being the warranting shareholders under the Underwriting Agreements
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant's or applicants' own name(s)
"Wing Tak Group"	Wing Tak Group Holdings Limited (永得集团控股有限公司), a company incorporated in the BVI with limited liability on 17 June 2019 and wholly-owned by Mr. Chung Chi Fung, our pre-IPO investor
"Wing Tak Hong Kong"	Wing Tak Global HongKong Limited (永得環球香港有限公司), a company incorporated in Hong Kong on 12 July 2019 and our indirect wholly-owned subsidiary
"Wing Tak Investment"	Wing Tak International Investment Limited (永得国际投资有限公司), a company incorporated in the BVI with limited liability on 17 June 2019 and our wholly-owned subsidiary
"Xinjiang"	the Xinjiang Uygur Autonomous Region in the PRC
"Xinkai River Project"	Main Contracting Project of Comprehensive Treatment for Xinkai River Tributary as part of Xinkai River Range in Changchun City (長春市新凱河水系綜合治理工程 — 新凱河支流工程總承包)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly in CCASS
"ZCLLC"	Zhongqing Construction Limited Liability Company (中慶建設有限責任公司), formerly known as Changchun Chengda Luqiao Limited (長春市成達路橋有限責任公司), a company established under the laws of the PRC on 27 October 2004 and a wholly-owned subsidiary of ZIHG and a connected person of our Company

"Zhongke Zonbong"	Beijing Zhongke Zonbong Ecological Technology Limited (北京中科中邦生態科技有限公司), a company established under the laws of the PRC on 14 April 2016 and owned as to 99% by Jilin Zonbong, an indirect wholly-owned subsidiary of our Company and 1% by Jilin Shengyi, an associate of our Controlling Shareholders
"ZIHG"	Zhongqing Investment Holding Group Limited Liability Company (中慶投資控股(集團)有限責任公司), formerly known as Changchun Mingju Commerce Limited (長春市銘聚商貿有限責任公司), a company established under the laws of the PRC on 16 May 2014 and a connected person of our Company
"ZIHG Connected Person(s)"	has the meaning ascribed to it in the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus
"ZIHG Group"	ZIHG together with its subsidiaries and associates as defined under the Listing Rules
"ZIHG Projects"	has the meaning ascribed to it in the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus
"Zonbong Ecological"	ZONBONG Ecological Garden Co., Ltd (中邦園林生态有限公司), a company incorporated in the BVI with limited liability on 19 March 2019 and a wholly-owned subsidiary of our Company
"Zonbong Environment"	ZonBong Garden Environment Co., Limited (中邦園林環境有限公司), a company incorporated in Hong Kong on 3 April 2019 and an indirect wholly-owned subsidiary of our Company
"Zonbong International"	ZONBONG International Investment Limited (中邦国际投资有限公司), a company incorporated in the BVI with limited liability on 18 February 2019, and is owned as to 60.11% by Mr. Liu, 22.41% by Mr. Sun and 17.48% by other 13 PRC individuals

"Zonbong Landscape"	Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司), formerly known as Changchun Qida Green Landscape Engineering Limited (長春市啟達綠化景觀工程有限公司) and Zonbong Landscape Co., Ltd. (中邦園林股份有限公司), a company established under the laws of the PRC on 22 December 2008 and an indirect wholly-owned subsidiary of our Company
"Zonbong Miaomu"	Jilin Zonbong Miaomu Limited (吉林中邦苗木有限公司), a company established under the laws of the PRC on 24 July 2015 and was an indirect wholly-owned subsidiary of our Company. In October 2019, the entire equity interest in Zonbong Miaomu was transferred to Jilin Shengyi
"Zonbong Shanshui"	Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司), a company established under the laws of the PRC on 3 June 2009 and an indirect wholly-owned subsidiary of our Company, formerly known as Jilin Province Zhongsheng Municipal Construction Design Limited (吉林省中盛市政工程設計有限公司), Jilin Province Zhongsheng Design and Consulting Company Limited (吉林省中盛設計諮詢股份有限公司) and Jilin Province Zhongsheng Design and Consulting Limited (吉林省中盛設計諮詢有限公司)
"Zonqing International"	ZONQING International Investment Limited (中庆国际投资有限公司), a company incorporated in the BVI with limited liability on 18 February 2019, and is owned as to 35% by Ms. Zhao Hongyu, 27% by Mr. Sun, 5% by Mr. Liu and 33% by other nine PRC individuals. It is a Controlling Shareholder of our Company
"%"	Per cent

In this prospectus:

1. Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.

2. Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme.

3. The English names of the PRC entities mentioned in this prospectus are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus for which no official English translation exists are unofficial translation for reference only.

This glossary of technical terms contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may deviate from those standard meanings and usage adopted in the industry.

"Beautiful China"	a development strategy initiated in 2012 and incorporated in China's 13th Five-year Plan in 2015, which highlights the importance of ecological civilisation in the sustainable social economic development in China
"BIM"	building information modelling, an analysis tool for engineering and construction designs by processing various information that enables document management, coordination and stimulation during the entire life cycle of a project including plan, design, build, operation and maintenance
"CAGR"	compound annual growth rate
"CIM"	city information modelling, an analysis tool of various city components which creates and displays three dimensions city model environment
"completed projects"	projects for which construction drawing(s) have been finalised, and we have received the result of Settlement Audit or taking-over certificate from the customer, if any
"contract sum"	the contract sum stated in the formal contract and supplementary agreement for the formal contract, if any, without taking into account any optional items, adjustments due to variation orders and prolongation of the project period
"ecological restoration projects"	being a category of projects under the broader concept of ecological restoration projects, it largely refers to projects initiated by local governments with a specific purpose to treat, mediate or restore certain damaged natural resources, such as water, mountains or exhausted mining sites for land reclamation, etc. by applying specialised technology, equipment, plants and other biological agents

"ecological restoration services"	services provided for the purpose of ecological restoration
"EPC"	Engineering, Procurement and Construction, a particular form of contracting arrangement where we are engaged as main contractor and responsible for all the project works such as engineering design, procurement of all the equipment and materials, construction, trial operations and delivery of a functioning facility or asset to their clients
"ERP system"	enterprises resource planning system, an integrated management system of core business processes to manage the business and automate office functions
"GIS"	geographic information system, a computer system designed to analyse, manage, and present geographic data
"km"	kilometre(s)
"km^2"	square kilometre
"landscaping projects"	projects relating to the modification and improvement of outdoor areas into scenic attractions, such as gardens, parks or resorts through architecture, planting and construction
"landscaping services"	services performed for the purpose of landscaping the outdoor areas
"m^2"	square metre
"mine rehabilitation"	restoration of the post-mined landscape including reparation of the polluted mined landscape and to reuse the resources on land
"ongoing projects"	projects awarded to our Group that have yet to be completed

"PPP"	Public-Private-Partnership, a business model in which there is a cooperative arrangement between two or more public and private sector entities in terms of project management, financing and operation, typically of a long-term nature and the private sector entity(ies) have equity interest in the project company
"private sector entity(ies)"	entities that are not public sector entities in the PRC
"private sector project(s)"	projects that are not public sector projects in the PRC
"public sector entity(ies)"	the PRC government or state-invested enterprises (including project companies established for PPP projects)
"public sector project(s)"	projects of which the PRC government, state-invested enterprises or project companies established for PPP projects are the customers
"rain garden"	a garden designed to temporarily hold and soak in rain water runoff
"Settlement Audit"	a process of a project to certify the final settlement value of the completed construction works of the project by customers (themselves or through engagement of cost consultant or auditing agent) or the relevant department of local governments (when the relevant project is invested by government funds)
"sponge city" or "sponge cities"	a concept of managing rain water or surface-water flooding in urban areas or described as "low impact development rainwater system" internationally, under which a city is designed to passively absorb, clean and use rainfalls in an ecologically friendly manner that reduces dangerous and polluted runoff
"traditional model"	a business model under which we are engaged as contractor or subcontractor of projects other than our PPP projects

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions, and for example, the following:

- success of our present and future business;
- our ability to implement our various plans, policies and strategies successfully;
- our ability to maintain our competitiveness versus our competitors and operational efficiency;
- capital market developments;
- future developments, trends and conditions in the industry and markets in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions, such as but not limited to changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- macroeconomic measures taken by the PRC Government to manage the economy; and
- other factors described in the section headed "Risk Factors" in this prospectus.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

An investment in our Shares involves risks. Prospective investors should carefully consider all the risks factors described below, together with all other information contained in this prospectus, before deciding whether to make an investment in the Shares. If any of the following events occur, or if these risks or any other risks currently unknown to us occur, our business, financial condition, results of operations or business prospects could be materially and adversely affected. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations and prospects. The information given is as at the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements."

RISKS RELATING TO OUR BUSINESS

Our business operations, working capital and cash flow position may be adversely affected by the delay in processing payment or fail to settle our bills by our customers which are mostly public sector entities (including governments and their affiliated entities) that generally take a relatively long time for billing and settlement, and our overdue receivables collection management system may not be able to mitigate all our risks

Our operating cash flows and profitability are dependent on, among other factors, the timely settlement of payments made by our customers for our services. During the Track Record Period, our trade receivables (including current and non-current trade receivables) amounted to approximately RMB479.6 million, RMB589.0 million, RMB586.0 million and RMB635.4 million and accounted for approximately 40.7%, 39.6%, 34.5% and 36.1% of total assets as at 31 December 2017 and 2018 and 2019 and 30 June 2020, respectively. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" for further details. As at the Latest Practicable Date, approximately 14.8% of our Group's trade receivables as at 30 June 2020 were settled. The turnover period of our trade receivables during the Track Record Period was over 200 days, which was largely due to the prolonged settlement from our customers, mainly being public sector entities including local governments, state-invested enterprises and project companies established for PPP projects. During the Track Record Period, our revenue recognised from public sector projects accounted for approximately 98.0%, 99.1%, 89.0% and 83.7% of our total revenue recognised for FY2017, FY2018, FY2019 and 6M2020, respectively. A major reason for the delay of payment for our certified construction works, as indicated by our customers, is their complex internal settlement procedures. Further, our contract assets, contract liabilities and trade receivables turnover days were approximately 436.1 days, 462.5 days, 488.2 days and 678.0 days for FY2017, FY2018, FY2019 and 6M2020, respectively. If such turnover days continue to increase in the future due to any delay in conversion of contract assets or settlement of trade receivables, our Group's working capital and cash flow position as well as our operation may be materially and adversely affected.

We cannot assure you that upon receiving the certified progress completion reports on a regular basis during the construction phase or completing the Settlement Audit for the entire completed construction works, we will be able to collect all or any of the receivables from our customers on time, or at all. If any of our customers face unexpected situations, including but not limited to financial difficulties due to any changes in fiscal policy or delay in completion of the entire project of which our project forms a part of, our customers may delay or even default in their payment obligation. As a result, we may not be able to receive the overdue receivables in full, or at all, and we need to make allowance for expected credit losses. In addition, we may not be able to maintain sufficient cash flow to support our newly procured projects as a result of the delay in payment by our customers. Accordingly, it could materially and adversely affect our financial conditions and performance of our operations.

As at the Latest Practicable Date, approximately 20.1% and 23.1% of our contract assets (amounting to approximately RMB85.5 million and RMB123.7 million) as at 31 December 2017 and 2018 have not been converted into trade receivables, and approximately 42.9% and 47.4% of our trade receivables (amounting to approximately RMB205.9 million and RMB278.9 million) as at 31 December 2017 and 2018 have not been settled. If for any reason, such as a delay in the customer's internal procedures or change in government policies, such long outstanding contract assets may not be converted into trade receivables or such long outstanding trade receivables may not be settled as we expected or at all and our working capital and cashflow position may be materially and adversely affected.

We are paid by our customers in instalments in accordance with progress of the projects and we cannot guarantee that our customers will pay for our unbilled work on time and in full

Under our business model, our customers pay us in instalments on a regular basis based on the progress of our execution of the projects. The progress of a project is typically assessed according to the agreed project milestones or on a regular basis. Each of the instalments is subject to the progress completion reports issued upon the completion of assessment of completed construction works. To ensure the progress of a project is on track, and to satisfy the project milestones, we may need to carry out the work utilising our own capital resources before we are entitled to bill and seek reimbursement from our customers.

During the Track Record Period, we recorded revenue which our Group recognised based on the percentage of completion of projects as "contract assets" (the "**Contract Assets**") in the consolidated statements of financial position before we were unconditionally entitled to the consideration under the payment terms as set out in the contract. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our Contract Assets amounted to approximately RMB426.5 million, RMB536.0 million, RMB631.1 million and RMB694.4 million respectively and accounted for approximately 36.2%, 36.0%, 37.1% and 39.5% of our total assets, respectively. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Contract assets" for further details. As at the Latest Practicable Date, approximately 17.1% of our Group's Contract Assets as at 30 June 2020 were settled.

There is no guarantee that the Contract Assets incurred for the unmeasured completed construction works will be settled by our customers in full or at all, as the Contract Assets would only become payable after the receipt of the certified progress completion reports or Settlement Audit reports upon the completion of assessment on the completed construction works. Further, our customers may need to go through internal procedures for approving the settlement. The time required by our customers to complete the procedures varies greatly, which can be affected by factors such as the overall project schedules (in case our project only forms a part of it), work progress in general, internal procedures of our customers, and in the case of state-funded projects, the government policy that influences the allocation of resources by the government.

We may not be able to obtain adequate financing for our current projects and expansion plans

We finance our past and current projects from both internal and external resources, such as through our own reserves and bank loans. As our construction projects are generally capital intensive, it is necessary for us to have stable and reliable sources of funding for the continuation of our works and failure to do so may lead to our failure or delay in completing projects.

To enable the execution of our expansion plans, additional capital in sizable amount is also required. We cannot assure you that our business proceeds are always sufficient to fund our expansion plans, nor additional funding could be made available at reasonably acceptable terms. Our ability to obtain additional capital on acceptable terms is subject to uncertainties relating to financing terms and costs in the capital and financial markets, our future cash flow, our financial position and business performance and macro-economic conditions in the PRC and the world.

We heavily rely on short-term interest-bearing bank and other loans for debt financing. Our short-term bank and other loans accounted for approximately 33.3%, 36.2%, 32.5% and 34.2% of total liabilities as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our ability to obtain loans from our banks largely depends on factors including but not limited to our creditworthiness, business prospects, liquidity, as well as government policies. We cannot assure you that we are able to continue to obtain sufficient debt financing through bank loans, or such loans will be provided in a timely manner with favourable terms, or at all, for our business operation and future expansions. In the event of any potential mismatch between cash inflows and cash outflows from our business activities, and if we are unable to renew our existing bank facilities or obtain new financing to meet our working capital and financial requirements, our working capital and cashflow position may be materially and adversely affected.

Our cost estimates for projects may not always be accurate and we may not be able to complete projects within our cost estimates

The contract prices are mainly determined with reference to our tendering documents and/or cost estimates and are substantially fixed for projects under the traditional model tender we submit. In order to maintain a balance between competitive pricing and profitability, we must carefully estimate costs for a project as we prepare for the tender. Our estimation at such an early stage is solely based on information and documentation provided by our customers which may not always be the same as the information at the later stage of the project. Please refer to the paragraph headed "Business — Sales and major customers — Pricing policy" for further details. As a result, we may incur costs more than expected due to unforeseeable factors attributable to the complexity of the project, the experience and capability of our technical staff and variations in supply prices. If our cost estimates fail to cover all costs incurred, we may suffer from financial losses and our profitability would be adversely affected.

We generate our revenue from one-off projects through tendering process. Our business performance may be adversely affected if we fail to maintain or improve our current successful rate in bidding and obtain adequate projects

Our business relationships with our customers are governed by the contracts for particular project(s). The maintenance of our current major customers base would depend on the competitiveness of our business, including the track records of our performance and delivery of the past projects.

Our business performance hinges on our ability to secure projects by winning tenders. For further details regarding the tendering processes, please refer to the paragraph headed "Business — Our business model and operational workflow — Operational workflow — Tendering process/direct engagement" in this prospectus. For FY2017, FY2018, FY2019 and 6M2020, we submitted 76, 59, 91 and 79 tenders, respectively, and during the same periods, we recorded tender success rate of approximately 48.7%, 28.8%, 24.2% and 27.8%, respectively. We cannot assure you that we are able to successfully procure projects by tendering, as it may be affected by factors including but not limited to our bidding strategies, our competitiveness compared other tenderers, our capabilities identified from our past performance, financial position as well as social influence. As a result, we may not be able to acquire adequate projects to maintain or improve our financial performance.

Our major customers during the Track Record Period were public sector entities (including governments and their affiliated entities). If for any reason their financial position significantly deteriorates, or the demand for landscaping and ecological restoration services in their respective cities or regions reduces, they may reduce the number and/or scale of new projects, thereby reducing business opportunities for us. Furthermore, we cannot assure you whether they may terminate their respective business relationships with us at any time. Any material difficulty in securing projects from our customers, or significant reduction in the number and/or contract sum of the projects secured from them could result in a significant decrease in our revenue and/or profits. If any of the foregoing events occurs, our financial position and business performance may be materially and adversely affected.

Risks associated with PPP projects

We have been engaged in PPP projects during the Track Record Period. Please refer to the paragraph headed "Business — Our business model and operational workflow — Project models — The PPP model" for more details of such projects. During the Track Record Period, our revenue generated from PPP projects accounted for approximately 47.1%, 47.0%, 26.0% and 14.0% of the total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively.

The profitability and sustainability of PPP projects (or other similar types of projects) rely on the government's continuous support and the allocation of risks and returns from such projects. Any changes in government policies may limit our profitability which may materially and adversely affect our business and results of operations.

The project company of the PPP projects may be exposed to financial risks, credit risk and operational risk. In particular, there is a mismatch between the cash outflow during the construction phase due to the construction fees payable to the contractors and the cash inflow from government payment upon completion of the construction works, which are generally financed through bank loans and equity investment. In the event that the project companies fail to obtain funds through financing on time, in full or at all, or there is an increase of interest rates by banks resulting in an increase in the financing costs, they may face associated credit risks and liquidity risks. In addition, the public sector entities of the PPP projects may default in payments in cases such as local government leadership transition or change of city development plan. Should any of such events occur, the financial position and results of operation of the project company of the PPP projects may be materially and adversely affected. As such, our investment in the project companies or our profitability and prospects under the PPP projects undertaken by us may be materially and adversely affected.

Our Group as contractor of the construction works of the PPP projects may be exposed to credit and liquidity risk as the project company may default in payment of the construction services as a result of its failure in obtaining sufficient funds through financing or government payment. In such event, our financial position and results of operations may be materially and adversely affected.

Undertaking PPP projects requires significant capital commitment over a long time span, which may impact our liquidity and reduce the financial resources which are otherwise available. Pursuant to the terms of the PPP contract, we may be required to arrange financing for the projects or assist the project company in financing. We may also be required to provide guarantees for bank loans borrowed by the project company and bear the joint and several liabilities with the project company for the bank loans. In the event that the project company defaults in repayment of bank loans due to lack of cashflows arising from the inadequate government payment and/or user payment, we may be responsible for the repayment of principal and interests of the bank loans and associated penalties for breach of loan agreement by the project company. As such, our liquidity and financial position and business performance may be materially and adversely affected.

Moreover, as the PPP model has only been recently applied in landscaping and ecological restoration projects, we have limited experience in managing the operation of PPP projects and assessing and managing the risks particular in association with PPP projects. Our insufficient experience in the execution of PPP projects may materially and adversely affect our business, financial position, business performance and prospects.

During the Track Record Period, our gross profit margins generated from PPP projects were generally higher than other projects under EPC model and traditional model. In the event that we were unable to undertake new PPP projects in the future, our gross profit margins may decrease and our financial performance may be adversely affected.

Our business was concentrated in the Three Northeast Provinces of the PRC

During the Track Record Period, our revenue generated from the Three Northeast Provinces amounted to approximately RMB392.3 million, RMB678.3 million, RMB711.2 million and RMB265.5 million and contributed approximately 59.8%, 83.8%, 79.2% and 74.2% of total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. Historically, our business was concentrated in the Three Northeast Provinces. The limited geographic coverage of our business may materially and adversely affect our future revenue generation and results of operation due to the changes in local socio-economic environment in respect of government policies, ecology, population and economic development. In particular:

(i) local governments which have been our major customers may tighten up their fiscal policy and budget on landscape and ecological restoration activities, which may cause difficulties in obtaining new projects and securing loans from banks;

(ii) natural disasters, climate changes or other unpredictable weather hazards in the Three Northeast Provinces, which may cause difficulties in obtaining plants supply and completing the projects;

(iii) local economic growth may slow down which could lead to significant contraction of public expenditure and decline in demand for landscape and ecological restoration works; and

(iv) emergence of competitors in landscaping and ecological restoration markets in local areas which potentially increases competition, resulting in a loss of our market share.

Our plan of expansion to other regions of the PRC may not be able to materialise

During the Track Record Period, a majority of the construction projects awarded to us were located in the Three Northeast Provinces. To diversify our revenue source, we will continue our marketing efforts in regions where we have experienced repeated success, namely the Three Northeast Provinces, meanwhile, continue our progressive expansion to our target regions including North China, East China and Southwest China.

However, we have limited experience in the landscaping and ecological restoration industries in those regions where the ecological environment, administrative regulations, business practices and other conditions may differ from the Three Northeast Provinces. We expect that a significant input of additional resources is required, including but not limited to management personnel, capital injection to meet the increased financing costs and other costs associated with new projects, and development of networks with local customers and suppliers. Further, our expansion to other regions would require technical knowledge and experience, such as the maintenance of plants during long-distance transit in light of different environmental conditions. We would also have to compete with local competitors who have a longer operational history in those areas.

As a result, we cannot guarantee that we could replicate our success in the Three Northeast Provinces to other regions and materialise our expansion plans. Failure in our expansion efforts may result in adverse impacts on our business, growth and prospects.

We had negative net cash flow from operating activities for FY2017 and 6M2020, which exposes us to certain liquidity risks

We are exposed to liquidity risk. The liquidity of our Group depends primarily on our ability to maintain adequate cash inflows from business operations to meet debt repayment obligations as they fall due and payable and our ability to obtain external financing to meet committed future capital expenditures. We require a high level of working capital to sustain our operations and maintain our growth. Our liquidity and financial condition could be materially and adversely affected if we are not able to receive payments from our customers on a timely basis to meet our working capital requirements, or if we are unable to obtain financing on satisfactory terms or at all.

We experienced negative net cash flow from our operating activities of approximately RMB112.8 million for FY2017 primarily due to the substantial increase in the gross amount of our contract assets and trade receivables as a result of the increase in size of projects we undertook during the same period where customers made payments to us by instalments. We experienced negative net cash flow from our operating activities of approximately RMB74.0 million for 6M2020 primarily due to the increase in (i) the gross amount of trade receivables of approximately

RMB60.5 million and the gross amount of contract assets of approximately RMB65.4 million mainly attributable to the fact that we generally receive a larger portion of payments from our customers during the second half of the year, and that whilst the project company of the Shenjunshan Project paid approximately RMB186.9 million to our Group during 6M2019, it only made the payment to our Group shortly after 6M2020 in July and August 2020; and (ii) inventories and other contract costs of approximately RMB22.0 million as a result of the accumulation of contract costs incurred by us during 6M2020. Our gearing ratios, calculated based on our total debts (being the total bank and other loans) as at the respective dates divided by total equity as at the same dates and multiplying the resulting value by 100%, were relatively high and amounted to approximately 170.7%, 151.9%, 121.5% and 122.2% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. In addition, our bank loans amounted to approximately RMB529.1 million as at 30 June 2020, a majority of which were short-term loans.

Due to the nature of our business, we may from time to time experience net operating cash outflows generally (i) at the early stage of our PPP projects when we are required to pay the costs in advance of receiving payments from our customers; and (ii) during the construction stage of some of our projects when instalments are to be made by customers over a long-term period. The increase in the cash outflows of the aforementioned projects may not be compensated by the cash inflows of our other projects. In these circumstances, our corresponding cash flow position may be adversely affected.

We cannot assure you that we are able to generate positive operating cash flow from our business and we may not be able to generate sufficient positive operating cash flow or additional borrowings to repay our bank loans when they become due. Our relatively high gearing ratio may also limit our capability for external financing. As such, we are exposed to the liquidity risks of defaulting our payment obligations and inability to operate and expand our business as planned. Thus, our business, financial position and results of operations may be materially and adversely affected.

We provided guarantees for the bank loans borrowed by the project companies of our PPP projects and may be liable to the banks if the project companies default on the loan repayments

We provided guarantees for the bank loans borrowed by the project companies of our PPP projects, namely Changchun Xianbang Municipal and Landscape Limited (長春市現邦市政園林有限責任公司) ("**Changchun Xianbang**") established for the EDZ Project and 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**") established for the Shenjunshan Project, for the purpose of supporting the capital requirements during the construction phase of the projects. As at 30 June 2020, the guarantees issued by our Group amounted to RMB330.0 million and RMB310.0 million in respect of the bank loan borrowed by Changchun Xianbang and Tianjun Tourism, respectively, and the bank loan borrowed by Changchun Xianbang and Tianjun Tourism was approximately RMB339.2 million and RMB197.0 million, respectively. Pursuant to the guarantee agreements, our Group is obliged to pay the remaining balance of the bank loans if the project companies default on the repayment of bank loans. The financial capabilities of the project companies are subject to the government payments and user payments, where applicable. During the Track Record Period and up to the Latest Practicable Date, there was no default by Changchun Xianbang or Tianjun Tourism. However, we cannot assure you that the defaults by the project companies will not occur in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, our working capital and cashflow position, financial condition and results of operations may be materially and adversely affected.

Our interests in an associate and joint venture are subject to risks arising from the cashflow mismatch for the projects engaged by the associate and joint venture

Our interest in an associate, being the project company established for the EDZ Project, amounted to approximately RMB21.4 million, RMB40.3 million, RMB71.3 million and RMB75.2 million as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. On the other hand, our interest in a joint venture, being the project company established for the Shenjunshan Project, amounted to nil, approximately RMB81.4 million, RMB152.4 million and RMB163.9 million as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. Our remaining required equity investment in the Shenjunshan Project as at the Latest Practicable Date amounted to approximately RMB290.1 million pursuant to the PPP project contract. For details of our interest in the associate and joint venture, please refer to notes 15 and 16 in the "Appendix I — Accountants' Report" to this prospectus. During the Track Record Period, the projects engaged by the associate and joint venture where we had investments in were PPP projects. For such PPP projects, there is a mismatch between the cash outflow during the construction phase and cash inflow from government payments upon completion of the construction works, which are generally financed through bank loans and equity investment. In the event that the associate or joint venture fail to obtain funds through financing on time or the governments default in payments, the associate and joint venture may not be financially viable and our investments in the associate and joint venture may be materially and adversely affected.

We may not be able to generate returns from our investments in the associate and joint venture

Our interests in the associate and joint venture are not as liquid as other investment products as there is no cash flow until dividends are received even if profits are reported under equity accounting. During the Track Record Period, we have not received any dividend from the associate and joint venture. We may not be able to generate returns from our investments in the associate and joint venture if they do not declare any dividends in the future or our equity interests in the associate and joint venture are not able to be transferred to the public sector entities or third parties designated by the public sector entities upon completion of the PPP projects pursuant to the PPP project contracts.

We are exposed to risks associated with the long time span of our projects

We are engaged in landscaping and ecological restoration projects, which usually require a long time span. Our Directors consider that such long time span tends to associate with more uncertainties and uncontrollable alterations which may affect our delivery of projects. For example, long time span tends to increase our risk of encountering unfavourable weather conditions and natural disasters. To manage projects under such weather conditions, we may have to incur extra costs, such as employing more labour, using special weatherproof or coldproof materials, which may adversely affect the profitability of our projects. Moreover, we tend to be more exposed to risks associated with fluctuations in prices of landscape and construction materials during the long period of works in our projects. Such risks are beyond our control and may materially and adversely affect our results of operations.

In addition, we may not be able to complete projects we have undertaken due to unforeseeable events arising during such long time span. Events that may prevent us from carrying out the works in the way we have planned at the outset would include, without limitation to, alterations of project design by the customers for reasons beyond our control during the execution of the projects; alteration of confirmed project plans by customers due to the change of the overall zoning plan in the city; delay of completion of works by other parties involved in the project which are prerequisite to our works; or termination of contract by customers for reasons not attributable to us, such as unexpected change in the financial position of the customers, or change in the relevant government policies. If the aforementioned factors exist and impede our progress of construction works in the future, the results of our operations may be materially and adversely affected.

We may continue to recognise impairment loss on trade receivables and contract assets

We recorded impairment losses on trade and other receivables and contract assets of RMB18.2 million, RMB27.9 million, RMB64.4 million and RMB14.7 million for FY2017, FY2018, FY2019 and 6M2020, respectively. In particular, the impairment losses increased by approximately RMB36.5 million or 130.4% from FY2018 to FY2019, which was mainly due to the increase in write-off amount on long-term trade receivables as a result of the supplemental agreements entered into between our Group and the customer in October and November 2019 for the termination agreement of the Baishan Project (Phase I) and exit agreement of the Baishan Project (Phase II) in December and October 2018, respectively. Pursuant to such supplemental agreements, the customers would not be responsible for paying our Group in respect of interest on trade receivables in the amount of RMB24.6 million for the Baishan Project (Phase I) and RMB6.2 million for the Baishan Project (Phase II), respectively, and thus such interest on trade receivables were written off in FY2019. Please refer to paragraph headed "Financial Information — Description of major components of our consolidated statements of profit or loss — Impairment loss on trade and other receivables and contract assets" in this prospectus for further details. Although such write-off of interest on trade receivables was non-recurring in nature, we cannot assure you that we will be able to collect all or any of our trade and other receivables and we may record impairment losses on such receivables in the future, which may materially and adversely affect our business, results of operations and financial conditions.

Our backlog is subject to unforeseen adjustments and cancellations and therefore is not indicative of our future results of operations

Backlog of our projects represents our estimate of the aggregated amounts of the transaction prices allocated to the remaining performance obligations, if any, under our ongoing project and remaining revenues to be recognised for our completed projects due to the adjustment of certified value upon completion of measurement or Settlement Audit, which may be conducted subsequent to the receipt of taking-over certificate from the customer or transfer of completed construction and/or maintenance works. Our estimation of our backlog is based on the assumption that the contract is performed in accordance with its terms and the construction works are conducted in accordance with the construction drawings agreed by the customers. Backlog is not a measure defined by generally accepted accounting principles and is not indicative of our future results of operations. As at the Latest Practicable Date, our backlog in our projects was approximately RMB2,849.0 million. Please refer to the paragraph headed "Business — Our project portfolio — Backlog" for further details.

Given that our backlog is calculated based on the assumption that our contracted works in progress will be performed in full in accordance with the contract terms and/or agreed construction drawings, any alteration or termination of any one or more major contracts or their construction drawings may have a substantial and immediate adverse impact on our backlog. Further, we cannot guarantee that the estimated figures of backlog will be realised in full, or in a timely manner, or at all, or that our recognised backlog amount will be realised as profits as expected. As a result, we caution you not to place reliance on our backlog information presented in this prospectus as an indicator of our future earnings and results of operations.

Our financial position and results of business operations may be materially and adversely affected by the outbreak of health epidemics and other acts of God

The outbreak of health epidemics and other acts of Gods are beyond our control and may materially and adversely affect our business operations. In particular, the recent outbreak of COVID-19 has caused our Group to extend the Spring Festival holiday (which was originally from 24 January 2020 to 30 January 2020) to 9 February 2020 and a temporary suspension of our ongoing projects. If the outbreak of COVID-19 cannot be effectively contained, our financial position and results of business operations may be adversely affected. Please refer to paragraph headed "Summary — Recent development — The impact of the COVID-19 outbreak" for details.

An outbreak of infectious disease and the related restrictions on residents' movements may cause shortage of labour and raw materials and temporary suspension of our projects. These may result in delays in completing or delivering projects and thus breaches in the relevant construction contracts and customers may claim damages against us, in which our business relationship with customers or our reputation may also be affected. Our operations could also be disrupted if any of our employees were suspected of contracting or contracted an epidemic disease, since this could require us to quarantine some or all of our employees and disinfect the buildings or sites. The outbreak may also severely affect and restrict the level of economic activity as the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the infectious disease. Any economic downturn and travel restrictions as a result of the infectious disease may result in delay in payment of our customers and/or termination of projects.

The unforeseen outbreak of health epidemics and other acts of Gods may have material and adverse effect on the overall living and economic conditions in the infected areas and the landscaping and ecological restoration industries in the PRC. There is no assurance that there will be no occurrence of health epidemics such as COVID-19, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome Coronavirus (MERS) or any other contagious disease or outbreaks in the PRC. Should any such event occur, (i) the total number of landscaping and ecological restoration projects available in the market may decrease, which may in turn materially and adversely affect our business operations as the existing contracts entered into by our Group and the customers are non-recurring in nature and we cannot guarantee that we will be able to procure sufficient number/scale of projects to maintain our business operation and performance; (ii) our ongoing projects may delay in progress and the measurement and/or Settlement Audit of our construction works may not be conducted on time, which would result in the decrease in recognition of revenue and trade receivables and delay in payment from our customers; (iii) we may experience delay or shortage in payment from our customers due to their financial pressure and thus be exposed to associated credit risk and liquidity risk; (iv) we may also experience shortage or disruption of supply of labour, construction materials and machineries and provision of professional subcontracting services for our ongoing projects and increase in construction costs, which would cause the delay in progress of our ongoing projects and decrease in profit margins recognised from the projects; (v) we may be notified by our customers to terminate existing contracts or cancellation of our ongoing projects and thus our financial performance and results of operations may be adversely affected; and (vi) we may be notified by our suppliers, subcontractors or other business partners to terminate their existing contracts with us or by our banks to terminate our bank loans.

The amount of our revenue recognised from a project may be lower than the contract sum

Contract sum of projects undertaken by us represents the contract sum stated in the formal contract and supplementary agreement for the formal contract, if any, without taking into account any optional items, adjustments due to variation orders and prolongation of the project period. According to our Group's accounting policy for revenue recognition, revenue from a contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. Variations between the contract sum and revenue recognised for our projects undertaken during the Track Record Period primarily arose from that (i) the actual quantities of construction works were different from those stipulated in the contract due to factors including, among others, adjustment of construction drawings and objective factors out of our control leading to our inability to continue construction; (ii) the total estimated revenue was determined based on the estimated result of the Settlement Audit which may contain impairment amount and thus may be less than the contract sum; and (iii) the revenue recognised was tax-exclusive whilst the amount contract sum was tax-inclusive. As such, the amount of our revenue recognised from a project may be lower than the contract sum and therefore the contract sum of our projects is not indicative of our future results of operation.

We commenced construction works for certain projects before formal project contracts were entered into between us and our customers and thus payment from our customers for the advanced construction works may not be made on time or in full

During the Track Record Period, we commenced construction works for certain of our projects before the formal project contracts were entered into between us and our customers. In such circumstances, our construction works were undertaken under the framework agreements or other agreements reached between us and our customers and thus the measurement and payments for our completed construction works were not bound by terms of the formal project contracts. We recorded costs incurred for such projects without formal project contracts as "contract costs" (the "**Contract Costs**") in the consolidated statements of financial position. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our Contract Costs amounted to approximately RMB29.3

million, RMB45.9 million, RMB10.4 million and RMB23.3 million, respectively. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Inventories and other contract costs" for further details.

We cannot assure you that formal project contracts will be entered into for the aforesaid projects in the future, nor can we assure you that the Contract Costs incurred for the completed construction works for such projects will be recovered through payments by our customers on time or in full. As a result, our cash flow position and results of operation may be adversely affected.

Our procurement of materials is project-based. If we fail to secure adequate and stable supply of major materials, our profitability and business performance could be adversely affected

Our major raw materials for landscaping projects are plants and saplings, concrete, steels, sandstones, stones, cement and timbers. During the Track Record Period, our cost of materials consumed accounted for approximately 32.6%, 34.0%, 30.6% and 37.3% of the total cost of sales for FY2017, FY2018, FY2019 and 6M2020, respectively. To secure high-quality and sustainable quantity supply of raw materials from our suppliers on a timely basis and at competitive prices is key to our profitability. We have accumulated a list of raw material suppliers that satisfy our selection criteria. Please refer to the paragraph headed "Business — Procurement from suppliers" for further details.

We cannot assure you that there would not be any sudden shortage or disruption in the supply of raw materials required by us in the future. If there are unfavourable fluctuations in the quality of the raw materials, we may incur additional costs to secure sufficient quantities of these raw materials to maintain our project schedules and commitment to our customers. Therefore, any failure to acquire sufficient raw materials that satisfy our requirements and/or failure to identify alternative sources of raw materials when necessary, may delay our progress in completing the projects which could have a material adverse effect on our reputation, business performance, financial condition, results of operations and prospects.

There are certain factors that may affect the availability of sustainable supply of key raw materials, such as fluctuation of demand and supply in the market, change in government policies or weather conditions, business restructuring of our key suppliers and deterioration of our relationships with our key suppliers. Any of such factors is beyond our control and hence we cannot preclude disruption, price fluctuation or shortage of sustainable supply of raw materials to our business in the future. We cannot guarantee that we are able to secure sufficient quantity of the required plants at the optimal time. In addition, any loss of a major supplier or our failure to find alternative supplier for the required raw materials on commercially acceptable terms in a timely manner, or at all, would disrupt our operations and increase our business cost, which could have a material and adverse effect on our business performance and financial position.

The construction work of our landscaping and ecological restoration projects is labour intensive and we rely on a stable supply of labour services from labour subcontractors for certain of the manual construction works to carry out our projects

The construction work of landscaping and ecological restoration projects is generally labour intensive. During the Track Record Period, we outsourced certain of the manual construction works of our landscaping and ecological restoration project to our labour subcontractors. Our labour subcontracting costs accounted for approximately 24.1%, 22.8%, 23.5% and 28.6% of the total cost of sales for FY2017, FY2018, FY2019 and 6M2020, respectively. There is no assurance that the supply of labour from our labour subcontractors will be stable. In the event that we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to meet the demand of our existing or future projects, or there is a significant increase in costs of labour, we may not be able to complete our projects on schedule or within budget and our operations and profitability may be adversely affected.

We rely on our professional subcontractors to complete certain parts of our landscaping and ecological restoration projects and the work performance of the professional subcontractors may be beyond our control

As a main contractor of construction projects, we may subcontract certain parts of ancillary works to qualified professional subcontractors as stipulated in our main contracts of projects or as permitted by our customers. Such ancillary works generally include works other than those for the main structure of projects, such as establishment of steel structure, building pavilions, corridors, bridges, sculptures and fountains, as well as water supply and drainage. We have standard procedures in place for selecting and monitoring our professional subcontractors. However, professional subcontractors may not be readily available when we need to outsource our ancillary work under the relevant projects. Our ability to complete our projects on time may be impaired if we are unable to engage suitable or sufficient professional subcontractors. If a professional subcontractor fails to provide the services as required under a contract, or in the event that we have disputes with, or lose the services of, any of our existing professional subcontractors, we may not be able to find suitable alternative professional subcontractors on a timely basis to complete our work, which could adversely affect our business, financial position and results of operations.

We cannot guarantee the service quality provided by our professional subcontractors and we cannot assure you that our monitoring of the work and performance of our professional subcontractors will be sufficient to control the quality of their work. In the event that our professional subcontractors fail to meet our or our customer's quality requirement and other operating standards and those standards required by the relevant laws and regulations in the PRC, we may be liable to third parties and our clients. Costs associated with rectifying any problems caused by our professional subcontractors may have a material adverse effect on our business, financial conditions and results of operations.

We may not be able to collect the deposits of performance from our customers on time or in full

Our customers may request for deposits of performance from us which serve as our guarantee for the quality or timely completion of the projects undertaken by us and will be released after the maintenance period. Generally, the amount of the deposits of performance ranges from 5% to 10% of the total contract sum and we would normally request financial institutions or third party guarantors to provide performance bond in lieu of the actual payments of deposits of performance. However, if there is any delay or defects in our execution of works, our customers have the right to request the guarantor to pay the amount of liquidated damages pursuant to the relevant letters of performance bond. The guarantor would subsequently claim for compensation from us based on our agreement with the guarantor. We cannot assure you that we are able to prevent the occurrence of payment liabilities in respect of performance guarantee letters or collect the deposits of performance from our customers on a timely manner, or and all.

Uncertainty in the recoverability of our deferred tax assets could adversely affect our future financial position and results of operations

As at 31 December 2017, 2018, 2019 and 30 June 2020, we recorded deferred tax assets of approximately RMB20.9 million, RMB33.0 million, RMB36.0 million and RMB43.3 million, respectively, arising from the deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis as well as unused tax losses and unused tax credits. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. We cannot guarantee that our management's assessment of future earnings could be accurate due to unforeseen factors. In the event that the expected profitability is not met by us in the future, we may not have sufficient taxable profits to recover the deferred tax assets in full, or at all, which could adversely affect our future financial position and results of operations.

We may be involved in litigation or claims or incur additional costs caused by our delay in delivery of works

During the ordinary course of our business, we may be involved in claims or litigations relating to, among other things, delay in completion of projects caused by reasons such as disruption in the supply of raw materials, or our failure to tackle technical issues, which could have a material and adverse effect on the reputation of our business.

In addition, we may become liable for damages to our customers caused by any delay in completion of projects. The project contracts entered into by us may contain a penalty clause for non-completion or late delivery of works, which typically provides for a sum of liquidated damages payable for each day of delay in the event that such delay or failure to complete is caused by us.

Any claims for damages as a result of our delay may adversely affect our profitability and we may suffer negative publicity resulting from any claims brought by our customers.

We may receive claims for breach of contracts when we fail to pay our suppliers and subcontractors on time or in full

We generally procure raw materials from our suppliers and engage subcontractors for our landscaping and ecological restoration projects. In order to maintain our liquidity, we would manage our payments to suppliers and subcontractors with reference to the cash flows derived from the instalments made by our customers. However, the turnover period of our trade receivables were generally over 200 days, mainly due to the prolonged settlement from our customers. Accordingly, we recorded a relatively long turnover period for our trade payables to our suppliers and subcontractors during the Track Record Period.

During the Track Record Period, our trade and bills payables amounted to approximately RMB331.7 million, RMB461.1 million, RMB502.7 million and RMB531.0 million and accounted for approximately 36.6%, 40.1%, 38.9% and 40.0% of our total liabilities as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. There is no assurance that our suppliers and/or subcontractors will not claim against us for breach of contracts in the future as a result of delay in payments, which may adversely affect our results of operations. In addition, if our suppliers cease to supply materials to us as a result of our breach of contracts, our project progress may be impeded and thus our results of operation may be adversely affected.

We may fail to obtain or renew qualifications and certificates required to carry out our business

We are required to obtain and renew requisite qualifications and certificates to conduct our business. We must comply with the requirements imposed by the relevant authorities in order to maintain or renew such qualifications and certificates. We are unable to assure you that such qualifications or certificates necessary for our business operation will be granted to or renewed by us in a timely manner, or at all, even if we comply with all requirements under the relevant law and administrative regulations. Please refer to the paragraph headed "Business — Our qualifications and certificates" for further details. We cannot guarantee that we will be in a position to secure all of the required consents, approvals and rights.

Any suspension, termination, revocation, or delay in renewal of these qualifications or certificates would have a material adverse impact on our business performance and financial position.

We are reliant on our key management team and the loss of any key executive without timely and suitable replacement could materially affect our operations

The success of our business to date is largely attributable to the continued efforts of our Directors, senior management and other executives including project directors, whose business knowledge and industry experience are of particular importance to us. Please refer to the section headed "Directors and Senior Management" in this prospectus for details of our Directors and senior management members. The loss of any of our key executives could be detrimental to the ongoing success of our operations.

We may fail to have stable supply of qualified employees, which could increase our labour costs and materially affect our business and results of operations

Our continued success will also depend on our ability to attract and retain qualified personnel in order to manage our present operations and future growth. We may not be able to successfully attract, assimilate or retain the personnel we require for our continuous operation and expansion of business, which could negatively impact our growth and desired expansion of business. As at the Latest Practicable Date, our employees include more than 300 qualified professionals including registered constructors, registered architects, professional engineers and registered engineers in the PRC. Please refer to the paragraph headed "Business — Employees" in this prospectus for further details.

We are developing and implementing a number of recruitment and retention incentives to attract, retain and motivate a sufficient number of qualified employees for our business operation and expansion. We offer on-the-job seminars and provide recruitment training to our new employees. However, if the implementation of these incentives are ineffective to achieve the contemplated benefits generally or within our desired timeframe, we may not be able to successfully recruit, motivate and retain a sufficient number of employees with the necessary professional qualifications at commercially reasonable terms, or at all. Our failure to recruit and retain sufficient qualified employees could delay our expansion plans or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations.

Failure to open social insurance fund and housing provident fund accounts and make adequate social insurance and housing provident fund contributions as required by the PRC laws and regulations may subject us to penalties

Under relevant PRC laws and regulations, our PRC subsidiaries and branch offices are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the plans in amounts equal to certain percentages of salaries of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. As at the Latest Practicable Date, (i) certain of our subsidiaries and branch offices failed to open housing provident fund accounts as no employees were hired by such entities; and (ii) we did not make adequate contributions to the social insurance plans and housing provident fund based on the actual salaries of our employees. Please refer to the paragraph headed "Business — Legal proceedings and compliance — Non-compliance matters" in this prospectus for further details. As at the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the social insurance and/or housing provident funds.

However, we cannot assure you that our employees will not report to the relevant authorities of our failure to make social insurance plans and/or housing provident funds contributions or our basis of making such contributions, which may in turn result in the relevant authorities ordering us to make supplemental contributions and/or imposing penalties and overdue fines on us, among other things.

We do not have insurance to cover damages to all risks related to our business operations

During the Track Record Period, we have not purchased third party insurance for property or environmental damages that may occur during implementation of our construction projects. In addition, we have not maintained insurance policies against losses arising from our environmental interruption, industrial accidents, work stoppages, civil unrest or other activities.

We have outsourced certain of the manual construction works of our landscaping and ecological restoration projects to our labour subcontractors. In accordance with applicable PRC laws and regulations, our labour subcontractors, as employers, are required to purchase insurance for their construction workers. As a result, we currently do not maintain such insurance ourselves. If we face any operating risks resulting from any event in relation to the failure to purchase insurance, we may bear a substantial cost and experience a loss. If we were held liable for uninsured losses, our business and results of operations may be adversely affected.

We are restricted by covenants in our financing agreements

During the Track Record Period, we have obtained bank loans to finance the construction of our projects and our business expansion activities. As at 31 December 2017, 2018, 2019 and 30 June 2020, our bank and other loans were RMB462.5 million, approximately RMB515.5 million, RMB495.0 million and RMB529.1 million, respectively. Please refer to the paragraph headed "Financial Information — Indebtedness" in this prospectus for further details.

Our loan agreements may include material covenants such as (i) to promptly notify the lending banks in the event of material adverse changes in our operations and financial conditions; (ii) restrictions on the use of proceeds from the bank borrowings; and (iii) to obtain the relevant lending banks' prior written consent before we conduct reorganisations, mergers, demergers, joint ventures, capital reductions, equity transfers, transfers of major assets or creditor's rights, material investments, substantial increases of debt financing or other actions that may adversely affect our ability to repay the loans. If we breach the covenants, we may trigger an event of default.

In addition, some of our loan agreements may also contain cross-default clauses, which could enable creditors under our loan agreements to declare an event of default should there be an event of default on our other loan agreements or those of our subsidiaries. Any event of default or cross-default could lead to an acceleration of our indebtedness or require us to compensate the lending banks for their losses. Consequently, our business, financial conditions, results of operations and prospects could be materially and adversely affected.

We cannot assure you that we will be able to obtain the consent of the lending banks for any of the aforementioned restricted activities. If we engage in such activities without obtaining such consent, our business may be adversely affected. In addition, if we breach the restrictive covenants, make any misrepresentations or commit any other breach under our financing agreements, we may trigger an event of default, which in turn could lead to an acceleration of our indebtedness or require us to compensate the lending banks for their losses. As a result, our business, financial conditions, results of operations and prospects could be materially and adversely affected.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders

Our Controlling Shareholders have substantial influence over our business, including issues relating to our management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of our assets, election of our Directors and other significant corporate actions. Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, our Controlling Shareholders collectively will hold approximately 65.89% of the issued share capital of our Company. Please refer to the section headed "Relationship with Our Controlling Shareholders" for further information about our Controlling Shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders.

In addition, we are unable to preclude situations where the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. There is the possibility that the Controlling Shareholders may exercise their substantial voting power and cause us to enter into transactions or to take, or fail to take, other actions or to make decisions which conflict with the best interests of our other Shareholders.

Our business performance may be adversely affected if our relationship with the ZIHG Group deteriorates or terminates

As at the Latest Practicable Date, our Ultimate Controlling Shareholders owned the entire equity interest in ZIHG. During the Track Record Period, we conducted our business mainly through the EPC, PPP and traditional models, and the success of our business hinges on our ability to secure projects through winning tenders. Where projects, particularly those under the EPC and PPP models, require various qualifications, licences and expertise but our Group does not fulfil all the requirements, we may collaborate with various partners, including the ZIHG Group, to participate in joint bidding, to fulfil all the required qualifications, licences and expertise. During the Track Record Period, our Group also acted as subcontractor or other related service provider to the ZIHG Group. Our revenue derived from ZIHG Projects contributed to approximately 19.2%, 54.4%, 33.7% and 19.7% of our Group's total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. For further details of our relationship with the ZIHG Group, please refer to the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus.

We cannot assure you that our relationship with the ZIHG Group will not deteriorate or terminate at any time. In the event that our Group or the ZIHG Group decides to reduce or terminate transaction with each other, including the collaboration with each other in joint bidding, our likelihood of winning tenders for projects which require the qualifications, licences and expertise of the ZIHG Group may be adversely affected if we cannot collaborate with other service providers which possess similar qualifications, licences and expertise as the ZIHG Group. This could result in a decrease in the number of projects that our Group could secure and our financial position and business performance may as a result be materially and adversely affected.

We may be unable to detect, defer and prevent misconduct of our employees, customers and third parties

Misconduct such as fraud or corruption by our employees at different operational levels, whether individually or in collusion with other employees, customers or third parties, would be detrimental to our reputation and business performance. Such misconduct may amount to violation of laws, subject us to third party claims or administrative penalties, and cause serious financial harm. We cannot assure you that our employees will fully comply with our internal control procedures and systems when performing their duties.

Further, we may be exposed to risks of misconduct committed by third parties such as our suppliers and subcontractors. We cannot assure you that we will be able to prevent or detect all incidents of wrongdoings by third parties. Any misconduct committed by parties of interest to us may be detrimental to our interests, such as subjecting us to financial losses, damaged reputation and may have a materially adverse effect on our business and performance.

Infringement of intellectual property rights by any third party may adversely affect our property rights

We have registered in the PRC certain patents for protection against infringement. Please refer to "Appendix IV — Statutory and General Information — B. Further Information about the Business of Our Group — 2. Intellectual property rights of our Group" to this prospectus for further details. Notwithstanding our efforts in protecting our intellectual property rights, there is no assurance that we will always be able to identify cases of infringement of our intellectual property rights. Any case of such infringements may result in a decrease in our revenue, and an erosion of our goodwill, brand image and reputation. We may incur financial and human resources cost in the process of litigation in order to protect our intellectual property rights.

In addition to the registration of our intellectual property rights, we have taken other measures such as signing non-disclosure and confidentiality agreements with our key personnel to protect our intellectual property rights. There is no assurance that any of the above measures will effectively prevent misappropriation of our intellectual property. If we are unable to effectively protect our intellectual property rights, our business performance and reputation could be adversely affected.

There is no assurance that we do not or will not be the subject of infringement of the intellectual property rights of a third party. Determination of the scope of a patent, copyright or other intellectual property right is very complex. Intellectual property right disputes, such as patent disputes, may last a significant period and require considerable human and financial resources. If the outcome of such a legal dispute is not in our favour, we could be subject to substantial licence fees, royalties and/or damages. Any infringement of third party patents or other intellectual property rights or any lawsuits could have a materially adverse effect on our business performance, financial position, and reputation.

We may face claims or litigations arising from personal injuries or fatal accidents arising from operations

Our business involves construction projects which carry inherent dangers and which may place our employees and others in close proximity with construction equipment and machineries. Despite our implementation of safety policies and standardised safety procedures, we cannot preclude hazards associating to equipment defects, accidents and geological catastrophes. Such hazards may result in personal injuries or casualties, and cause damage to property, equipment and machineries. There is no assurance that material workplace accidents will not occur in the future despite our safety policies and measures. In the event that such accidents were not caused by us, it may subject us to substantial costs and damage our reputation which, whether or not contributed by us, may reduce future business opportunities and expose ourselves to legal or administrative actions.

We have made contributions to legally-required employment injury insurance for our employees, however, we cannot preclude any work safety related claims or legal proceedings filed against us. If it occurs, adverse consequences (if any) could be costly in monetary terms as well as a loss of human resources.

We may not be able to attain a similar level of return in the future

Our return on equity decreased from approximately 26.7% in FY2017 to approximately 23.1% in FY2018 and approximately 13.4% in FY2019. Our return on total assets decreased from approximately 5.5% in FY2017 to approximately 5.3% in FY2018 and further decreased to approximately 3.1% in FY2019. Please refer to the section headed "Financial Information — Key financial ratios" in this prospectus for reasons for such decreases during the Track Record Period. Our results of operations and financial position have been, and are expected to continue to be affected by factors including, among other things, the overall economic conditions in the PRC, competition and pricing in the market, revenue recognition and operating cash flow in relation to our construction projects, cost of financing, cost of materials consumed and labour and professional subcontracting and seasonality factors. There is no assurance that our Group can attain a similar level of business performance and return in the future.

RISKS RELATING TO OUR INDUSTRY

Our business operations may be materially and adversely affected by the changes of policies and regulations of the PRC government

Changes in policies and regulations of the PRC government may materially and adversely affect our business operations in landscaping industry. Our landscaping business commenced in 2008 and it has since been the major source of our Group's revenue. During the Track Record Period, public sector projects accounted for over 90% of our total revenue recognised. According to the CIC Report, the urbanisation process is the primary driver for the landscaping industry in the PRC which gives rise to significant growth from 2015 to 2019 and the growing momentum of urbanisation in the PRC is expected to continue. The market size is expected to reach approximately RMB596.9 billion in 2024, representing a CAGR of approximately 2.9% from 2019 to 2024. The PRC government has invested substantially in supporting the urbanisation through state-invested enterprises, local governments and other channels. The urbanisation has in turn driven the advancement of landscaping, such as the development of urban public green areas, scenic resorts, real estate residential gardens, and the more recent concept of wetland parks. Our successful growth in the last decade is contributed by the overall growth of the landscaping industry. There will be further urbanisation in the PRC along with the overall economic growth in the PRC and there will be increasing demand for fine designed and managed landscaping in the urbanised regions. However, we cannot preclude the possibility that the PRC government may change its priority in terms of investing in different economic sectors in the future, resulting in less capital investment in urbanisation, slowing down the landscaping business in general. If such change of government policies, laws and regulation materialise, our financial position and business performance may be materially and adversely affected.

Our business operation may also be materially and adversely affected by the change of policies and regulations of the PRC government in respect of construction projects. During the Track Record Period, the construction contract and the framework agreement we entered into for the Baishan Project (Phase I) and Baishan Project (Phase II), respectively, were terminated as a result of a change in government policies. As far as our Directors are aware, the two projects were originally undertaken by way of "government's purchase of services" (政府購買服務) in 2015 and 2016, respectively. Subsequent to the release of a policy by the PRC government in 2017 prohibiting local governments to undertake construction projects by way of "government's purchase of services", the customer of the Baishan Project (Phase I) and Baishan Project (Phase II) entered into termination agreements with our Group in compliance with the policy. We cannot preclude the possibility that the PRC government may change its policies and regulations in respect of construction projects in the future, resulting in adverse changes in the status of our existing contracts. If such change of government policies and regulations occurs, our business performance may be materially and adversely affected.

Ecological restoration market requires capital injection. We may not be able to successfully develop our ecological restoration business in the sector of ecological restoration due to lack of financing

Ecological restoration industry is in its early development stage in the PRC which experienced growth in 2014. To maintain sustainable growth, intensive capital injection is required. According to the CIC Report, ecological restoration is a highly capital-dependent industry which tight financing and regulatory environment have increased liquidity risks. A key factor in restricting the operations of ecological restoration service providers is cash flow, which affects companies that are sensitive to external financing thus increasing the risks of capital chain rupture. Accordingly, many ecological restoration service providers are faced with financing and liquidity risks due to long investment cycle, high demand for funds, slow return on investment and substantial influence of policy. Moreover, the requirement of intensive capital injection in ecological restoration industry in the PRC is clearly indicated in the Guidance Opinion on Increasing Input of State-owned Capital into Industries for Public Welfare (《關於國有資本加大對公益性行業投入的指導意見》) (the "**Guidance Opinion**") dated 16 November 2017 issued by the MOF, in which environmental protection is one of the industries requiring increased input from state-owned capital. The Guidance Opinion indicated a number of channels for increasing the input of state-owned capital in the relevant industries, including preferential tax benefit and promotion of PPP models, etc. Please refer to the paragraph headed "Regulatory Overview — Regulations in relation to engineering survey, design and construction" in this prospectus for details.

The aforementioned policy is in favour of the development of the ecological restoration sector in the PRC. However, we are not a state-owned enterprise and cannot guarantee to continue to secure collaboration with state-owned enterprises in undertaking ecological restoration projects all the time. As such, if we fail to secure collaboration with state-owned enterprises, we may not be able to benefit from the policies under the Guidance Opinion and thus we may not be in a favourable position when competing with other competitors in the ecological restoration industry which are state-owned enterprises or are private sector entities collaborating with state-owned enterprises. As a result, our financial position and business performance may be adversely affected.

Our business operations are subject to adverse weather conditions, natural disasters and other hazards

Our landscaping and ecological restoration projects are primarily located in North China, which are among the coldest regions in the PRC with frequent changes in weather. We may encounter extreme weather conditions during the construction and/or maintenance phases of our projects. For example, when a landscaping project undertaken by us spans across winter and spring, a dramatic change in temperature and water level may occur thus causing weathering or even freeze-thaw to the ground which may result in defects to our works. There is no guarantee that our quality of projects will not be materially and adversely affected by unfavourable weather conditions or any natural disaster in the future.

Certain regions in the PRC where we operate our business at present and in the future have experienced natural disasters and other hazards, such as fire and blizzards, which have had an adverse impact on the local environment and economy in the past. A natural disaster could affect the local economy and our daily operations in the affected area, which could in turn adversely affect our operations. We cannot assure you that any future occurrence of natural disasters or hazards, or the measures taken by the PRC government in response to such natural disasters or hazards, will not seriously disrupt our operations or those of our suppliers and/or subcontractors, which may have a material and adverse impact on our business, financial conditions, results of operations and prospects.

RISKS RELATING TO BUSINESS ENVIRONMENT IN THE PRC

The PRC's legal system embodies uncertainties that could materially and adversely affect our business and results of operations

All of our operations are conducted in the PRC. Our operations are therefore generally affected by and subject to the PRC legal system, laws and regulations. However, the PRC's legal system is still evolving. The enforcement of laws or contracts based on existing laws may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may merely be persuasive to the courts but have limited weight as precedents. The relative inexperience of the PRC's judiciary creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Our business and operations are conducted in the PRC. Any material change in the PRC's laws, regulations and policies may have material adverse impacts on us

Our business is subject to extensive laws and regulations in the PRC. These industry standards, laws and regulations include environmental protection standards, labour protection and benefits, banking rules. Adoption of new laws or regulations or changes in or revision of interpretation of existing laws and regulations may impact our business or operations. To ensure compliance with the legal requirements, we may have to incur significant expenses, divest our personnel's efforts or to alter our business model(s). Any of which could materially and adversely affect our business, financial conditions and results of operation. Please refer to the section headed

"Regulatory Overview" for details of such laws and regulations. We are unable to predict future changes in laws or regulations or enforcement policies that may affect our business or operations or to estimate the ultimate cost of compliance with such laws and regulations.

Our business may be adversely affected by changes in political, social or economic conditions in the PRC

There are constant changes in the social, political and economic conditions in the PRC and any of which may have impacts on our business. For example, on one hand, the PRC government has implemented economic reform measures, emphasising market forces in the development of the PRC economy. On the other hand, the PRC government also play a dominating role in regulating industries by imposing industrial policies from time to time, attempting to discourage, encourage, or to mould the business models of the players in the industry. We cannot predict whether changes in the PRC's political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial conditions and results of operations.

Our business is dependent on the general economic conditions in the PRC. A decrease in the general level of economic activities and a slowdown in the growth of the industries in which we operate, could have a material and adverse effect on our business, financial position, and results of operations

In managing our businesses, our performance is dependent on the general economic conditions in the PRC and the growth of the economy and construction industries, which correlates to factors including GDP growth, consumer confidence, levels of inflation, unemployment levels, and interest rates. A downturn or an expectation of a slowdown in economic activities in the PRC could lead to a decrease or slower growth in the landscaping and ecological restoration industries, and ultimately reduce the demand for our services. This, in turn, could have a material and adverse effect on our business, financial position and results of operations.

We derived all of our revenue from operations in the PRC during the Track Record Period. The future growth of the industries in the PRC which we operate our business in, depends primarily on the continued development of major infrastructure construction projects, which are affected by various factors, including the government's policies, government's priorities regarding different regional economies across the PRC, competition within the industry, expansion plans of our competitors, local government budgets, regulation of the private sector's participation in the municipal infrastructure sector, the general economic conditions and prospects of the PRC's economy. A significant decrease in investment in the infrastructure construction industry in the PRC could reduce business opportunities and accordingly, reduce the market demand for our core business segments. This in turn could have a material and adverse effect on our business, financial position and results of operations.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against our Company and our management

Our Company was incorporated in the Cayman Islands under the Companies Act with limited liability. The Companies Act relating to the protection of minority Shareholders' interests may differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

In addition, our Company's corporate affairs are governed by the Memorandum, the Articles, the Companies Act and the common law of the Cayman Islands. Accordingly, the rights of our Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary duties of our Directors are to a large extent governed by the common law of the Cayman Islands. The common law of Cayman Islands is derived in part from the comparatively limited judicial precedents in the Cayman Islands as well as from English common law, which has persuasive, but non-binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located.

Our Shareholders may not be able to take actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Takeovers Code does not have the force of law and only provide standards of commercial conduct acceptable for takeover and merger transactions and share repurchases in Hong Kong. Our Shareholders will rely on the Executive Director of the Corporate Finance Divisions of the SFC or its delegate to institute disciplinary proceedings when it considers that there has been a breach of the Takeovers Code.

As a result of any or all of the above, our Shareholders may have difficulties in protecting their interests than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions. For further information on the constitution of our Company and Cayman Islands company law, please refer to "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this prospectus.

Judgments rendered by Hong Kong courts may be recognised and enforced in the PRC if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判供決的安排》) are satisfied.

Therefore, the prospects of the recognition and enforcement in the PRC of judgments of a court in the jurisdiction of Hong Kong in relation to any matters not subject to binding arbitration provisions may be subject to uncertainties.

Changes in the PRC government policy on foreign investment in China may adversely affect our business and results of operations

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2019) (《外商投資準入特別管理措施(負面清單)(2019年版)》) (the "**Negative List**"), our business does not fall within the prohibited or the restricted category. However, the Negative List is subject to adjustment by the PRC government. There can be no assurance that the PRC government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we engage in a business which is prohibited or restricted for foreign investors, we may be forced to sell or restructure our business. If we are forced to adjust our corporate structure or business segment due to the changes in government policy on foreign investment, our business, financial conditions and results of operations may be adversely affected.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our non-PRC shareholders

According to the EIT Law, enterprises established outside of the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises". Resident enterprises are generally subject to the uniform 25% enterprise income tax rate on their global income. On 22 April 2009, the SAT issued the Notice on Issues Relating to the Recognition of Overseas-registered Chinese-funded Holding Enterprises as Resident Enterprises Pursuant to Actual Management Organisation Standards (Guoshuifa [2009] No. 82) (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》國稅發[2009]82號) ("**SAT Circular 82**") which came into effect on 1 January 2008. It classifies Chinese-controlled offshore enterprises, certain Chinese-invested enterprises controlled by PRC enterprises or PRC group enterprises as "resident enterprises". Any dividends and other income paid by such "resident enterprises" will be considered as PRC source income, subject to a withholding tax, currently at a rate of 10%. The SAT Circular 82 also subjects such "resident enterprises" to various reporting requirements with the PRC tax authorities.

A "de facto management body" is defined as a body that has material and overall management and control over the business operations, employees, finances and properties of an enterprise. The SAT Circular 82 sets out four criteria for determining whether "de facto management bodies" are located in the PRC for Chinese-controlled offshore enterprises, namely, (i) whether the senior management in charge of the daily operations and its offices are in the PRC;

(ii) whether decisions or authorising departments regarding financial management and human resources are in the PRC; (iii) whether primary assets, accounting books, seals, records and files of shareholders' meetings or board of directors are in the PRC; and (iv) whether directors or senior management with 50% or more voting rights habitually reside in the PRC (the "**Four Criteria**"). Enterprises will be considered as "resident enterprises" if the Four Criteria are concurrently fulfilled.

However, as this circular only applies to enterprises incorporated outside of the PRC that are controlled by PRC enterprise or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" of overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management are currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not believe that our Company or our Hong Kong subsidiaries, would be qualified as a "resident enterprise" as each of our offshore holding entities is a company incorporated outside the PRC. As holding companies, each of these entities' seals, records and files of the board and shareholders' meetings are located and kept outside the PRC. Accordingly, we consider that our Company and Hong Kong subsidiaries do not fulfil the Four Criteria hence are not PRC resident enterprises. However, if the PRC tax authorities disagree and determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our global income and dividends paid by us to our non-PRC shareholders, as well as a PRC withholding tax for capital gains recognised by them with respect to the sale of our Shares. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

PRC regulation governing loans and direct investment by offshore holding companies to their PRC subsidiaries may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

The proceeds from the Global Offering or any further offering may be used to finance the business of our PRC subsidiaries either as a shareholder loan, or additional capital contributions. Any loans taken by our PRC subsidiaries from our offshore holding company are subject to PRC regulations and SAFE administration. For example, loans from us to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterparts. To finance our PRC subsidiaries through an increase in capital contributions of such subsidiaries would be subject to successful filing of such capital injection with the MOFCOM or its local counterparts.

Furthermore, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(匯發[2015]19號)) (the "**Circular 19**") effective on 1 June 2015. According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated, such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (Hui Fa [2016] No. 16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (匯發[2016]16號) (the "**Circular 16**"), effective on 9 June 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from this offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to any of our subsidiaries, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our subsidiaries by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our subsidiaries.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or any consolidated variable interest entity or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from this offering, and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

The dividends distributed to our Shareholders rely on dividends paid by our PRC-based subsidiaries. Any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business

We conduct all of our businesses so far through our consolidated subsidiaries incorporated in the PRC. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including that of paying dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in the PRC is subject to regulations on foreign exchange flow from the PRC to offshore. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to allocate at least 10% of its annual after-tax profit, in accordance to PRC accounting standards, to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Such statutory reserves are not distributable as loans, advances or cash dividends, but may be used for expansion of the business of the relevant subsidiary.

We anticipate that in the foreseeable future, our PRC subsidiaries will have to continue to retain 10% of their respective after-tax profits in their statutory reserves. In addition, if any of our PRC subsidiaries incurs debts in the future, its ability to pay dividends or make other distributions to us may suffer from restraints. Any limitations on, or change in PRC laws, regulations or policies which restrict the ability of, our PRC subsidiaries to transfer funds to us, could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct our business.

In addition, under the EIT Law, the Notice of the State Administration of Taxation on Issuing the Schedule of Dividend Tax Rates for the Agreements (《國家稅務總局關於下發協定股息稅率情況一覽表的通知》(the "**Notice 112**") which was issued on 29 January 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion (《內地和香港特別行政區關於避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Taxation Arrangement (Hong Kong)**") which became effective on 8 December 2006, and the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (the "**Notice 601**") which became effective on 1 April 2018, provides that dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiaries may be subject to a withholding tax at a rate of 5% if any of our Hong Kong subsidiaries is considered as a "beneficial owner" that is generally engaged in substantial business operations and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by the treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organisational changes to minimise the corresponding tax impact.

Our profitability and ability in distribution of dividends may be adversely affected by the fluctuation of the exchange rate between RMB and other currencies, especially US Dollars

Fluctuations in the value of the RMB and the PRC government's control over foreign currency conversion may adversely affect our business, results of operations and our ability to remit dividends. A substantial portion of our revenue and expenditures are denominated in RMB, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in HKD. Fluctuations in the exchange rates between the RMB and the HKD or USD will affect the relative purchasing power in terms of RMB. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us.

Movements in RMB exchange rates are affected by, among other things, changes in political and economic conditions in the PRC and the PRC's foreign exchange regime and policy. The PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and to achieve certain exchange rate targets and policy goals. We cannot assure you that RMB will not appreciate or depreciate significantly in value against the HKD or the USD in the future.

In addition, conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the PRC's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, except that we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with SAFE or its local branch. The PRC government may also at its discretion, restrict access to foreign currencies for current account transactions in the future. Insufficiency of foreign currency earnings by our PRC-based subsidiaries may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign currency obligation. If we fail to obtain approvals from SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

The outbreak of any catastrophe in the PRC, if uncontrolled, may materially and adversely affect our financial condition, results of operations and future growth

The outbreak of any severe catastrophe in the PRC, if uncontrolled, could have an adverse effect on the overall business sentiments and environment in the PRC, which in turn may have an adverse impact on domestic consumption and, possibly, on the overall GDP growth of the PRC. As all of our revenue is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP of the PRC may materially and adversely affect our financial condition, results of operations and future growth. In addition, if our employees are directly affected by such catastrophe, we may be required to allocate financial and human resources to rescue or to mitigate the impacts, which may materially and adversely affect or disrupt our operations, resulting in an adverse effect on our results of operations. The catastrophe in the PRC may also affect the operations of our customers and suppliers, which may also have a potentially adverse effect on our financial conditions and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no public market for our Shares and the liquidity and market price of our Shares may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range of our Shares will be determined by negotiations among us, the Selling Shareholders and the Sole Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following completion of the Global Offering.

We expect our Shares to be listed on the Stock Exchange. The listing on the Stock Exchange, however, does not guarantee the development of an active trading market for our Shares, or if it does develop, that it will be sustainable and stable following the completion of Global Offering. Furthermore, the market price and trading volume of our Shares may be volatile.

The following factors could cause the market price of our Shares following the Global Offering to wide fluctuations from the Offer Price, (i) variation in our turnover, earnings and cash flow; (ii) liability claims brought against us based on, for example, defective works or safety-related regulatory actions; (iii) our failure or unexpected business hardship; (iv) any unexpected business interruptions resulting from operational breakdowns or natural disasters; (v) inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights; (vi) any changes in our key personnel or senior management; and (vii) political, regulatory, economic, financial and social developments in the PRC and the global economy.

Potential investors could face dilution as a result of the Global Offering and could face dilution as a result of future equity financings

If we were to distribute our net tangible assets to our Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. We may raise additional funds to finance future expansion of our existing operations or future acquisitions by way of issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders after six months from the Listing Date, in which case the percentage shareholding of the then Shareholders may be diluted or reduced or such new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

Future or perceived sale of substantial amounts of our Shares in the public market after the Global Offering could materially and adversely affect the prevailing market price of our Shares

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or under the perception that such sales may occur. Our ability to raise future capital at favourable times and prices may also be materially and adversely affected.

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods. There is no assurance that our Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. Sale of a substantial portion of our Shares in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of our Shares. Such sale or the perception of such sale is likely to make it more difficult for us to sell equity or equity-linked securities in the future at a time and price which we deem appropriate.

Investors may experience difficulties in enforcing their Shareholder rights because we are incorporated in the Cayman Islands, and the protection afforded to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Islands Company Law and the common law of the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or those of other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the Cayman Islands Company Law on protection of minority shareholders is set out in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this prospectus.

There can be no assurance if and when we will pay dividends in the future. Dividends declared in the past may not be indicative of our dividend policy in the future

Any declaration of dividends will be proposed by our Directors after taking into account our operations, earnings, financial condition, cash requirement and availability. The amount of any dividends will depend on various factors, including but not limited to the results of our operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRSs, our Articles of Association, any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board from time to time relevant to the declaration or suspension of dividend payments. Distribution of dividends shall be formulated by our Board at its discretion and will be subject to our Shareholders' approval. As a result, we cannot assure you that whether, when and in what form we will pay dividends in the future. Please refer to the paragraph headed "Financial Information — Dividend" in this prospectus for details. In addition, dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future.

Forward-looking information in this prospectus may prove inaccurate

Information provided in this prospectus contains certain statements and information that are forward-looking relating to our Group that is based on our Directors' belief and assumptions based on the information currently available. The terminology such as "anticipate", "believe", "expect", "estimate" and similar expressions, as they relate to our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect our Directors' current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Accordingly, should one or more of these risks or uncertainties materialise, or any of the underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described in this prospectus as anticipated, believed, estimated or expected.

We strongly caution you that reliance on any forward-looking statements involves known or unknown risks and uncertainties. Subject to the requirements of the Hong Kong Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur as we expected, or at all. In all cases, you should give consideration as to how much weight or importance you should attach to or place on such forward-looking statements.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to certain information obtained from governmental, professional and other sources contained in this prospectus

Facts, statistical and forecast information relating to the PRC, the economy and the landscaping and ecological restoration industries in the PRC contained in this prospectus have been compiled from various publicly available official governmental sources and the market research report prepared by CIC. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates or advisers or any other parties involved in the Global Offering, and therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts, forecasts and statistics include the facts, forecasts and statistics used in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business" and "Financial Information" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy as maybe the case elsewhere. In all cases, you should give consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics.

Investors should read the entire prospectus with caution and should not rely on any information contained in press articles or other media regarding us, our business, our industries and the Global Offering

Prior to the publication of this prospectus and subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may be press articles and media coverage containing certain information regarding our Group, our business, our industries and the Global Offering. You should rely solely on the information contained in this prospectus when making your investment decisions regarding our Shares. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other person involved in the Global Offering has authorised the disclosure of any such information in the press or media and none of these parties accepts any responsibility for the accuracy or fairness or appropriateness or completeness of such information contained in such press articles or other media. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or in conflict with the information contained in this prospectus, we disclaim them. Accordingly, potential investors are cautioned to make their investment decisions based solely on the information contained in this prospectus only and not rely on any other information.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provision of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute partially-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waiver in relation to certain continuing connected transactions between us and connected persons of our Company under Chapter 14A of the Listing Rules. Please refer to the section headed "Connected Transactions" in this prospectus for details.

Apart from the announcement and the independent Shareholders' approval requirement for which waiver has been sought, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Our Group's business and operations has been and will continue to be located, managed and conducted primarily in the PRC.

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. At present, all of our executive Directors are not ordinarily resident in Hong Kong or based in Hong Kong.

Due to the geographical focus of our business as set out above, our Directors consider that it would be practically difficult and commercially not feasible for our Company to appoint two executive Directors who are ordinary residents in Hong Kong and station them in Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

Accordingly, an application has thus been made to the Stock Exchange for a waiver from strict compliance with the requirement to have a sufficient management presence in Hong Kong under Rule 8.12 of the Listing Rules and such waiver has been granted by the Stock Exchange. The arrangements proposed by our Company for maintaining at all times regular, adequate and effective communication with the Stock Exchange for the purpose of Rule 8.12 of the Listing Rules are as follows:

(a) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company's principal channel of communication with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. The two authorised representatives are Mr. Liu, our executive Director, and Ms. Chu Wing Yin, our company secretary appointed pursuant to the Listing Rules. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) our Company shall promptly inform the Stock Exchange if there is any change to the authorised representatives;

(c) Ms. Chu Wing Yin, one of our authorised representatives and company secretary, ordinarily resides in Hong Kong and will be readily contactable by the Hong Kong Stock Exchange at all times for any matters. All Directors who are not ordinary residents in Hong Kong have confirmed that they possess or may apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange in Hong Kong upon reasonable notice;

(d) each of our authorised representatives will have means to contact all members of our Board (including the independent non-executive Directors) or of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies whereby (i) each Director will provide his mobile phone numbers, residential phone numbers, office phone numbers, facsimile numbers and email addresses to the authorised representatives; (ii) in the event that any Director expects to travel and be out of office, he will provide the phone number of the place of his accommodation to the authorised representatives; and (iii) each Director and authorised representative of our Company will provide his mobile phone number, office phone number, facsimile number and email address to the Stock Exchange;

(e) if circumstances require, meetings of our Board can be convened and held in such manner as permitted under the Articles at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner; and

(f) our Company has appointed China Tonghai Capital Limited as compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, who will also act at all times, in addition to the two authorised representatives of our Company, as an additional channel of communication between our Company and the Stock Exchange, from the Listing Date to the date when our Company published its annual report for the first full financial year immediately after the Listing Date.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company or the Relevant Persons.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined among the Sole Global Coordinator (for and on behalf of the Underwriters), the Selling Shareholders and us on the Price Determination Date. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed among the Sole Global Coordinator (for and on behalf of the Underwriters), our Company and the Selling Shareholders on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 28 December 2020 and, in any event, not later than Monday, 4 January 2021 (unless otherwise determined between the Sole Global Coordinator (for and on behalf of the Underwriters), our Company and the Selling Shareholders). If, for whatever reason, the Offer Price is not agreed among the Sole Global Coordinator, our Company and the Selling Shareholders on or before Monday, 4 January 2021, the Global Offering will not become unconditional and will lapse immediately.

Please refer to the section headed "Underwriting" in this prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

SELLING SHAREHOLDERS

Please refer to "Appendix IV — Statutory and General Information — E. Other Information — 11. Particulars of the Selling Shareholders" to this prospectus for details of the Selling Shareholders, including the number of Shares to be sold by the Selling Shareholders.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Capitalisation Issue and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

Except as disclosed in this prospectus, no part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in the section headed "Structure of the Global Offering" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board of the Hong Kong Stock Exchange are expected to commence on Wednesday, 6 January 2021. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 2,000 Shares each. The stock code of the Shares will be 1855.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Appleby Global Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us or the Relevant Persons accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding, or disposal of the Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates:

RMB100 to HKD118.5

RMB100 to US$15.3

US$100 to HKD775.1

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US$ or HKD can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

TRANSLATION

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. If there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Executive Directors

Name	Address	Nationality
Mr. Liu Haitao (劉海濤)	No. 601, Tower G16, Feicui Huaxi Group 200, Hongqi Jiayuan Community Shuangde Xiang, Chaoyang District Changchun City Jilin Province, PRC	Chinese
Mr. Wang Xudong (王旭東)	No. 906, Unit C, Tower 3 Wancheng Lishui Xiangdi Lvyuan District, Changchun City Jilin Province, PRC	Chinese
Ms. Wang Yan (王彥)	No. 1507, Unit 2, Tower 2 Hengda Lvzhou Xiaoqu Gaoxin District Changchun City Jilin Province, PRC	Chinese

Non-executive Directors

Name	Address	Nationality
Mr. Sun Juqing (孫舉慶)	Group 32, Chuncao Road Community Puyang Residential District, Lvyuan District Changchun City, Jilin Province, PRC	Chinese
Ms. Lyu Hongyan (呂鴻雁)	No. 711, Tower 5, Xinghuayuan Erdao District, Changchun City Jilin Province, PRC	Chinese
Mr. Shao Zhanguang (邵占廣)	Shaodatun, Xinlicun, Quanyan Town Erdao District, Changchun City Jilin Province, PRC	Chinese

Independent non-executive Directors

Name	Address	Nationality
Mr. Gao Xiangnong (高向農)	Flat A, 25/F, Canaryside 8 Shung Shun Street, Yau Tong, Hong Kong	Chinese
Mr. Yin Jun (尹軍)	No. 203, Gate no. 2, Tower 73 Hongcheng Guoji, Nanhu Street Nanguan District, Changchun City Jilin Province, PRC	Chinese
Mr. Lee Kwok Tung Louis (李國棟)	Flat B, 16/F, Tower 1 Grand Promenade, 38 Tai Hong Street Hong Kong	Chinese

Further information is disclosed in the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**China Tonghai Capital Limited** 18/F–19/F, China Building 29 Queen's Road Central Hong Kong
Sole Global Coordinator	**China Tonghai Securities Limited** 18/F–19/F, China Building 29 Queen's Road Central Hong Kong
Joint Bookrunners	**China Tonghai Securities Limited** 18/F–19/F, China Building 29 Queen's Road Central Hong Kong
	CMBC Securities Company Limited 45/F, One Exchange Square 8 Connaught Place Central, Hong Kong

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

Southwest Securities (HK) Brokerage Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Joint Lead Managers

China Tonghai Securities Limited
18/F–19/F, China Building
29 Queen's Road Central
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

Southwest Securities (HK) Brokerage Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Central China International Capital Limited
Suite 1505-08
Two Exchange Square
8 Connaught Place
Central, Hong Kong

Eddid Securities and Futures Limited
23/F., YF Life Tower
33 Lockhart Road
Wan Chai
Hong Kong

Elstone Securities Limited
Suite 1601-04 16/F., West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Realord Asia Pacific Securities Limited
Suite 2402 24/F Jardine House
1 Connaught Place, Central
Hong Kong

Seazen Resources Securities Limited
Unit 4503-07, 45/F,
The Center, 99 Queen's Road Central
Central, Hong Kong

Legal advisers to our Company

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Unless otherwise indicated, the information presented in this section is derived from the CIC Report prepared by CIC, which was commissioned by us and is prepared primarily as a market research tool intended to reflect estimates of market conditions based on publicly available resources. References to CIC should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics. Our Directors have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by CIC and set out in this Industry Overview has not been independently verified by our Group, the Sole Global Coordinator, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer or their respective directors, officers, employees, advisers and agents, except for CIC, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned China Insights Consultancy (the "**CIC**"), an Independent Third Party, to both conduct an industry analysis of and to produce a report on the landscaping market and ecological restoration market in the PRC for a fee of RMB557,200. Our Directors are of the view that the payment does not affect the fairness of the views and conclusion presented in the CIC Report. CIC is a professional industry consulting company established in 2013 and is committed to helping its clients facilitate their investment and financing processes. CIC's services include industry consulting, commercial due diligence, and strategic consulting, among other professional services. Our Directors confirm that after no adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information in this section.

CIC REPORT

CIC conducted both primary and secondary research using a variety of resources for the purposes of preparing this CIC Report. Primary research involved interviewing key industry experts and leading industry participants, while secondary research involved analysing data from various publicly available data sources, such as the International Monetary Fund, National Bureau of Statistics of China, the United Nations, industry associations, etc.

The market projections in the commissioned report are based on the following key assumptions: (i) economic and industrial development in the PRC is likely to continue maintaining a steady growth trend during the next decade; (ii) economy in the Three Northeast Provinces is expected to continue growing steadily during the forecast period; (iii) related key industry drivers are likely to drive the growth of landscaping industry and ecological restoration industry in the PRC during the forecast period, such as government-backed efforts in support of an ecological civilisation and environmental protection, the construction of sponge cities, the promotion of the EPC model in industries, the continuous increase in urbanisation and urban afforestation efforts, and the ongoing boom in the PRC tourism industry; and, (iv) there is no extreme force majeure or industry regulations in which the markets may be affected either dramatically or fundamentally.

RELIABILITY OF INFORMATION IN THE CIC REPORT

Our Directors are of the view that information in the CIC Report is reliable and not misleading as all the data and forecasts in this section, save as otherwise noted, are derived from the CIC Report and CIC is an independent professional market research company. CIC collected the information and data using the aforesaid methodologies and such information and data was analysed, assessed and validated using its in-house analysis models and techniques.

LANDSCAPING MARKET IN THE PRC

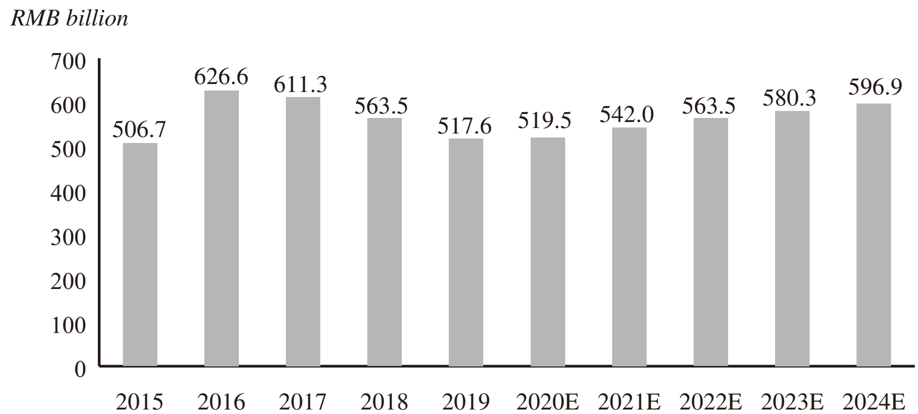
Introduction

Landscaping refers to the modification and improvement of outdoor areas to achieve a certain environmental outcome, and is mostly found in urban areas. It comprises green planting, landform reconstruction, the construction of sightseeing facilities, and road planning.

Market size of the landscaping market

The ongoing urbanisation process is the primary driver for the landscaping industry in the PRC. The continued construction of towns and counties, as well as the expansion of cities throughout the PRC, has provided a significant increase in the demand for landscaping services, including the establishment of green spaces in both public areas and in areas zoned for real estate development. The slowdown in the development of real-estate market in the PRC has largely drag the growth in the private and non-governmental landscaping market in the last three years. In these three years, the PRC government issued a series of policies and regulations to prevent the over-heat of real-estate market in megacities. In the response to the continuous pressure from the national deleverage movement for local governments in the PRC, many provinces and cities, including the Three Northeast Provinces, delayed or reduced the initiations of the scaled landscaping projects in the last three years. As a result, the landscaping market in the PRC witnessed a cool down period and backed to the rational, stable and sustainable growth trend, which is expected to closely correlated to the growth rate of the PRC GDP, ranging from approximately 2.8% to approximately 11.2%. The landscaping market in the PRC is expected to grow after 2020 on the basis that: (i) according to the report released by the National Academy of Economic Strategy under the Chinese Academy of Social Science, the urbanisation ratio is expected to reach approximately 70% by 2035. Massive populations is expected to permanently live in cities in the PRC which indicates the necessities of cities' expansion, including both infrastructures and real estate properties. New landscaping projects are anticipated to be initiated together with the expansions of the cities; and (ii) Central government's promotion of urban afforestation is also a major driver for the local government to initiate new landscaping projects. According to the 13th FYP Plan the national targets of the green spaces and parks per capita and the green coverage rate in developed areas are over 14.6 square metres and 38.9% by the end of 2020 respectively. While in 2019, these two indicators for the national landscaping level were at approximately 14.4 square metres and 38.3%. Despite the obvious improvement of natural and urban environment in the PRC, the green coverage rate in developed areas of the PRC was still in the low level compared with those in the developed countries in 2019, i.e. approximately 62.0% in the United States, approximately 67.3% in Japan and approximately 72.0% in South Korea. The improvement and enlargement of the green spaces in the urban regions is expected to be the long-term endeavour of the central government of the PRC. It is expected that green spaces and public parks per capita will reach approximately 17.0 square meters and that the rate of green coverage in developed areas will continue to increase to approximately 45.4% by 2024. The governmental ever-growing efforts to improve the living environment is considered as the solid driver for the landscaping market in the PRC. (iii) The steady development of the tourism industry is considered as the third major driver of the landscaping industry in the PRC. In 2019, tourism is one of the most promising industries in many provinces in the PRC and considerable budgets for promoting tourism are allocated by almost all local governments in the PRC. Landscaping accounts for a crucial portion of the tourism projects construction in enhancing a location's overall image, attracting tourists and increasing the satisfaction rate for tourism experiences. The total size of the landscaping market projected to reach approximately RMB596.9 billion by 2024, representing a CAGR of approximately 2.9% from 2019 to 2024.

Market size of the landscaping industry, the PRC, 2015-2024E



Source: China Insights Consultancy

There are two segments in the landscaping industry including governmental landscaping and private landscaping. Governmental landscaping is generally led by and paid by the government or state-invested enterprises for the purposes of improving urban appearances and environments. Private landscaping generally serves non-governmental parties in private construction. In 2019, the market size of governmental landscaping reached approximately RMB221.0 billion while the market size of private landscaping reached approximately RMB296.6 billion in the PRC.

It is expected that the outbreak of COVID-19 will not have a significant impact in landscaping market in PRC in 2020 for the following reasons: (i) most landscaping projects in the PRC were delayed by 15 to 30 days, which is a manageable period in the project execution process; (ii) On 22 March 2020, the state council issued a notice on actively and orderly promoting the afforestation work under epidemic prevention conditions and it stating that relevant departments should actively and orderly advance the afforestation work to ensure that the annual target tasks are fully completed. Local governments continue to carry out the construction of forest cities, garden cities, and forest villages, in order to promote the greening and beautification of institutions, schools, communities, camps, factories, mining areas, and improve human settlements in 2020.

Regional comparison of the landscaping market and ecological restoration market, the PRC, 2019

	East China	South-central China	North China	Three Northeast Provinces	Southwest China	Northwest China
						
GDP *RMB billion*	37,547.3	27,405.7	11,881.9	5,024.9	11,912.5	5,482.3
Population *Million*	414.2	399.1	175.8	107.9	203.3	103.5
Area *Thousand sq.km*	795.6	1,014.7	1,557.1	806.1	2,366.6	3,112.1
Green coverage ratio of build-up area	43.3%	42.5%	43.1%	39.2%	40.5%	39.4%
Market size of landscaping industry (FY2019) *RMB billion*	187.5	150.5	60.2	30.9	57.2	31.3
Market size of ecological restoration industry (FY2019) *RMB billion*	19.3	14.8	16.0	3.7	9.8	5.7
Landscaping characteristics	Influenced by Jiangnan landscape designs. Commonly use deciduous plants.	Influenced by Lingnan landscape designs. Tropical plants are widely used in this region.	Limited water use designs and decorations due to the difficulties associated with maintenance during the region's long winters. Plants are mainly evergreens; use of limited varieties of plants and monotonic in colour.		Emphasising on ecological restoration and ecological afforestation due to the natural environment in the region. Plants generally have the characteristics of drought resistance, cold resistance and saline-alkaline resistance.	

The PRC is one of the largest countries in the world and has significantly diverse climate. Climate in the majority of the Three Northeast Provinces and some regions of the North China is predominantly the same as the hot summer continental climate. Local companies in these regions usually have accumulated long-term industry know-how for the choice of plants species and comprehensive project management skills, which becomes the main entry barrier for others to enter the landscaping market. On a provincial level, the market size of landscaping industry in the Three Northeast Provinces reached approximately RMB30.9 billion in 2019, accounting for approximately 6.0% of that in the PRC. It is expected to further increase to approximately RMB33.3 billion in 2024, representing a CAGR of approximately 1.5% from 2019 to 2024. The landscaping market in East China, North China and Southwest China accounted for approximately

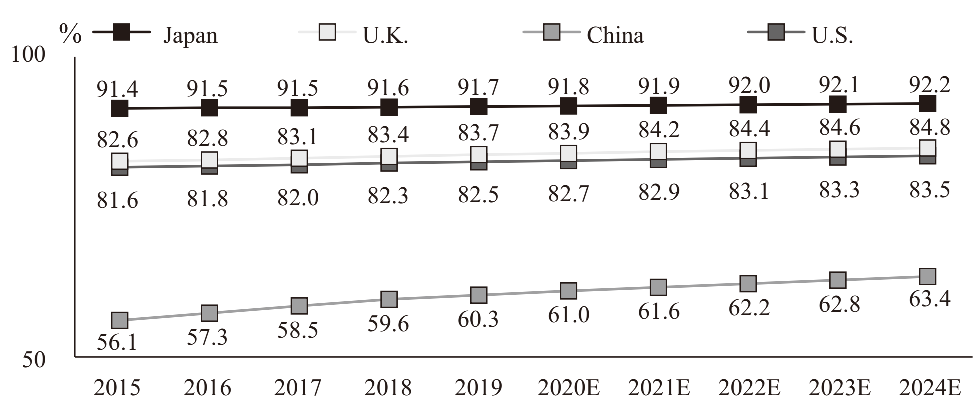
36.2%, 11.6% and 11.0% of the landscaping market in the PRC. It is expected that the landscaping market in East China, North China and Southwest China will continue to increase at CAGRs of 3.0%, 1.7% and 2.3% respectively between 2019 and 2024.

Drivers of the landscaping market

Continuous urbanisation process: Compared with major developed economies, including Japan, the U.K. and the U.S., the urbanisation rate in the PRC remains relatively low. It is expected that the urbanisation rate in the PRC will continue to increase at a faster pace compared to aforementioned major developed countries in the years ahead, reaching approximately 63.4% by the year 2024. The continuous process of urbanisation will drive the demand for expansions in municipal infrastructure, a trend which will in turn promote the development of the landscaping industry in the PRC.

Supportive government policies: The PRC government had presented a series of policies that are favourable to the development of landscaping and/or ecological restoration industries in the Three Northeast Provinces of the PRC including: (i) "Technical guidelines for construction and maintenance management of landscaping in Heilongjiang Province" (黑龍江省園林綠化施工與養護管理技術導則) presented by Housing and Urban-Rural Development Bureau of Heilongjiang Province that promote improvement of overall landscaping and regulate on the construction and maintenance standard of landscaping in Heilongjiang Province; (ii) "Opinions on further strengthening urban landscaping" (進一步加強城市園林綠化工作的意見) presented by Jiling Province Government that target to improve the overall urban landscaping level in Jilin Province and increase the per capita urban park landscaping area to over 12 sq.m; (iii) "Guiding opinions on the promotion of healthy development of urban landscaping" (關於促進城市園林綠化事業健康發展的指導意見) presented by Housing and Urban-Rural Development Bureau of Jiling Province to improve the construction quality of urban landscaping, strengthen on market supervision and daily maintenance, and promote technological innovation in the industry.

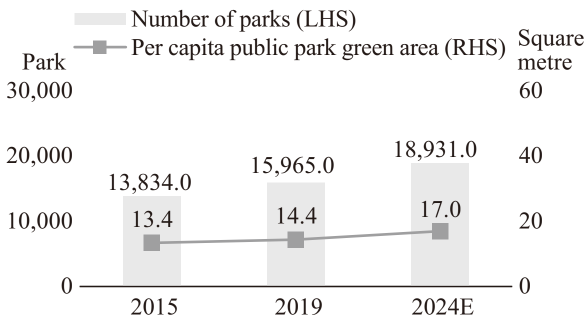
Urbanisation rate, urban population as a percentage of total population for the PRC, the U.S., the U.K., and Japan, 2015-2024E



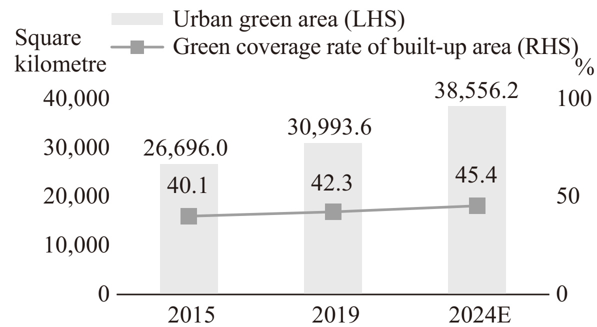
Source: World Bank

Governmental efforts in urban afforestation: According to the 13th FYP Plan published by the PRC government, it is expected that green spaces and public parks per capita will reach approximately 17.0 square metres and that the rate of green coverage in developed areas will increase to approximately 45.4% by 2024. The government's commitments to urban afforestation will continue to drive the demand for green spaces constructed in urban areas, which provides a direct boost to the development of the landscaping industry.

Number of parks and per capita public park green area, the PRC, 2015-2024E



Urban green area and green coverage rate in built-up area, the PRC, 2015-2024E



Source: National Bureau of Statistics of China, China Insights Consultancy

Ongoing boom in the tourism industry: Tourism is regarded as an important driver for economic development, with many cities and companies therefore trying to acquire a share in the domestic growing tourism industry. Hence, completed investments in the country's tourism industry increased from approximately RMB1,009.3 billion in 2015 to approximately RMB1,794.2 billion in 2019, representing a CAGR of approximately 15.5%. Landscape plays a critical role in enhancing a location's overall image, attracting tourists and increasing the satisfaction rate for tourism experiences. The dramatic increase in tourism in the PRC has encouraged further investments which will drive the development of the landscaping industry.

Competitive landscape of the landscaping market and our competitive advantages

Top 5 companies in the landscaping industry, the PRC, 2019

	Company Name	Headquarters Location	Listing Status	Description	Revenues derived from landscaping industry in 2019	Share of revenues in landscaping industry, in the PRC, in 2019
					(RMB million)	*(%)*
1	Company A	Beijing	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	3,810.0	0.74%
2	Company B	Guangdong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects mainly in the Southwestern and South China.	2,781.1	0.54%
3	Company C	Shandong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	1,814.2	0.35%
4	Company D	Guangdong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	1,253.7	0.24%
5	Company E	Guangdong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	942.5	0.18%
Total of top five					10,601.6	2.05%
Total revenue of companies in the landscaping industry registered in the PRC:					517,557.3	100.00%

There are more than 15,000 companies in the PRC landscaping industry. Most of these companies cannot compete for the projects which exceed RMB20 million as bidding is required for a public sector project whose contract value exceeds RMB20 million. To participate in the bidding process, landscaping companies have to meet certain requirements such as having large-scale project experience, the number of qualified professionals and the company's financial conditions. Most participants in the landscaping industry are small companies and are not qualified to participate in such public sector projects. Most public projects in the landscaping market are completed by local participants while private sector projects, which are mostly decided by real estate developers, are more complicated. There are more than 500 landscaping companies registered in the Three Northeast Provinces in 2019 and it is estimated that approximately 200 companies registered in other provinces have extended their business in the Three Northeast Provinces by 2019.

Most leading companies in the landscaping industry are already listed in the PRC, which encouraged these companies to quickly enlarge their businesses. Landscaping projects, like many other construction projects, call for a high capital endowment at the early stage of construction. Companies in the landscaping industry usually have to cover a certain portion of material costs in advance, which will directly lower the working capital of the companies. As a result, listed companies, which usually have lower financing costs, are more likely to bid for the large-scaled municipal projects in the PRC. The Company was one of the top 30 companies, in terms of revenue derived from landscaping industry, in the PRC in 2019.

Top 5 companies in the landscaping industry, in the Three Northeast Provinces (東三省), 2019

	Company Name	Headquarters Location	Listing Status	Description	Revenues derived from landscaping projects located in the Three Northeast Province in 2019	Share of revenues in landscaping industry, in the Three Northeast Province, in 2019
					(RMB million)	*(%)*
1	Company F	Liaoning	Listed	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects in the Three Northeast Provinces of the PRC.	549.1	1.78%
2	The Company	Jilin	Unlisted	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects as well as ecological restoration services in the Three Northeast Provinces of the PRC.	411.8	1.33%
3	Company A	Beijing	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	183.2	0.59%
4	Company G	Liaoning	Listed	A leading company in the landscaping industry in Liaoning Province. The company is actively engaged in scaled municipal projects located in multiple provinces throughout the country.	144.4	0.47%
5	Company H	Jilin	Unlisted	A leading company in the landscaping industry in the Yanbian Korean Autonomous Prefecture located in Jilin Province.	123.7	0.40%
Total of top five					863.1	4.57%
Total revenue generated from the Three Northeast Provinces by companies in the landscaping industry registered in the PRC:					30,922.7	100.00%

The landscaping market in the PRC is highly fragmented. Most municipal-level or provincial-level landscaping projects are dominated by local suppliers. In terms of revenues generated from landscaping projects located in the Three Northeast Provinces in 2019, the Company ranked second among all the companies that have undertaken landscaping projects in the Three Northeast Provinces.

The table below indicates the 2019 rankings for the top five landscaping companies registered in the Three Northeast Provinces, ranked in terms of revenues generated from landscaping projects:

Top 5 companies in the landscaping industry, registered in the Three Northeast Provinces (東三省), 2019

	Company Name	Headquarters Location	Listing Status	Description	Revenues derived from landscaping industry in 2019	Share of revenues in landscaping industry, the PRC, 2019
					(RMB million)	*(%)*
1	Company F	Liaoning	Listed	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects in the Three Northeast Provinces of the PRC.	974.3	0.19%
2	The Company	Jilin	Unlisted	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects as well as ecological restoration services in the Three Northeast Provinces of the PRC.	439.8	0.08%
3	Company G	Liaoning	Listed	A leading company in the landscaping industry in Liaoning Province. The company is actively engaged in scaled municipal projects located in multiple provinces throughout the country.	203.8	0.04%
4	Company I	Jilin	Listed	A leading company in the landscaping industry in Jilin Province. The company is actively engaged in the construction of "sponge cities" in Jilin Province. Approximately 86.0% of its revenues were derived from clients situated in Jilin Province.	129.4	0.03%
5	Company H	Jilin	Unlisted	A leading company in the landscaping industry in the Yanbian Korean Autonomous Prefecture located in Jilin Province.	119.0	0.02%
Total of top five					1,866.3	0.36%
Total revenue of companies in the landscaping industry registered in the PRC:					517,557.3	100.00%

The landscaping market in the PRC is highly fragmented. Most municipal-level or provincial-level landscaping projects are dominated by local suppliers. In terms of revenues generated from landscaping projects in the PRC in 2019, the Company ranked second among all the companies in the landscaping industry registered in the Three Northeast Provinces.

Entry barriers of the landscaping market

Industry know-how: A landscaping project includes project design, raw material procurement, construction, and follow-up maintenance. The design of projects can vary significantly as different clients will ultimately have different requirements. Also, the selection and plantation of seedlings and the construction of projects should take into consideration of variations in local climates and customs. Thus, industry know-how is necessary for landscaping companies to provide customised services and manage projects appropriately.

A well-established brand: A well-recognised brand is a key factor for landscaping companies seeking to win bids for projects. Landscaping projects, for instance, generally involve long-time construction periods and many tasks, with these kinds of projects requiring the company to possess an extensive project experience in order to co-ordinate with different parties efficiently. For large-scale projects, customers tend to choose companies with an extensive project experience and a well-recognised brand to ensure the high quality of projects and reduce potential risks. It is difficult for new entrants to establish a well-recognised brand in only a short period of time.

Industry professional acquirement: The operations of landscaping projects require design talents, professional project management personnel, and skilled construction workers. At present, individuals with rich professional knowledge and work experience are relatively scarce in landscaping industry in the PRC. The development of a company's talent pool is mainly based on the accumulation of many years of project experience as well as internal training. Hence, it is difficult for new entrants to acquire a large number of skilled professionals in the short-term whether using market recruitment or independent training methods.

Geographical barrier: The landscaping market is highly fragmented in the PRC largely due to the regionalisation character of the industry. In most cases, tenderers of landscaping projects usually expect the contractors to be familiar with regional social and climatic features, so local suppliers, with proven track records within the region and strong social networks, are usually preferred. Thus, in the PRC landscaping market, only the leading players, who have strong brand recognition and sufficient support of talents, are capable of extending their business nation widely. It is difficult for new entrants to winning clients over these fledged and scaled players in the landscaping market.

ECOLOGICAL RESTORATION MARKET IN THE PRC

Introduction

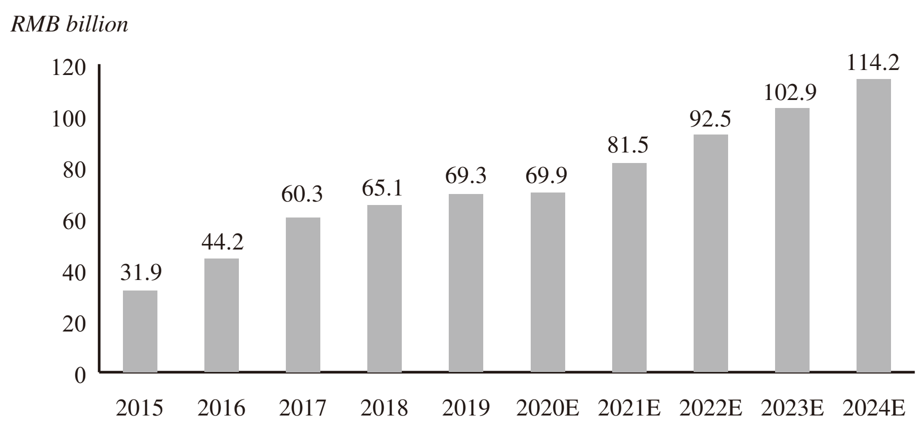
After 2014, the governmental projects for improving the environment in the PRC grew into a new stage, being led by environmental protection plans from the central government of the PRC and the trial application of PPP model in the environmental protection market. The huge investment for the pollution treatment of water and soil created a new market, known as ecological restoration market, in the PRC.

This ecological restoration market refers to activities that use specialised equipment and treatment methods, in combination with plants and other biological agents to improve the natural environment. Related varieties of land works, including landscape designs and other aesthetic improvements, are also included. All the ecological restoration project are initiated by the government and classified into public projects in this report. Most leading landscaping companies have been actively extending their business scope into this new market since 2014 and many of these companies have since become dominant service providers in the ecological restoration market.

Market size of the ecological restoration market

Since the 18th National Congress in 2012, the PRC has attached much greater importance to the concepts of an ecological civilisation and environmental protection, having incorporated the target of "Beautiful China" into the 13th FYP. In 2017, the 19th National Congress emphasised that building an ecological civilisation is a key goal for achieving the sustainable development in the PRC. The promotion of an ecological civilisation and environmental protection provides an extensive range of opportunities for participants in the country's ecological restoration market. The ecological restoration market has witnessed fast growth trend and its market size increased from approximately RMB31.9 billion in 2015 to approximately RMB69.3 billion in 2019, representing a CAGR of approximately 21.4% between 2015 and 2019 in terms of annual revenue of all participants in the industry.

Market size of the ecological restoration industry, the PRC, 2015-2024E



Source: China Insights Consultancy

Due to the cold winter and population outflow in the Three Northeast Provinces in the PRC, where the year-end resident population decreased from approximately 109.8 million to approximately 107.9 million from 2015 to 2019, the market size of ecological restoration in the Three Northeast Province was smaller compared to southern provinces in the PRC. Despite the fact that Three Northeast Provinces in the PRC lagged behind to most southern provinces in terms of both the economic development and environmental investments in the last five years, the growth rate of the ecological restoration market still reached over 25% in the last 5 years. The market size of the ecological restoration market, in terms of annual revenue in the Three Northeast Provinces, reached approximately RMB3.7 billion in 2019, representing a CAGR of approximately 17.3% from 2015 to 2019. This market is expected to continue growing to approximately RMB5.6 billion by 2024, representing a CAGR of approximately 8.6% from 2019 to 2024. The ecological restoration market in East China, North China and Southwest China recorded CAGRs of 23.7%, 23.1% and 21.7% respectively between 2015 and 2019. The ecological restoration markets in East China, North China and Southwest China are expected to reach RMB32.9 billion, RMB26.8 billion and RMB15.2 billion in 2024, representing CAGRs of approximately 11.2%, 10.9% and 9.1% respectively from 2019 to 2024.

Drivers of the ecological restoration market

Governmental efforts towards the ecological civilisation and environmental protection: the PRC has attached great importance to the concepts of an ecological civilisation and environmental protection since 2012. Moreover, the PRC Government promulgated the water pollution control action plan in 2015 and 2016. As the result of specific pollution treatment, approximately 80.6% of black-colour river treatment projects have been completed by 2019 in the PRC. However, the environmental treatment is a long process. The promotion of the ecological civilisation and environmental protection is expected to continue providing an extensive range of opportunities for the expansion of ecological restoration market.

Construction of sponge cities: According to the sponge city initiative in the PRC, 80% of built-up areas should have the ability to absorb and re-use at least 70% of rainwater by 2030. There are currently 30 pilot sponge cities in total and the government has allocated RMB400-600 million for sponge city construction for each of these pilots annually. Forests, lakes and wetlands have greater water absorption capabilities and the stored rainwater in these reservoirs can be readily reused. Companies in the ecological restoration market which specialised in greening and ecological construction is expected to be actively involved in the further promotion of the sponge cities in the PRC.

Promotion of EPC contracting: Ecological restoration industry is a new industry, growing with the governmental investment on environmental protection since 2014. Most local governments do not have sufficient experience in the ecological restoration industry. Under the traditional model, the project owners have to separate the projects into several sectors and manage different parties undertake sectors separately. It may take years for unexperienced local governments to initiate a new project. However, under the EPC model, the main contractors are responsible for the whole projects including the design, sub-contracting and construction under pre-defined requirements. In most EPC projects, the customers only take the responsibility of periodic project reviews and quality checks. So the promotion of EPC contracting can allow the local governments, who usually have limited professionals, to be largely relieved from the burdens of quality management for ecological restoration projects and to be able to initiate several projects simultaneously. Thus, the number of new ecological restoration projects are expected to increase when the EPC model is widely promoted. The PRC government has promoted the EPC contracting mode since 2017 in order to enhance project quality and standardise the bidding process in the construction industry.

Future trends in the ecological restoration market

Comprehensive treatment: The scope of work in ecological restoration market is becoming more and more comprehensive, which now includes controls on pollution sources, the incorporation of pollution treatment methods, environmental improvements, and follow-up maintenance. As a result, the general trend for ecological restoration market is shifting towards favouring larger-scale projects with high technical requirements and a higher degree of complexity.

Diversification of investment capital sources: At present, the main source of capital investment for environmental related projects in the PRC is derived from government sources, supplemented by investments from non-governmental sources. However, in developed countries, private parties will actively participate in financing these projects. Considering the shift in the role of the PRC government from the direct investor to the supervisor, the owners of such projects are expected to be more diverse and, as a result, directly increase the requirements towards service providers in the ecological restoration market.

More favourable competitive environment: The central government is gradually taking steps to reform local regulations that violate the principles of fair market competition and is taking further action to investigate and punish unreasonable bidding requirements. To better address problems associated with excessive underpricing by bidding companies, the central government is also exploring reforms to the bidding mechanism for governmental management projects, including establishing a quality-first evaluation principle for bids, promoting the social credit system and implementing punitive measures. Thus, the bidding procedure and competitive environment are expected to be better regulated and become more favourable to industry participants in the PRC.

Competitive landscape of the ecological restoration market and our competitive advantages

In the PRC, many comprehensive projects usually involve multiple participants with each company completing only a certain specified portion of a project. Two common participants, infrastructure contractors and service providers for ecological restoration works, usually work as partners for these ecological-related projects.

Top 5 companies in ecological restoration market, the PRC, 2019

	Company Name	Headquarters Location	Listing Status	Description	Revenues derived from the ecological restoration projects in 2019	Share of revenues in terms of ecological restoration projects, in the PRC, in 2019
					(RMB million)	
1	Company D	Guangdong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	6,702.3	9.67%
2	Company A	Beijing	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	3,859.7	5.57%
3	Company J	Inner Mongolia	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects mainly in the Inner Mongolia.	2,851.8	4.11%
4	Company K	Guangdong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	2,779.5	4.01%
5	Company B	Guangdong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects mainly in the Southwestern and South China.	2,227.9	3.21%
Total of top five					18,421.0	26.57%
Total revenue of companies in the ecological restoration industry registered in the PRC:					69,341.4	100.00%

There are approximately 200 companies which are qualified to bid for large-scale ecological restoration projects in the PRC. There is no official geographical entry barrier for the companies in the ecological restoration market to bid for projects nation-wide. In the Three Northeast Provinces, the competition for new ecological restoration projects are considered within 50 participants, who are mostly registered in the North China and the Three Northeast Provinces. Leading companies have become the main contractors of most comprehensive projects rather than pure service providers. The Company ranked among the top 30 companies in the PRC ecological restoration industry, in terms of revenue derived from ecological restoration projects in 2019.

Top 5 companies in ecological restoration market, in the Three Northeast Provinces (東三省), 2019

	Company Name	Headquarters Location	Listing Status	Description	Revenues derived from the ecological restoration projects in the Three Northeast Provinces in 2019	Share of revenues in terms of ecological restoration projects, in the Three Northeast Provinces, in 2019
					(RMB million)	
1	The Company	Jilin	Unlisted	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects as well as ecological restoration services in the Three Northeast Provinces of the PRC.	245.2	6.67%
2	Company A	Beijing	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects nation-wide.	180.2	4.90%
3	Company K	Guangdong	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects mainly in the South-western and South China.	93.2	2.53%
4	Company F	Liaoning	Listed	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects in the Three Northeast Provinces of the PRC.	46.7	1.27%
5	Company J	Inner Mongolia	Listed	Listed company for the construction of municipal landscaping projects and ecological restoration projects mainly in the Inner Mongolia.	57.4	1.56%
Total of top five					622.6	17.00%
Total revenue generated from the Three Northeast Provinces by companies in the ecological restoration industry registered in the PRC:					3,678.3	100.00%

In terms of revenue generated from ecological restoration projects located in the Three Northeast Provinces in 2019, the Company ranked first among all the companies that have undertaken ecological restoration projects in the Three Northeast Provinces. The ecological restoration industry in the Three Northeast Provinces is relatively fragmented, with top five companies accounting for approximately 17.0% of the market in 2019.

Top 5 companies in ecological restoration market, registered in the Three Northeast Provinces (東三省), 2019

	Company Name	Headquarters Location	Listing Status	Description	Revenues derived from the ecological restoration projects in 2019	Share of revenues in terms of ecological restoration projects, in the PRC, in 2019
					(RMB million)	
1	The Company	Jilin	Unlisted	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects as well as ecological restoration services in the Three Northeast Provinces of the PRC.	402.6	0.58%
2	Company F	Liaoning	Listed	A comprehensive leading enterprise specialising in the design and construction of municipal and residential landscaping projects in the Three Northeast Provinces of the PRC.	73.7	0.11%
3	Company G	Liaoning	Listed	A leading company in the landscaping industry in Liaoning Province. The company is actively engaged in scaled municipal projects located in multiple provinces throughout the country.	33.0	0.05%
4	Company L	Liaoning	Unlisted	Mainly engaged in landscaping, ecological restoration, water conservancy projects, etc. The company is actively engaged in the construction of "sponge cities" in Liaoning Province.	3.5	0.01%
5	Company M	Liaoning	Unlisted	Mainly engaged in infrastructure engineering, soil restoration and municipal landscaping projects in Liaoning Province.	2.8	0.00%
Total of top five					515.5	0.74%
Total revenue of companies in the ecological restoration industry registered in the PRC:					69,341.4	100.00%

The PRC ecological restoration market is relatively concentrated in developed provinces and municipalities with high per capita GDP. The combined market share of companies registered in the Three Northeast Provinces of the PRC for ecological restoration market only accounted for approximately 0.743% of the entire market. In terms of revenues derived from ecological restoration market in 2019, the Company ranked first among all the companies registered in the Three Northeast Provinces, accounting for approximately 0.581% share of the PRC market.

Entry barriers of the ecological restoration market

Track records and project experience: A certain type of pollution usually calls for a specific type of treatment method. The track record and accumulated project experience of a company directly affects its competitiveness in terms of winning over new clients because there is no standard way of operating in the market. For new entrants, it is difficult to prove their capabilities in the area of ecological restoration market.

High capital investments: High upfront capital investments are required to provide a considerable proportion of the liquidity needed for project implementation. Thus, the business scale of contracted projects will be limited by the company's financial strength. New entrants usually face problems in terms of insufficient capital flows, which means that they are unable to compete with existing companies already operating in the industry at a larger scale.

Skilled talents: Satisfying certain number of certificated talents is a must for the construction and environmental qualifications in the industry. For instance, the application for the First-Grade Qualification of Professional Contractor for Environmental Engineering (環保工程專業承包壹級資質) requires at least five registered architects, ten technical engineers with more than 10 years of experience and other skilled workers. This high standard for available professional talents has therefore prevented many practitioners from entering into and gaining a proper footing in the industry.

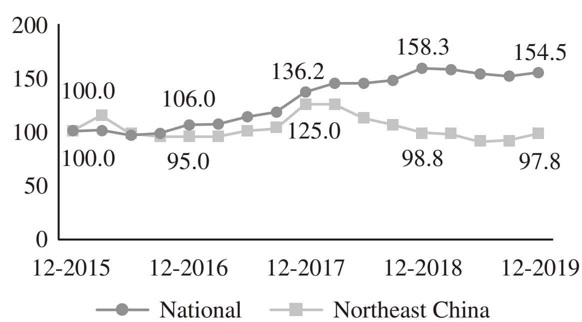
IMPACT OF THE OUTBREAK OF COVID-19

According to the CIC Report, the outbreak of COVID-19 has delayed the completion of the landscaping and ecological restoration projects in the PRC. The number of projects finished and the revenue of the landscaping and ecological restoration companies in the PRC experienced a slight decrease in the first quarter of 2020. However, it is expected that most projects in the PRC have gradually resumed since 10 February 2020 and the impact of COVID-19 on the landscaping and ecological restoration market in the PRC is insignificant in the long run.

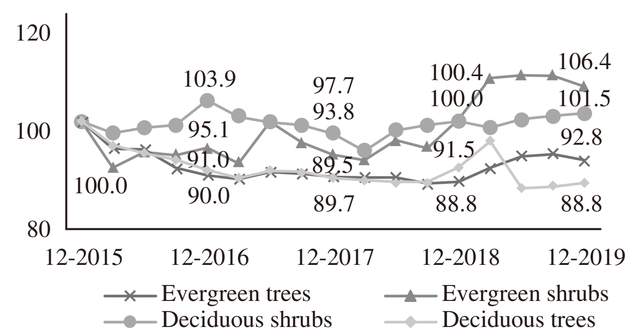
COST ANALYSIS

The materials used in landscaping industry and ecological restoration industry mainly include concrete and seedlings, among other inputs. The national price of concrete has increased significantly over the past two years, which can be attributed to an increase in the price for cement and higher environmental protection costs. In contrast, the price of concrete in Northeast China decreased in 2018 and 2019 as a result of overcapacity in the concrete market in that region. Seedlings can be categorised into four varieties, namely: evergreen trees, evergreen shrubs, deciduous trees, and deciduous shrubs. The price of seedlings remained relatively stable between 2016 and 2019.

Price index of concrete, the PRC, December.2015 – December.2019



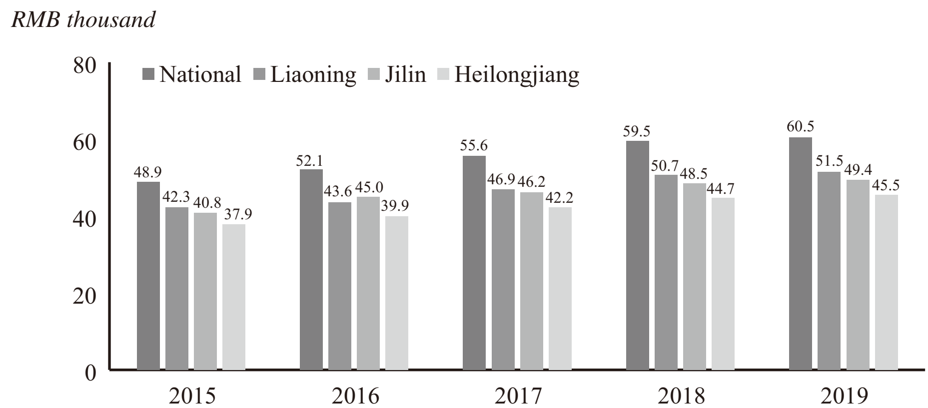
Price index of seedlings, the PRC, December.2015 – December.2019



Source: China Cement index platform, National seedling price index centre

The average national salary of employees in the landscaping industry and ecological restoration industry has increased steadily year-over-year. The average salaries of employees employed in these two industries in the Three Northeast Provinces are lower than the average national salary, though they have continued to follow an upward trend over the past five years.

Average annual salary of employees in the landscaping industry and ecological restoration industry, the PRC, 2015-2019



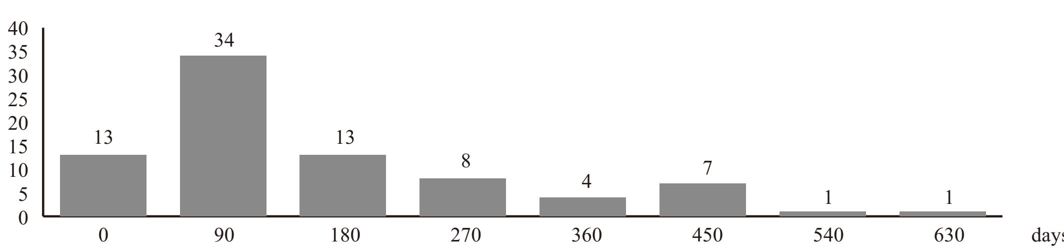
Source: National Bureau of Statistics of China

ACCOUNTS RECEIVABLES PERFORMANCE

The accounts receivables performance in landscaping industry and ecological restoration industry in the PRC saw a complicated situation. These two industries are costly considering the size of expenditure on raw materials, equipment and labour, as a project normally requires the construction contractors to pay the costs in advance and takes months or years to complete. Companies with accounts receivables turnover between 90 days to 360 days accounted for 67.9% of the 81 listed companies in these two markets.

Generally, public sector projects indicated a longer payment period than that from private sector projects, as demolition and delayed planning might be involved in the public sector projects, leading to a longer process flow for inspection, acceptance and settlement. However, non-private customers usually show higher credibility and lower default rates.

Average ages of accounts receivables of the listed companies in the landscaping industry and ecological restoration industry, number of companies, the PRC, 2019



Source: Public information of 81 listed companies in the landscaping industry and ecological restoration industry.

MAJOR REGULATIONS IN RELATION TO URBAN LANDSCAPING

According to the Regulations of Urban Greening (《城市綠化條例》), promulgated by the State Council on 22 June 1992 and with effect from 1 August 1992, last amended on and with effect from 1 March 2017, the design scheme of urban greening projects including but not limited to the construction of lawns in public and residential areas, scenery forestry and green belts along main roads shall be approved by corresponding local landscape authorities. The construction enterprises shall construct urban greening projects in accordance with the approved design scheme. Any necessary change to the design scheme shall be examined and approved by the local original approval authorities. According to the Regulations of Urban Greening, enterprises engaged in engineering designs and constructions of urban greening projects shall obtain relevant qualification certificates.

Qualifications of urban landscape construction enterprises

Pursuant to the Decision of the State Council on Amending and Repealing some Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) promulgated by the State Council and with effect from 1 March 2017, article 16 of the Regulation of Urban Greening (《城市綠化條例》) was deleted which stipulated that the construction of urban greening projects should be entrusted to construction enterprises with corresponding qualification certificates. Pursuant to the Notice of the General Office of the MOHURD on Effectively Implementing the Work of Cancelling the Administrative Licensing for Qualifications of Urban Landscape Construction Enterprises (《住房和城鄉建設部辦公廳關於做好取消城市園林綠化企業資質核準行政許可事項相關工作的通知》) (the "**Notice**") promulgated by the MOHURD on 13 April 2017 and with effect from the same day, the competent departments in charge of urban and rural housing construction (landscaping) at all levels no longer accept the application for qualifications of urban landscape construction enterprise and no longer, in any way, require the qualification of urban landscape construction enterprise or the qualification of main contracting of municipal construction works as the preconditions for contracting the construction business of landscape projects. According to the Notice, the Notice on the Approval for the First-Grade Urban Landscape Construction Enterprises Qualification Certificate (《關於城市園林綠化企業一級資質核准有關事宜的通知》) is abolished from the date of issuance of the Notice. Thus, since 13 April 2017, the requirements of qualifications of urban landscape construction enterprises for the enterprises engaged in the construction of urban greening projects were removed and the administrative licensing for qualifications of urban landscape construction enterprises was cancelled.

Standards for construction and check for acceptance of landscape projects

MOHURD promulgated the Announcement of MOHURD on Issuance of Industrial Standards for Construction and Check for Acceptance of Landscape Projects (《住房和城鄉建設部關於發佈行業標準〈園林綠化工程施工及驗收規範〉的公告》) on 24 December 2012 and with effect from 1 May 2013. Such Standards specify basic requirements for preparation prior to landscape construction, plants and saplings, soil treatment before cultivation, excavation of cultivation pit, seedling transportation, pruning of fake plants and saplings before cultivation, cultivation of various plants, roof landscape, earth covering and landscape of underground facilities, vertical landscape, slope protection landscape, auxiliary facilities of landscaping projects and project acceptance. Such Standards shall also apply to construction and check for acceptance of public lawn, preservation lawn, auxiliary lawn and other lawn and landscape projects and their auxiliary facilities.

REGULATIONS IN RELATION TO ENGINEERING SURVEY, DESIGN AND CONSTRUCTION

According to the Construction Law of the PRC (《中華人民共和國建築法》) (the "**Construction Law**") promulgated by the Standing Committee of the National People's Congress (the "**NPC Standing Committee**") on 1 November 1997 and with effect from 1 March 1998, last amended on and with effect from 23 April 2019, enterprises engaged in construction, engineering survey, engineering design and supervision shall apply for the qualifications of different grades according to its registered capital, professional and technical personnel, technical equipment and achievements and after passing the qualification examination, could separately obtain qualification certificates of commensurate grades for construction, surveying, design, supervision, only with which, can it undertake construction, survey, design, and supervision activities within the scope set out in its qualifications.

Pursuant to the Construction Law, the main contractor of a construction project may subcontract partial works in the contracted project to subcontractors with the corresponding qualification criteria. In the case of a main construction contract, construction of the main structure of the construction project must be completed by the general contractor. The main contractor shall be prohibited from subcontracting a project to enterprises which do not possess the corresponding qualifications and subcontractors shall be prohibited from subcontracting their subcontracted work to others. In addition, according to the Construction Law, a contractor and its personnel shall not contract projects using improper means such as offering bribes or kickbacks or other favours, etc to a contract-awarding unit and its personnel. For seeking, accepting and offering bribes in the course of contracting and subcontracting of projects, where the case constitutes a criminal offence, criminal liability shall be pursued in accordance with the law; where the case does not constitute a criminal offence, imposition of fine, confiscation of bribery items and punishment of directly accountable person-in-charge and other directly accountable personnel shall be made respectively, and the contractors who offer bribes for contracting of projects may, in addition to being punished pursuant to the provisions of the preceding paragraph, be ordered to suspend operations for rectification, be subject to downgrade of qualification grade or revocation of qualification certificate.

According to the Regulations on the Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》) promulgated by the State Council on 25 September 2000 and with effect from 25 September 2000, last amended and with effect from 7 October 2017, construction engineering survey and engineering design enterprises shall be engaged in business activities within the scope permitted by their respective qualifications as approved by the competent regulatory authorities. Professionals engaged in the construction engineering survey and engineering design projects shall obtain the certificate of executive registration and be employed by one construction engineering survey and design enterprise to participate in the construction engineering survey and engineering design projects.

Pursuant to the Regulations on the Administration of Survey and Design of Construction Projects, except for the survey and design of the main structure of the construction project, the contractor of a construction project may subcontract the survey and design works of ancillary structure of the construction project to subcontractors possessing the corresponding engineering survey and design qualification.

According to Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment (《國務院關於鼓勵和引導民間投資健康發展的若幹意見》) promulgated by the State Council on and with effect from 7 May 2010, the State Council encourages and guides the private capital to participate in the construction of municipal utilities, such as urban water supply, gas supply, heat supply, sewage and garbage disposal, public transport, urban landscaping and other urban areas.

According to the Guiding Opinions of National Development and Reform Commission on Carrying out Public-Private Partnerships (《國家發展改革委關於開展政府和社會資本合作的指導意見》) promulgated by National Development and Reform (the "**NDRC**") on 2 December 2014 and with effect from the same day, the public-private partnership (the "**PPP**") model refers to the benefit sharing, risk sharing and long-term cooperative relationship established with private capital by the government through franchise, purchase of service or equity cooperation, in order to increase the capacity in supply of public products and enhance the supply efficiency. The development of PPP is conducive to innovating the investment and financing mechanism, expanding investment channels of private capital and enhancing the endogenous driving force of economic growth; conducive to promoting various types of capital to combine and complement each other with their own advantages, accelerating the diversification of investors and developing a mixed ownership economy; and conducive to straightening the relationship between the government and the market, accelerating the transformation of government functions and giving full play to the decisive role of the market in allocating resources.

According to the Guiding Opinions of the State Council on Encouraging Social Investment in Investment and Financing Mechanisms in Key Innovation Areas (《國務院關於創新重點領域投融資機制鼓勵社會投資的指導意見》) promulgated by the State Council on 16 November 2014 and with effect from the same day, the PRC government promotes the PPP model in cooperation with social capital in the fields such as public service, resource environment and ecological protection and infrastructure. The government shall protect the interests of all the engaging parties in the cooperation and shall establish and integrate the risk prevention and supervision mechanism and the exit mechanism.

According to the Guidance Opinion on Increasing Input of State-owned Capital into Industries for Public Welfare (《財政部關於國有資本加大對公益性行業投入的指導意見》) (the "**Guidance Opinion**") promulgated by the MOF on 16 November 2017 and with effect on the same day, main forms of state-owned capital increasing investment in public welfare industry are provided, which are inclusive of, among others, encouraging the central-governmental enterprises to increase the investment in the industries of energy-saving, environmental protection, scientific-research and other public welfare industries clearly specified in State Council document, encouraging the local state-owned enterprises to invest in the public welfare industries such as urban management infrastructure in accordance with the local development practice, and promoting cooperation between the government and social capital.

According to the Regulations on Ensuring Payments to Small and Medium-sized Enterprises (《保障中小企業款項支付條例》) (the "**Regulations on Ensuring Payments**") promulgated on 5 July 2020 with effect on 1 September 2020, "small and medium-sized enterprises" (the "**SMEs**") shall refer to medium, small and micro-sized enterprises that are established within the territory of the PRC and determined as SMEs under the criteria for SMEs as approved by the State Council. Pursuant to the Regulations on Ensuring Payments, for the purchase of goods, engineering works or services from SMEs, government agencies and public institutions shall make payments within 30 days from the date of delivery of the goods, engineering works or services; where it is otherwise agreed upon in the contract, the payment term shall not exceed 60 days. And government agencies and public institutions shall, by 31 March of each year, disclose such information as the contractual quantity and amount of outstanding payments to SMEs in the previous year by such means as websites and newspapers/magazines that facilitate public awareness.

For large enterprises purchasing goods, projects and services from SMEs, large enterprises shall agree on payment term reasonably pursuant to industry norms and transaction practices and promptly make payment and shall agree on payment term reasonably pursuant to industry norms and transaction practices and promptly make payment.

According to the Notice on Promulgation of the Provisions on Classification Standards for Small and Medium Enterprises (《關於印發中小企業劃型標準規定的通知》) promulgated on 18 June 2011 with immediate effect, For construction industry, enterprises with business revenue of less than RMB800 million or total assets of less than RMB800 million shall be classified as small, medium and micro-enterprises.

Qualifications required for enterprises engaged in engineering survey and design

According to the Regulations on the Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》) promulgated by the State Council on 25 September 2000 and with effect from the same day, last amended and with effect from 7 October 2017, construction engineering survey and engineering design enterprises shall be engaged in business activities within the scope permitted by their respective qualifications as approved by the competent regulatory authorities. Professionals engaged in the construction engineering survey and engineering design projects shall obtain the certificate of executive registration and be employed by one construction engineering survey and design enterprises to participate in the construction engineering survey and engineering design projects.

Qualifications required for engineering survey

According to the Provisions on the Administration of Qualifications of Construction Survey and Design (《建設工程勘察設計資質管理規定》) promulgated by MOHURD on 26 June 2007 and with effect from 1 September 2007, last amended and with effect from 22 December 2018, and the Notice on the Issuance of Qualification Standards for Engineering Survey (關於印發《工程勘察資質標準》的通知) promulgated by MOHURD on 21 January 2013 and with effect from the same day, last amended and with effect from 16 June 2016, qualifications for construction engineering survey enterprises are divided into three groups, namely general engineering survey qualification, professional engineering survey qualification and engineering survey labour qualification. Among the three groups, professional engineering survey qualification is divided into various categories of qualifications according to nature and technical characteristics of the relevant engineering survey projects, and each category of qualifications is further divided into various classes in accordance with the stipulated conditions.

Pursuant to the Qualification Standards for Engineering Survey, survey qualifications of professional engineering for geotechnical investigation, hydrogeological investigation or engineering survey are all divided into three sub-categories, namely First-Grade, Second-Grade and Third-Grade qualifications. The above qualification standards set out the contracting scopes for First-Grade qualification of professional engineering for geotechnical investigation and hydrogeological investigation, and Second-Grade qualification of professional engineering for geotechnical investigation and engineering survey. Holders of Third Grade qualification may only undertake projects which do not fall within the contracting scope for First Grade or Second Grade qualifications.

Professional Engineering Qualification for Geotechnical Investigation

First-Grade qualification of professional engineering for geotechnical investigation

The permitted contracting scope for First-Grade qualification of professional engineering for geotechnical investigation contains the engineering survey business of all kinds of construction projects without the limitation of project scales and contract sums.

Second-Grade qualification of professional engineering for geotechnical investigation

The permitted contracting scope for Second-Grade qualification of professional engineering for geotechnical investigation contains the engineering survey business of all kinds of construction projects with project scale of Second-Grade and below. The projects with the scale of Second-Grade mainly refer to:

(1) projects with general geotechnical investigation engineering grade;

(2) projects with foundation design grade of Class B, which do not fall within the contracting scope for Class A and Class C (Contracting scope for Class C refers to projects containing civil buildings with equal to or less than seven floors and general industrial buildings with simple site and foundation condition, etc); and

(3) other construction projects in different industries with engineering design in medium-scale. Please refer to the section headed "Qualifications required for engineering design" of this prospectus for more details on the scopes of medium-scale in engineering design.

Professional Engineering Qualification for Hydrogeological Investigation

First-Grade qualification of professional engineering for hydrogeological investigation

The permitted contracting scope for First-Grade qualification of professional engineering for hydrogeological investigation contains the engineering survey business of all kinds of construction projects without the limitation of project scales and contract sums.

Professional Engineering Qualification for Engineering Survey

Second-Grade qualification of professional engineering for engineering survey

The permitted contracting scope for Second-Grade qualification professional engineering for engineering survey contains the engineering survey business of all kinds of construction projects with project scale of Second-Grade and below. The projects with the scale of Second-Grade mainly refer to:

(1) small town planning and surveying line;

(2) ruler topographic and map topographic survey with the size of 10-20 cubic kilometres;

(3) precision engineering survey for general engineering;

(4) line engineering survey with the length of 5-20 kilometres;

(5) integrated underground pipeline survey with the total length of less than 20 kilometres;

(6) building deformation, surface and road subsidence projects with foundation design grade of Class B and Class C.

Qualifications required for engineering design

According to the Provisions on the Administration of Qualifications of Construction Survey and Design (《建設工程勘察設計資質管理規定》) promulgated by MOHURD on 26 June 2007 and with effect on 1 September 2007, last amended and with effect on 22 December 2018, and the Notice on the Issuance of Qualification Standards for Engineering Design (關於印發《工程設計資質標準》的通知) promulgated by MOHURD on 29 March 2007 and with effect from the same day, last amended and with effect on 10 March 2017, qualifications for construction engineering design enterprises are divided into four groups, namely general engineering design qualification, industrial engineering design qualification, professional engineering design qualification and specific engineering design qualification. Among the four groups, professional engineering design qualification is divided into various categories of qualifications according to nature and technical characteristics of the relevant engineering design projects, and each category of qualifications is further divided into various classes in accordance with the stipulated conditions.

Pursuant to the Qualification Standards for Engineering Design, (1) landscape engineering design specialty qualifications are divided into First-Grade and Second-Grade; (2) professional engineering design qualifications in municipal industry for water-supply engineering, road engineering, drainage engineering and bridge engineering are divided into First-Grade and Second-Grade; (3) professional engineering design in agricultural industry for agriculture comprehensive development eco-engineering are divided into First-Grade and Second-Grade; (4) industrial engineering design qualifications for municipal industry are divided into First-Grade, Second-Grade and Third-Grade; and (5) industrial engineering design qualifications for water conservancy industry are divided into First-Grade, Second-Grade and Third-Grade.

The above regulations provide the contracting scopes for First-Grade and Second-Grade of landscape engineering design specialty qualifications, First-Grade of professional engineering design qualification in municipal industry, Second-Grade of professional engineering design qualification in agricultural industry, Second-Grade of industrial engineering design qualification for municipal industry, and Third-Grade industrial engineering design qualification for water conservancy industry.

Landscape Engineering Design Qualification

First-Grade qualification of landscape engineering design specialty

The permitted contracting scope for First-Grade qualification of landscape engineering design specialty contains all types and scales of landscape engineering design projects.

Second-Grade qualification of landscape engineering design specialty

The permitted contracting scope for Second-Grade qualification of landscape engineering design specialty contains:

(1) landscape engineering projects in medium-scale or below. The medium-scale projects refer to projects with total investment equal to or more than RMB5 million but less than RMB20 million or projects which contain (i) general landscape engineering projects of urban roads with total investment less than RMB20 million; (ii) landscape engineering projects of forest and scenic forest; (iii) landscape engineering projects of roads with high requirement or both sides of expressways; (iv) planning schemes of scenic spots

below the provincial level (excluding the provincial level), environment design for small public building with single function and simple technical requirements, outdoor environment design of general public building projects, outdoor garden design for three-star hotels or below and outdoor environment design of economically affordable housing; and(v) urban water landscape projects with area of less than 200 square metres and landscape lighting design supporting the above projects; and

(2) landscape engineering projects in large-scale with total investment not less than RMB20 million. The large-scale projects refer to projects with total investment equal to or more than RMB20 million no matter what kind of project they are specifically or projects which contain (i) landscape engineering projects of important urban roads and large overpasses;(ii) planning and design projects of urban landscape system and provincial and national scenic area; projects of cultural and natural landscapes and ecological protection; (iii) landscape design of parks, street gardens, garden sketches, roof gardens, indoor gardens, urban waterfront landscapes, environmental urban road landscape belts, urban squares and pedestrian street; (iv) overall environmental design of resorts and golf courses, landscape design projects of garden design for four and five-star hotels and premium hotels; (v) outdoor environment design of large public building projects and other public building projects with complex technical requirements or regional significance, antique buildings or high-standard ancient building or protective buildings or commercial residential buildings, design of landscape architecture and landscape road; (vi) urban water landscape projects with area of more than 200 square metres and landscape lighting design supporting the above projects, no matter what the investment amount is.

For instance, the landscape engineering projects in large-scale with total investment more than RMB20 million could only be conducted by the enterprises with First-Grade qualification, and the landscape engineering projects in large-scale with total investment less than RMB20 million could be conducted by the enterprises with First-Grade qualification or the enterprises with Second-Grade qualification.

Professional Engineering Design Qualification

First-Grade qualification of professional engineering design in municipal industry for water-supply engineering, road engineering, drainage engineering and bridge engineering

The permitted contracting scope for First-Grade qualification of professional engineering design in municipal industry for water-supply engineering, road engineering, drainage engineering and bridge engineering contains all types and scales projects.

Second-Grade qualification of professional engineering design in agricultural industry for agriculture comprehensive development eco-engineering

The permitted contracting scope for Second-Grade qualification of professional engineering design in agricultural industry for agriculture comprehensive development eco-engineering contains the design of the main work of medium-scale and small-scale construction projects and its supporting work. In particular, medium-scale and small-scale projects refer to projects with an area of less than approximately 66,666 hectares in agriculture eco-engineering.

Industrial Engineering Design Qualification

Second-Grade qualification of industrial engineering design for municipal industry

The permitted contracting scope for Second-Grade qualification of industrial engineering design for municipal industry contains the design of the main work of medium-scale and small-scale construction projects and its supporting work. For instance, (1) medium-scale projects in water supply work refer to projects with a maximum capacity of 50,000–100,000 tons per day and small-scale projects refer to projects with a maximum capacity of less than 50,000 tons per day in municipal industry; (2) medium-scale projects in drainage work refer to projects with the limit of 40,000–80,000 tons per day and small-scale projects refer to projects with the limit of less than 40,000 tons per day in municipal industry; (3) medium-scale projects in heating engineering refer to projects with the supplying power area of 1,500,000–5,000,000 square metres and small-scale projects refer to projects with the supplying power area of less than 1,500,000 square meters in municipal industry; (4) medium scale projects in road engineering refer to projects with the road level of urban secondary trunk road (including traffic engineering facilities) and simple interchange road, and small-scale in road engineering refer to projects with the road level of urban branch road (including traffic engineering facilities) in municipal industry.

Third-Grade qualification of industrial engineering design for water conservancy industry

The permitted contracting scope for Third-Grade qualification of industrial engineering design for water conservancy industry contains the design of the main work of small-scale construction projects and its supporting work. For instance, small-scale projects in sprinkler irrigation and drainage engineering refer to projects with an area of less than approximately 2,000 hectares in water conservancy industry.

Qualifications for main construction contractors and professional contractors

According to the Administrative Provisions on the Qualification of Construction Enterprises (《建築業企業資質管理規定》) promulgated on 6 October 1995 with effect from 6 October 1995 and last amended on and with effect from 22 December 2018 and the Notice of the MOHURD on Issuance of Qualification Standards of Enterprises in the Construction Industry (《住房和城鄉建設部關於印發〈建築業企業資質標準〉的通知》) (the "**Qualification Standards in Construction**") promulgated by MOHURD on 6 November 2014 and with effect from 1 January 2015, the qualifications of construction enterprises are classified into three groups, namely, main construction contractor qualification (施工總承包資質), professional contractor qualification (專業承包資質) and construction labour qualification (施工勞務資質). Both main construction contractor qualification and professional contractor qualification are divided into various subcategories of qualifications according to the nature and technical characteristics of the relevant construction projects, and each of the said subcategories is further divided into various classes in accordance with the stipulated conditions. Pursuant to the Qualification Standards in the Construction and the Notice of the MOHURD on simplifying a partial index of the Qualification Standards of Enterprises in the Construction Industry (《住房和城鄉建設部關於簡化建築業企業資質標準部分指標的通知》) promulgated on 14 October 2016 with effect from 1 November 2016, (1) main contractor qualifications for municipal public works are divided into First-Grade, Second-Grade and Third-Grade; (2) professional contractor qualifications for historical building projects are divided into First-Grade, Second-Grade and Third-Grade, and (3) professional contractor qualifications for environmental engineering are divided into First-Grade, Second-Grade and Third-Grade.

The regulations provide the contracting scopes and qualification standards for Second-Grade for municipal public works, Third-Grade for historical building projects and First-Grade for environmental engineering.

Main Contractor Qualification

Second-Grade qualification for municipal public works

The permitted contracting scope for Second-Grade qualification for municipal public works contains:

(1) all types pf urban road engineering; urban bridge engineering with a single span less than 45 meters;

(2) water supply work with the limit of 150,000 tons per day; sewage disposal work with the limit of 100,000 tons per day; pump station for water supply with the limit of 250,000 tons per day, sewage disposal and rainfall with the limit of 150,000 tons per day; all types of water supply and drainage pipeline and middle waterway;

(3) gas pipeline below medium pressure; regulator station; heating engineering supplying power for area less than 1,500,000 square metres and all types of thermal pipeline engineering;

(4) all types of urban solid waste disposal engineering;

(5) tunnel engineering with sections less than 25 square metres and underground transportation engineering;

(6) all types of city square and ground parking lot covered by rigid material; and

(7) comprehensive municipal project with an individual contract value less than RMB40 million.

Professional Contractor Qualification

Third-Grade qualification for historical building projects

The permitted contracting scope for Third-Grade qualification for historical building projects contains:

(1) single antique building project with area less than 400 square metres; and

(2) renovation construction of historical building project in provincial important protection units of cultural relic with area less than 100 square metres.

First-Grade qualification for environmental engineering

The permitted contracting scope for First-Grade qualification for environmental engineering contains all types of environmental engineering construction. According to the Provisions on the Administration of Qualifications of Construction Survey and Design (《建設工程勘察設計資質管理規定》) promulgated by MOHURD on 26 June 2007 and with effect on 1 September 2007, last amended and with effect on 22 December 2018, and the Notice on the Issuance of Qualification Standards for Engineering Design (關於印發《工程設計資質標準》的通知) promulgated by MOHURD on 29 March 2007 and with effect from the same day, last amended and with effect on 10 March 2017, qualifications for construction engineering design enterprises are divided into four groups, namely general engineering design qualification, industrial engineering design qualification, professional engineering design qualification and specific engineering design qualification. Among the four groups, professional engineering design qualification is divided into various categories of qualifications according to nature and technical characteristics of the relevant engineering design projects, and each category of qualifications is further divided into various classes in accordance with the stipulated conditions.

According to the Circular regarding Issuing the Premium Class Qualification Standards for General Construction Contractors (《關於印發〈施工總承包企業特級資質標準〉的通知》) (the "**Premium Class Qualification Standards**") of MOHURD promulgated on and with effect from 13 March 2007, enterprises obtaining any one of the premium class qualifications for main construction contractor and two of the first-class qualifications for main construction contractor in specialised fields such as housing construction, mining, metallurgy, roads, railways, municipal public works, ports and waterways, water conservancy and hydropower may undertake the businesses of main construction contractor, general engineering contracting and project management of the specialised projects and conduct the construction drawing design business with a complete array of corresponding design-oriented professionals.

Tenders and bidding for undertaking engineering survey, design and construction

According to the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》) promulgated by the NPC Standing Committee on 30 August 1999 and with effect from 1 January 2000, last amended on 27 December 2017 and with effect from 28 December 2017 and the Implementation Regulations for the Law of the People's Republic of China on Tenders and Bids (《中華人民共和國招標投標法實施條例》) promulgated by the State Council on 20 December 2011 and with effect from 1 February 2012, last amended and with effect from 2 March 2019, bidding is required for the survey, design, construction and consultancy of projects in the PRC, including:

(a) Projects involving large-scale infrastructure and public utility relating to public interest and security;

(b) Projects entirely or partially financed by state-owned funds or loans by the state; and

(c) Projects financed by loans and financial aid from international organisations or foreign governments.

The specific scope and standards on the scale of the construction projects subject to tender by law shall be drafted jointly by the development reform department, together with other relevant departments under the State Council, and shall be announced and implemented after approval by the State Council.

In addition, according to the Tender and Bidding Law of the PRC and the Implementation Regulations for the Law of the PRC on Tenders and Bids, a bidder shall not bribe the bid inviter or any member of the bid evaluation committee in order to win the bid, and where a bidder bribes the bid inviter or a member of the bid evaluation committee in order to be awarded a bid, the award of the bid shall be void; a fine ranging from 0.05% to 0.1% of the price of the bidding project shall be imposed; the directly responsible person-in-charge of an organisation or any other person directly responsible for the violation shall be fined an amount ranging from 5% to 10% of the fine imposed upon the organisation; where there is illegal income from the violation, it shall be confiscated; where the bidder bribes to obtain award of tender, the bidder shall be disqualified from bidding for a project required by law to call for bids for a period of one to two years, and the disqualification shall be announced, and administration for industry and commerce may revoke the business licence of the bidder; where the case constitutes a criminal offence, criminal liability shall be pursued pursuant to the law.

The Rules on Projects Subject to Bidding (《必須招標的工程項目規定》) (the "**Must Bidding Rules**") promulgated by the NDRC on 27 March 2018 and with effect from 1 June 2018, further stipulates the survey, design, construction and consultancy of projects in the PRC required bidding:

(a) Projects in which investment is made with all or part of state-owned funds or state financing include (i) projects that use more than RMB2 million of budgetary funds, and such funds account for more than 10% of the investment amount; or (ii) projects that use the funds of a state-owned enterprise or public institution, and such funds account for controlling or dominant portion;

(b) Projects that use loans or aid funds from international organisations or foreign governments include: (i) projects using loans and aid funds from international organisations such as the World Bank and Asian Development Bank; and (ii) projects using loans and aid funds from foreign governments and their agencies;

(c) For other projects involving large-scale infrastructure and public utilities concerning social public interests and public safety that are not mentioned above.

For projects subject to bidding as stipulated in the Must Bidding Rules, the survey, design, construction, supervision, and procurement of important equipment and materials relating to the construction thereof that satisfy any of the following criteria are subject to bidding: (i) the estimated price of a single contract on construction is more than RMB4 million; (ii) the estimated price of a single contract on the procurement of important equipment, materials is more than RMB2 million; or (iii) the estimated price of a single contract on the procurement of survey, design, supervision or any other service is more than RMB1 million. The survey, design, construction and supervision that can be merged for a project as well as the purchase of important equipment, materials relating to the construction of the same project are subject to bidding if the estimated contract sum meets the criteria specified in the Must Bidding Rules.

The Administrative Measures on the Bidding for Construction of Buildings and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) promulgated by the MOHURD on and with effect from 1 June 2001, last amended and with effect from 13 March 2019, applicable to the bidding activities for construction of buildings and municipal infrastructure projects that are mandatorily subject to bidding in accordance with the law. Invitations of bids for construction projects include open bid invitations and selected bid invitations. For any projects that must be subject to bidding in accordance with the law, open bid invitation shall be carried out for those that are completely financed by state-owned capital or the state-owned capital has a controlling or dominant position, with the exception of the key construction projects that may be subject to selective bid invitation upon the approval of the State Development Planning Commission or the local provincial-level government, autonomous region or municipality directly under the Central Government. Selective bid invitation may be carried out for other projects. In accordance with the Administrative Measures on the Bidding for Construction of Buildings and Municipal Infrastructure Projects, where the competent administrative department of construction fails to notify the bid inviter of any violation of law in the bidding activities within five days upon receipt of the written report, the bid inviter may issue a notification of award to the winning bidder and notify all unsuccessful bidders of the result. Construction bidders are construction enterprises that respond to invitation of bids for construction and participate in bidding competition. Bidders shall have the corresponding qualifications for construction enterprises and meet the requirements specified in the bidding document in terms of project performance, technical capability, project manager qualification conditions and financial status.

Administration of quality control of engineering survey, design and construction

According to the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》), promulgated by the State Council on and with effect from 30 January 2001, last amended and with effect from 23 April 2019, the construction entities, survey entities, design entities, construction entities and construction project supervision entities shall be responsible for the quality of construction projects. Those engaging activities of construction project shall strictly comply with the fundamental construction procedures and shall stick to the principle of surveying first, then designing and then constructing. A system of quality repair guarantee shall be adopted for construction projects. If there occurs any quality problem, which falls within the scope of repair guarantee, within the period of repair guarantee, the construction entity shall perform the obligation of repair guarantee and shall be liable for compensating for the losses.

According to the Administrative Measures for the Filing of Completion Inspection and Acceptance of Building Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), promulgated by MOHURD on and implemented since 19 October 2009, the housing urban-rural development department of the State Council is in responsible for the administration on the filing of completion inspection and acceptance of housing construction and municipal infrastructure projects in the nation, while the competent construction department of the local government at or above the county level shall be responsible for those projects within its administrative area.

Work safety in relation to project construction

In addition to the Construction Law, the administration of work safety in relation to project construction is mainly set forth in a variety of regulations such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) promulgated by the NPC Standing Committee on 29 June 2002 and with effect from 1 November 2002, last amended on 31 August 2014 and with effect from 1 December 2014, the Regulations on Work Safety Licenses (《安全生產許可證條例》) promulgated by the State Council on and implemented as from 13 January 2004, last amended and with effect from 29 July 2014, the Regulations on Administration of Work Safety Permits for Construction Enterprises (《建築施工企業安全生產許可證管理規定》) promulgated by the MOHURD on and with effect from 5 July 2004, last amended and with effect from 22 January 2015.

According to the above-mentioned laws and regulations, the State applies a work safety licensing system to enterprises engaged in construction. Construction enterprises shall undertake production activities with work safety licences. Construction enterprises, survey enterprises, design enterprises, construction enterprises, project supervision enterprises and other enterprises related to the safety production of construction projects must abide by the provisions of safety production laws and regulations, ensure the safe production of construction projects, and bear the responsibility for safety production of construction projects in accordance with laws and regulations. The administrative departments of construction under the people's governments of provinces, autonomous regions, and centrally-administered municipalities, are in charge of the issuance and administration of work safety licences for construction enterprises.

REGULATIONS IN RELATION TO ENGINEERING CONSULTING

According to the Management Measures on Engineering Consulting Industry (《工程諮詢行業管理辦法》) promulgated by the NDRC on 6 November 2017 and with effect from 6 December 2017, the filing for engineering consulting enterprises is informative. The engineering consulting enterprise shall file the following information through the online approval and supervision platform of the national investment project, where there is neither category nor class for construction labour qualification:

(a) Basic information, including business licence (institutional legal person certificate), personnel and technical strength, period of engineering consulting business, contact information;

(b) The scope of engineering consulting profession and services;

(c) The filing of professional and technical personnel in the professional field;

(d) Brief introduction of non-confidential consulting results.

The engineering consulting enterprise shall ensure that the information provided is true, accurate and complete. If the filing information changes, the engineering consulting enterprise shall promptly notify the online platform.

Pursuant to the Management Measures on Engineering Consulting Industry《工程諮詢行業管理辦法》, the basic information of the engineering consulting enterprise is announced to the public by the NDRC through an online platform. The results of the credit evaluation of the engineering consulting enterprise will be announced to the public by the national and provincial development and reform commissions through the aforementioned online platform and the "Credit China" website.

REGULATIONS IN RELATION TO URBAN AND RURAL PLANNING

According to the Law of the PRC on Urban-Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by NPC Standing Committee on 28 October 2007 and with effect from 1 January 2008, last amended and with effect from 23 April 2019 and the Regulations on the Management of Qualifications of Urban-Rural Planning Compilation Enterprises (《城鄉規劃編制單位資質管理規定》) by MOHURD on 2 July 2012 and with effect from 1 September 2012, last amended and with effect from 20 October 2016, an enterprise engaged in the compilation of urban-rural planning shall obtain qualification certificates of corresponding grade and shall engage in the business within the scope permitted by the grade of the qualification. Enterprises with different grades of the qualifications of urban-rural planning compilation are entitled to undertake different works.

Pursuant to the Regulations on the Management of Qualifications of Urban-Rural Planning Compilation Enterprises, urban-rural planning compilation qualifications are all divided into First-Grade, Second-Grade and Third-Grade. The above regulation provide the contracting scopes for Second-Grade of urban-rural planning compilation qualification.

The permitted contracting scope for Second-Grade qualification of urban-rural planning compilation contains:

(1) compilation of general planning for towns and the cities with a population of less than 0.2 million;

(2) compilation of relevant special planning for towns, the cities where registration is located and the cities with a population of less than 1 million;

(3) compilation for detailed planning;

(4) compilation for planning in township and village planning; and

(5) feasibility study on site selection for construction project planning.

According to the Regulations on the Management of Qualifications of Urban-Rural Planning Compilation Enterprises, foreign-invested enterprises may apply for the qualification for urban-rural planning compilation enterprises and undertake urban-rural planning compilation work except for the overall planning compilation services of the city and town within the scope of the corresponding qualification level. The qualification licensing authority shall indicate in the qualification certificate of the foreign-invested enterprise that the overall planning compilation services of the city and town are excluded.

REGULATION IN RELATION TO REGISTERED PROFESSIONALS

Qualification Requirements of Registered Constructors

According to Administrative Provisions on Registered Constructors (《註冊建造師管理規定》) promulgated by MOHURD on 28 December 2006 and last amended on 13 September 2016, the registered practice management system is adopted for registered constructors, who are divided into Class A and Class B. One shall meet the following conditions when applying for initial registration for Class A or Class B: (1) having obtained a qualification certificate by passing assessment, certification or examination; (2) being employed by an enterprise in the relevant industry; (3) meeting the requirements for continuing education; and (4) not being in any of the disqualifying circumstances stipulated under such administrative provisions. Further, according to the Qualification in the Construction Industry, the registered constructor, possessing the qualification of Class A, could be a project manager of construction engineering projects conducted by construction enterprises with the First-Grade qualification as stipulated in the Qualification in the Construction Industry whereas Class B registered constructor could be a project manager of construction engineering projects conducted by construction enterprises with the Second-Grade qualification or below.

Qualification Requirements of Registered Architects

According to Implementation Rules of the Regulations on Registered Architects in the PRC (《中華人民共和國註冊建築師條例實施細則》) promulgated by MOHURD on 1 July 1996 and last amended on 29 January 2008, the registered practice management system is adopted for registered architects, who are divided into Class A and Class B. One shall meet the following conditions when applying for initial registration for Class A or Class B: (1) having obtained a professional qualification certificate or mutual recognition qualification certificate according to law; (2) being employed by an enterprise in the relevant industry; (3) being engaged in architectural design and related business within the PRC for more than one year in the past three years; (4) meeting the requirements for continuing education; and (5) not being in any of the disqualifying circumstances stipulated under such rules. The scope of practice of a Class A registered architect is not limited by the scale and the complexity of the project. The scope of practice of Class B registered architects is limited to small-scale projects as specified in the Qualification Standards for Engineering Design.

Qualification Requirements of Professional Engineer

According to Guiding Opinions on Deepening the Reform of the Professional Title System for Engineering and Technical Personnel (《關於深化工程技術人才職稱制度改革的指導意見》) promulgated by the Ministry of Human Resources and Social Security and the Ministry of Industry and Information Technology on 1 February 2019 with immediate effect, the engineering and technical personnels can be divided into professorate senior engineer, senior engineer, engineer, associate engineer and technician by professional titles.

The major qualification requirement for senior engineer contains: (1) obtaining a Ph.D. degree and engaged in technical work for two years after obtaining the title of engineer; or obtaining a master's degree or a second bachelor's degree or a bachelor's degree and engaged in technical work for five years after obtaining the title of engineer; (2) undertaking long-term professional work and having outstanding performance; and (3) acquiring abilities to independently lead and build major projects, solve complex engineering problems. The major qualification requirement for professorate senior engineer contains: (1) obtaining a bachelor's degree or above and engaged in technical work for five years after obtaining the title of senior engineer; (2) high reputation and influence in related field; (3) acquiring abilities to lead major projects in the field of expertise and solve major technical problems or master crucial core technologies.

Qualification Requirements of Registered Engineer

According to Administrative Provisions on Registered Engineers of Survey and Design (《勘察設計註冊工程師管理規定》) promulgated by MOHURD on 4 February 2005 and last amended on 20 October 2016, registered engineers shall be set up according to professional categories such as registered structural engineer, registered electrical engineer, registered power engineer, registered geotechnical engineer, registered water supply and drainage engineer and registered planning engineer. The registered practice management system is adopted for registered engineers, in which the registered structural engineers are divided into Class A and Class B and other registered engineers are not classified. One shall meet the following conditions when applying for initial registration: (1) having obtained a qualification certificate by passing assessment, certification or examination; (2) being employed by a related enterprise; (3) meeting the requirements for continuing education; and (4) not being in any of the disqualifying circumstances stipulated under such administrative provisions.

REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**") promulgated by the NPC Standing Committee on and with effect from 26 December 1989, last amended on 24 April 2014 and with effect from 1 January 2015, the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) promulgated by the NPC Standing Committee on 1 November 1997 and with effect from 1 January 1998, last amended and with effect from 26 October 2018, the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) promulgated by the NPC Standing Committee on 5 September 1987 and with effect from 1 June 1988, last amended and with effect from 26 October 2018, the Prevention and Control of Water Pollution Law of the People's Republic of China (《中華人民共和國水污染防治法》) promulgated by the NPC Standing Committee on 11 May 1984 and with effect from 1 November 1984, last amended on 27 June 2017 and with effect from 1 January 2018, the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) promulgated by the NPC Standing Committee on 30 October 1995 and with effect from 1 April 1996, last amended and with effect from 1 September 2020, the Construction Law of the People's Republic of China, the Environmental Effect Appraisal Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the NPC Standing Committee on 28 October 2002 and with effect from 1 September 2003, last amended and with effect from 29 December 2018, the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated on and with effect from 29 November 1998, last amended on 16 July 2017 and with effect from 1 October 2017, the Measures on Administration Concerning the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收管理辦法》) promulgated on 27 December 2001 and with effect from 1 February 2002, last amended and with effect from 22 December 2010 and other relevant laws and regulations contain provisions concerning environmental protection during the course of construction projects, the construction of any project that causes pollution to the environment must comply with the PRC government's regulations on environment protection relating to the construction projects. The PRC government has implemented a mechanism for the evaluation of environmental impact of construction projects. A construction enterprise shall adopt measures to control environmental pollutions and damages caused by dust, waste gas, sewages, solid waste, noises and vibrations at the construction site in accordance with the environmental protection and work safety laws and regulations.

REGULATIONS IN RELATION TO ANTI-BRIBERY

According to the Law of the PRC Against Unfair Competition (《中華人民共和國反不正當競爭法》) promulgated by the NPC Standing Committee on 2 September 1993 and with effect from 1 December 1993, last amended on 23 April 2019 with immediate effect, business operators shall not seek transaction opportunities or competitive advantages by bribing the following entities or individuals with property or by any other means: (a) staff of a transaction counterparty, (b) entities or individuals entrusted by a transaction counterparty to handle the relevant matters, or (c) entities or individuals who make use of their official powers or influence to affect a transaction. Where a business operator violates the aforesaid provisions in committing bribery, the regulatory authorities shall confiscate the illegal income and impose a fine ranging from RMB100,000 to RMB3 million. In serious cases, the business licence of the business operator shall be revoked.

Pursuant to the Interim Provisions on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) (the "**Interim Provisions**") promulgated by the State Administration for Industry and Commerce on 15 November 1996 with immediate effect, commercial bribery shall be subject to supervision and inspection by the administration for industry and commerce of county level or above, and the commercial bribery refers to the acts of business operators who bribe the counterpart entities or individuals by adopting property or any other means for the purpose of selling or purchasing commodities. The term "property" referred to in the Interim Provisions means cash and in kind, including the property paid to the counterpart entities or individuals by business operators in the false name of promotion costs, publicity expenses, sponsorship, research costs, remuneration, consultation fees, commissions, etc or by reimbursing all kinds of fees, etc for the purpose of selling or purchasing commodities, and the term "other means" means the methods of providing benefits other than property such as provision of all kinds of overseas and domestic travels of various descriptions, inspection tours. Furthermore, according to the Interim Provisions, the acts of employees of a business operator adopting commercial bribery for the purpose of selling or purchasing commodities for the business operator shall be regarded as the acts of the business operator.

In addition, according to the Notice of the Supreme People's Court and the Supreme People's Procuratorate on Releasing the Opinions on Certain Issues Concerning the Application of Law in Handling Criminal Cases of Commercial Briberies (《最高人民法院、最高人民檢察院關於印發《關於辦理商業賄賂刑事案件適用法律若干問題的意見》的通知》) on 20 November 2008 with immediate effect, for the purpose of the crime of offering bribes, in bid invitation, bidding, government procurements and other commercial activities, offering money or property, in violation of the principle of fairness, to relevant personnel to gain competitive advantages shall be deemed as an act to "seek for illegitimate benefits".

REGULATIONS IN RELATION TO LABOUR PROTECTION

Laws and regulations on general labour protection

In according to the Labour Law of the PRC (《中華人民共和國勞動法》, on 29 December 2018, the Law of People's Republic of China on Employment Contract (《中華人民共和國勞動合同法》) on 1 July 2013 and the Rules for Implementation of Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) issued on 18 September 2008, a written labour contract shall be entered into within one month from the date when an employee commences work, otherwise the employer shall pay twice of the monthly wage until a labour contract without fixed term is deemed as concluded. Labour contract is divided into two types, namely labour contract with fixed term and labour contract without fixed term. Where the employee has already worked for the employer for one full year in the absence of a written labour contract, a labour contract without fixed term shall be deemed to have been concluded. Where the employee has already worked for the employer for at least ten full years consecutively or the labour contract is to be renewed after two fixed-term labour contracts have been concluded consecutively, a labour contract without fixed term shall be concluded, unless an employee requests the conclusion of a fixed-term labour contract.

Pursuant to the Regulation of Insurance for Work-Related Injury (《工傷保險條例》) with effect from 1 January 2011, the Regulations on Unemployment Insurance (《失業保險條例》) with effect from 22 January 1999, the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》) with effect from 1 January 1995, the Interim Regulations on the Collection of Social Insurance Premium (《社會保險費征繳暫行條例》) with effect from 24 March 2019, the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) with effect from 29 December 2018, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees.

Pursuant to the Regulation on Management of Housing Provident Fund (《住房公積金管理條例》) newly effective from 24 March 2019, enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

REGULATIONS IN RELATION TO FOREIGN INVESTMENT

In accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Edition) (《外商投資準入特別管理措施(負面清單)》(2019年版)) (the "**Negative List 2019**"), with effect from 30 July 2019, the areas other than the Negative List 2019 are administered under the consistency principle for domestic and foreign investment. However, the foreign access of the specific areas may still subject to the actual implementation by the authorities. The current business of the Company does not fall in the Negative List 2019.

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Edition) (外商投資准入特別管理措施(負面清單)(2020年版) (the "**Negative List 2020**") which further reduces restrictions on foreign investment and is effective from 23 July 2020 and then replaces the Negative List 2019. Our current business also do not fall within the Negative List 2020.

The Company Law of the PRC (《中華人民共和國公司法》) which was promulgated by the NPC on 29 December 1993 and with effect from 1 July 1994, last amended and with effect from 26 October 2018, regulates the establishment, registration, registered capital requirements, corporate structure, conversion of the company form. The Company Law of the PRC shall apply to foreign-invested limited liability companies and companies limited by shares; where the laws on foreign investment provide otherwise, such provisions shall prevail.

The Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) which was promulgated on 12 April 1986, last amended on 3 September 2016 and with effect from 1 October, 2016 and the Implementation Rules to the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) which was promulgated on 12 December 1990, last amended on 19 February 2014, and with effect from 1 March 2014, regulates the establishment, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of wholly foreign-owned enterprises before they were repealed by the Foreign Investment Law on 1 January 2020.

The Law of the People's Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) which was promulgated on 8 July 1986, last amended on 3 September 2016 and with effect from 1 October 2016 and the Regulations for the Implementation of the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法實施條例》) which was newly effective from 2 March 2019, regulates the establishment, approval procedures, registered capital requirements, foreign exchange, accounting practices, taxation and labour matters of sino-foreign equity joint ventures before they were repealed by the Foreign Investment Law on 1 January 2020.

Pursuant to the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the "**Provisional Measures**") which was promulgated on 8 October 2016, last amended and effected on 30 June 2018, the foreign investments in business sectors not subject to special administrative measures will only be required to complete a filing instead of applying for approval. Special administrative measures for admission stipulated by the State shall be promulgated by the State Council or promulgated with approval by the State Council.

Pursuant to the Measures for the Reporting of Foreign Investment Information (外商投資信息報告辦法), which came into effect on 1 January 2020 and repealed the Provisional Measures, the requirement of record-filing with or approval from the MOFCOM is replaced with a reporting requirement, regardless of whether such foreign investment is subject to PRC government's special entry administration measures.

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") which is effective on 1 January 2020 repealing simultaneously the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-owned Enterprises and the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures. The foreign-funded enterprises, established in accordance with the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-owned Enterprises or the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) before the effectiveness of the present Law, may keep their original organisational forms for five years after the effectiveness of the present Law. The specific implementing measures shall be developed by the State Council.

The Foreign Investment Law stipulates the promotion and protection measures and the legal liability in order to regulate the investment activity directly or indirectly carried out by foreign natural persons, enterprises or other organisations.

REGULATIONS IN RELATION TO FOREIGN EXCHANGE CONTROLS

The Foreign Exchange Control Regulations of the People's Republic of China (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**") promulgated by the State Council on 1 April 1996, as last amended and with effect from 5 August 2008, are applicable to all activities related to foreign exchange receipts and disbursements and transactions by PRC-based corporations and individuals and to the said activities of overseas corporations and individuals within the territory of People's Republic of China. The Foreign Exchange Regulations stipulates that all international disbursement and transfer of funds are classified into two categories, i.e. current account and capital account, while the former is subject to procedural control only. Approval from the State Administration of Foreign Exchange ("**SAFE**") is not required for most current account transactions, but is required for capital account-transactions.

Pursuant to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China ("**PBOC**") on 20 June 1996 and effective on 1 July 1996, China abolished the balance restrictions on the current account foreign exchange conversion while retaining the restrictions on capital account foreign exchange transaction.

According to the Circular of the State Administration of Foreign Exchange on Further Improving and Adjusting the Direct Investment Foreign Exchange Administration Policies for Direct Investments (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) ("**Circular 59**"), promulgated on 19 November 2012 as last amended and effective on 30 December 2019, the SAFE cancelled approval formalities for account opening and deposit for foreign currency accounts under direct investments, reinvestment of domestic legitimate income of foreign investors, foreign exchange purchase under direct investments and overseas payment, foreign currency fund transfer in the PRC under direct investments and various statements under direct investments required to be submitted by banks and enterprises to the foreign exchange bureau at their location and by all sub-bureaux of foreign exchange bureaux to the SAFE prior to promulgation of Circular 59 have been cancelled.

According to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Circular 13**"), which became effective from 1 June 2015 and was last amended on 30 December 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**Circular 19**"), which became effective on 1 June 2015 and was last amended on 30 December 2019, the system of willingness-based foreign exchange settlement is adopted for the foreign exchange capital of foreign-invested enterprises which refers to that the foreign exchange capital, for which the monetary contribution has been confirmed by the foreign exchange authorities (or for which the monetary contribution has been registered for account entry) in the capital account of a foreign-invested enterprise may be settled at a bank as required by the enterprise's actual management needs. The proportion of willingness-based foreign exchange settlement of capital for a foreign-invested enterprise is temporarily set at 100%. The RMB funds obtained by a foreign-invested enterprise from its willingness-based exchange settlement of capital shall be included into a foreign exchange settlement account for pending payment and shall be used within the approved business scope of the foreign-invested enterprise. The foreign-invested enterprise still needs to provide the supporting documents and go through the review process with the banks when further payment is made from such account. In particular, under the Circular 19, domestic equity investments from the exchange settlement funds are allowed after performing relevant procedures.

The Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**"), which became effective on 9 June 2016, implements nationwide the reform of the control mode for foreign exchange settlement of foreign debts of enterprises. According to Circular 16, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may complete foreign exchange settlement formalities for their foreign debts at their discretion and the foreign exchange receipts under the capital account of a domestic institution shall be used within the business scope of the domestic institution and under the principles of authenticity and for itself.

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**") promulgated by the on and with effect from 4 July 2014, "Special purpose vehicles" referred to in this Notice shall mean overseas enterprises established directly or controlled indirectly by Chinese residents (including domestic organisations and Chinese resident individuals) using assets or interests of domestic enterprises held by them legitimately or overseas assets or interests held by them legitimately, for the purposes of investment and financing. Prior to making capital contribution in a special purpose vehicle by a Chinese resident using its legitimate assets or interests in China or overseas, the Chinese resident shall apply to the foreign exchange bureau for completion of foreign exchange registration formalities for overseas investments.

REGULATIONS IN RELATION TO TAX

Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which became effective on 1 January 2008 and last amended and effective on 29 December 2018, and the Implementation Rules of the 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》), which became effective on 1 January 2008, last amended and effective on 23 April 2019, non-resident enterprises which have establishments or premises of business in the PRC are subject to Enterprise Income Tax on their income sourced from China by such establishments or premises of business in China and on their income sourced from outside the PRC which is effectively connected with such establishments or premises of business in China. Non-resident enterprises, which do not have establishments or premises of business in the PRC, or which have establishments or premises of business in the PRC but relevant income is not effectively connected with such establishments or premises of business, are subject to enterprise income tax on their income sourced from the PRC. The tax rate for enterprise income tax is 25 per cent under the EIT Law. For a non-resident enterprise having no office or establishment inside the PRC, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside the PRC, it shall pay enterprise income tax on the incomes derived from its investment in the PRC at a reduced tax rate of 10%. Moreover, income from agriculture, forestry, husbandry and fishery projects of an enterprise may be reduced or exempted.

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) which became effective on 1 January 2009 and last amended and effected on 19 November 2017 and its implementation rules (《中華人民共和國增值稅暫行條例實施細則》), organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be the taxpayers of value-added tax ("**VAT**"), and shall pay VAT pursuant to these Regulations. Generally, the tax rate for taxpayers engaging in construction shall be 11%.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Valued-added Tax in lieu of Business Tax (《國家稅務總局關於全面推開營業稅改徵增值稅試點有關稅收徵收管理事項的公告》), which was promulgated on 19 April 2016 and became effective on 1 May 2016, last amended and with effect from 16 September 2019, the entities and individuals engaging in sale of services, intangible assets or immovable within the PRC shall pay VAT instead of the business tax used to be applicable to such sales. When a taxpayer who provides construction services issues a VAT invoice on its own or applies to the tax authorities to issue a VAT invoice on its behalf, it shall state in the remarks column of the invoice the name of the county (city, district) where the construction services are provided and the project name.

Stamp duty

Pursuant to the Provisional Regulation on Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例》) which became effective on 1 October 1988, last amended on 8 January 2011 and the Implementation Rules of the Provisional Regulations on Stamp Duty of the People's Republic of China (《中華人民共和國印花稅暫行條例施行細則》) which became effective on 29 September 1988, entities and individuals who execute or receive taxable instruments within the territory of the PRC are subject to stamp duty. Taxable instruments include purchases and sales contracts, the undertaking of processing contracts, contracts for undertaking construction projects, property leasing contracts, commodity transport contracts, warehousing and safekeeping contracts, loan contracts, property insurance contracts, technology contracts and other documents of contractual nature, property transfer documents, account books, certificates of title, licences and other documents that are taxable as determined by the Ministry of Finance. Pursuant to the stamp duty schedule, the stamp duty rate applicable to survey and design contracts for engineering and construction projects will be 0.05% of the professional fees receivable for rendering survey and design service, as compared to 0.03% of the contractual amount for construction and installation project contracts.

Dividend tax

Pursuant to the Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion in respect of income taxes signed by the Mainland China and Hong Kong (《國家稅務總局關於印發內地和香港避免雙重徵稅安排文本並請做好執行準備的通知》) on 27 September 2006 and last amended by the Announcement about the Entry into Force and Implementation of Protocol III to Arrangement Between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第三議定書生效執行的公告》), the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least 25% equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company after an application is made to and approved by the PRC taxation authority. Meanwhile, Circular of the State Administration of Taxation on the Interpretation and the Determination of the "Beneficial Owners" in the Tax Treaties issued by the State Administration of Taxation on 29 June 2012, has stipulated some factors that are unfavourable to the determination of "beneficial owner".

The Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) (the "**Announcement on Beneficial Owner**") issued by the State Administration of Taxation promulgated on 3 February 2018 and with effect from 1 April 2018, made on issues relating to determination of "beneficial owner" status in clauses of tax treaties on dividends, interest and royalties. According to Announcement on Beneficial Owner, a "beneficial owner" shall mean a person who has ownership and control over the income and the rights and property from which the income is derived. II. To determine the "beneficial owner" status of a resident of the treaty counterparty who needs to enjoy the tax treaty benefits a comprehensive analysis shall be carried out in accordance with the factors set out in the Announcement on Beneficial Owner, taking into account actual conditions of the specific case.

Moreover, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the State Administration of Taxation on 20 February 2009, in accordance with the relevant dividend clauses in a tax treaty, where a tax resident of the counterparty to the tax treaty directly owns a certain proportion or more of capitals (generally 25% or 10%) of a Chinese resident company which pays the dividends, the dividends obtained by the said tax resident may be entitled to the tax rate prescribed in the tax treaty where all of the following requirements are satisfied simultaneously: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) both the proportion of the equity interests and the proportion of the voting shares of the Chinese resident company directly owned by such a tax resident satisfy the relevant provision; (3) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

The Announcement of the State Administration of Taxation on Several Issues Relating to Enterprise Income Tax on Transfer of Assets between Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若幹問題的公告》) ("**Circular 7**") promulgated and effected on 3 February 2015, last amended and with effect from 29 December 2017 provides that a non-resident enterprise makes indirect transfer of assets such as the equity of a PRC resident enterprise through arrangements which do not have a reasonable commercial objective to circumvent enterprise income tax payment obligation, the indirect transfer shall be redefined pursuant to the provisions of Article 47 of the EIT Law as direct transfer of assets such as equity of the PRC resident enterprises.

Pursuant to Circular 7, assets such as equity of Chinese resident enterprises referred to shall mean assets of organisations and premises in the PRC, immovables in the PRC, equity investments in the PRC resident enterprises which are directly held by a non-resident enterprise (the "**taxable assets in the PRC**") and for which the proceeds from transfer shall be subject to enterprise income tax in the PRC pursuant to the provisions of the PRC tax laws. Indirect transfer of taxable assets in the PRC shall mean transfer by a non-resident enterprise of equity and other similar interests of an overseas enterprise which holds taxable assets in the PRC directly or indirectly (excluding the PRC resident enterprises registered overseas (the "**overseas enterprise**")), which gives rise to a transaction that has identical or similar substantial results as direct transfer of taxable assets in the PRC, including restructuring of a non-resident enterprise which causes changes in shareholders of an overseas enterprise. The non-resident enterprise which makes the indirect transfer of taxable assets in the PRC shall be referred to as the "transferor of equity".

Pursuant to Circular 7, determination of reasonable commercial objective shall consider all arrangements in relation to the transaction of indirect transfer of taxable assets in the PRC, and take into account the actual circumstances for integrated analysis of the following relevant factors whether: (1) the main value of the equity of the overseas enterprise is directly or indirectly sourced from the taxable assets in the PRC; (2) the assets of the overseas enterprise mainly comprise direct or indirect investments in the PRC, or whether the income derived is mainly sourced directly or indirectly from the PRC; (3) the functions actually performed and risks borne by the overseas enterprise and its subsidiaries and branches which directly and indirectly hold taxable assets in the PRC are able to prove that the enterprise structure has economic substance; (4) the period of existence of shareholders, business model and the relevant organisation structure of the overseas enterprise; (5) income tax payable overseas for the transaction of indirect transfer of taxable assets in the PRC; (6) the replaceability of indirect investment and indirect transfer of taxable assets in the PRC with direct investment and direct transfer of taxable assets in the PRC by the transferor of equity; (7) tax treaty or arrangement applicable in the PRC for income derived from indirect transfer of taxable assets in the PRC; and (8) any other relevant factors.

Pursuant to Circular 7, if an indirect transfer of taxable assets in the PRC satisfies all the following criteria, the transaction shall be deemed to have a reasonable commercial objective: (1) the equity relationship of the parties to the transaction falls under any of the following circumstances: (a) the transferor of equity owns 80% or more of the equity of the transferee directly or indirectly; (b) The transferee of equity owns 80% or more of the equity of the transferor directly or indirectly; (c) One party holds 80% or more of both the equity of the transferor and the equity of the transferee. If more than 50% (excluding 50%) of the value of the equity of the overseas enterprise is sourced directly or indirectly from the immovables in the PRC, the shareholding percentage mentioned above shall be 100%. (2) In the case of an indirect transfer transaction which may occur after the current indirect transfer transaction, if compared to an identical or similar indirect transfer transaction under the circumstances that the current indirect transfer transaction has not occurred, its income tax burden will not be reduced. (3) The transferee of equity makes full payment of the consideration for the equity transaction using its equity or the equity of an enterprise in which it holds controlling stake (excluding the equity of a listed enterprise).

Pursuant to Circular 7, the transaction shall be deemed straight away as not having a reasonable commercial objective if: (1) 75% or more of the value of the equity of the overseas enterprise is sourced directly or indirectly from taxable assets in the PRC; (2) at any point in time within the year preceding the occurrence of the indirect transfer of taxable assets in the PRC, 90% or more of the total assets of the overseas enterprise (excluding cash) comprise direct or indirect investments in the PRC, or 90% or more of the income derived by the overseas enterprise within the year preceding the occurrence of the indirect transfer in the PRC is sourced directly or indirectly from the PRC; (3) although the overseas enterprise and its subsidiaries and branches in the PRC which hold taxable assets in the PRC directly or indirectly are registered in a country (region) in an organisation form which satisfies the requirements of the law, but their actually performed functions and risks borne are limited and insufficient to prove that they have economic substance; and (4) the income tax payable overseas for the indirect transfer of taxable assets in the PRC is lower than the possible tax burden in the PRC in the event of direct transfer of the taxable assets in the PRC.

Pursuant to Circular 7, it is not applicable if the overall arrangements in relation to indirect transfer of taxable assets in the PRC satisfy any of the following circumstances: (1) income derived by a non-resident enterprise from indirect transfer of taxable assets in the PRC through buying and selling the equity of the same listed overseas enterprise on the open market; (2) the non-resident enterprises holds directly and transfers the taxable assets in the PRC, pursuant to the provisions of the applicable tax treaty or arrangement, income from transfer of the said assets in the PRC may be exempted from enterprise income tax.

The Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (the "**Announcement**") implemented on 1 December 2017 and last amended and with effect from on 15 June 2018, applies to handling of matters relating to withholding at source of income tax of non-resident enterprises pursuant to the provisions of Article 37, Article 39 and Article 40 of the EIT Law and does not apply to implementation of matters relating to the provisions of Article 38 of the EIT Law.

Pursuant to the Announcement, the monies paid or payable by the withholding agent when due are paid or computed in a currency other than RMB, the foreign exchange conversion shall be made with applicable timing rule. If the income subject to withholding at source derived by a non-resident enterprise is equity investment income such as dividends, bonuses and so on, the date of occurrence of withholding obligation for the relevant tax payable amount shall be the date of actual payment of equity investment income such as dividends, bonuses and so on. If the same asset transfer income subject to withholding at source is derived by a non-resident enterprise by way of instalments, the instalments may first be treated as recovery of costs of previous investments; upon recovery of all costs, the tax amount to be withheld shall then be computed and withheld.

Urban maintenance and construction tax

Pursuant to the Interim Regulations on Urban maintenance and Construction Tax of the People's Republic of China (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on 8 February 1985 and last amended and with effect from on 8 January 2011, any organisation or individual liable to consumption tax, value-added tax and business tax shall be a payer of urban maintenance and construction tax (hereinafter referred to as the taxpayer) and pay urban maintenance and construction tax. The rates of urban maintenance and construction tax for a taxpayer in a city is 7%, for a taxpayer in a county town or town is 5%, and for a taxpayer living in a place other than a city, county-level town or town is 1%.

According to the Circular on Forwarding the Notice of the State Council on Harmonizing the Urban Maintenance and Construction Tax and Educational Surcharges for Chinese and Foreign-funded Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) promulgated by the State Council on and with effect from 18 October 2010, foreign-invested enterprises, foreign enterprises and foreign individuals shall be subject to the Interim Regulations on Urban maintenance and Construction Tax of the People's Republic of China promulgated by the State Council in 1985 and the laws, regulations and policies by the State Council and competent finance and taxation authorities under the State Council since 1985 and 1986 on urban maintenance as at 1 December 2010.

PRC LAWS AND REGULATIONS ON LEASING REGISTRATION

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 1 December 2010 and came into force from 1 February 2011, the parties to a commodity housing tenancy shall go through the housing tenancy registration and filing process with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the house is located within 30 days after the commodity housing tenancy contract is signed. Any entity fails to undertake such lease registration shall be ordered to remedy the non-compliance within a specified time limit by the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties; if it fails to do so within such time period, the entity shall be subject to a monetary fine between RMB1,000 and RMB10,000 for each unregistered leased property.

PRC LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY PROTECTION

According to the Patent Law of the People's Republic of China (《中華人民共和國專利法》) newly effective on 1 October 2009 and its Implementation Rules (《中華人民共和國專利法實施細則》) effective on 1 February 2010, the State provides patent protection to three categories of patents, namely invention, utility model and design. An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. Any design for which a patent is granted shall not be attributed to the existing design, and no entity or individual has, before the date of application, filed an application with the patent administrative department of the State Council on the identical design and recorded it in the patent documents published after the date of application. The period of validity of an invention patent shall be twenty years and the period of validity the patent for a utility model or design shall be ten years, all from the date of application.

According to the Trademark Law of People's Republic of China (《中華人民共和國商標法》) (the "**Trademark Law**") implemented on 1 May 2014 and last amended and with effect from 1 November 2019 and its Implementation Rules (《中華人民共和國商標法實施條例》) with effect from 1 May 2014, registered trademarks are those that have been approved and registered by the Trademark Office, including commodity trademarks, service trademarks, collective marks and certification marks. Trademark registrants shall be entitled to the right to exclusive use of their trademarks and shall be protected by law. The period of validity of a registered trademark shall be ten years from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity expires, an application for renewal of registration shall be made within 12 months before the expiration. If the registrant fails to make such an application within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten years after expiry of the previous valid term.

The newly amended Trademark Law will be effective on 1 November 2019 adds the stipulation that the malicious trademark application which is not filed for the purpose of use shall be rejected and the maliciously registered trademarks shall be announced invalid by the trademark bureau automatically or by request. Meanwhile, it increases the maximum amount of the compensation for malicious infringement of exclusive rights to use trademark. According to the new amendment, whoever maliciously applies for trademark registration shall be subject to a warning, a fine or any other administrative punishments, as the case may be; and whoever maliciously lodges a trademark lawsuit shall be penalised by the People's Court according to law.

According to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) effective on 1 April 2010 and its Implementation Rules (《中華人民共和國著作權法實施條例》) effective on 1 March 2013, the State provides copyright protection to graphic works and model works such as engineering design plan, product design plan, map, schematic diagram. The period of protection of publication rights of works of a legal person or any other organisation and works created in the course of employment in which copyright (except for right of authorship) belongs to a legal person or any other organisation, and the rights except for publication right, right of authorship, right of revision, right to preserve the integrity of work shall be 50 years, and shall expire on 31 December of the 50th year following the first publication of the work; where the work is not published within 50 years from completion of the creation of the work, it shall not be protected by this Law.

OVERVIEW

The history of our Group dates back to 2008, when Zonbong Landscape was established in Changchun, Jilin Province, the PRC. It was a wholly-owned subsidiary of Changchun Chengda Luqiao Limited (長春市成達路橋有限責任公司) (now known as ZCLLC). Zonbong Landscape was set up by ZCLLC to develop the business of landscaping, which experienced a rapid increase in demand in the Three Northeast Provinces of the PRC. In 2008, the Urban Landscape and Greening Enterprises Qualification Certificate (城市園林綠化企業資質) was required for an entity to engage in the landscaping business (the requirement for such qualification was cancelled in 2017). According to the Notices on Issues Concerning the Application and Approval for the Urban Landscape and Greening Enterprises Qualification (關於做好城市園林綠化施工企業資質申報和審批有關工作的通知) which came into effect in 2007, the Urban Landscape and Greening Enterprises Qualification Certificate may only be granted to enterprises mainly operating landscaping business. ZCLLC, as an infrastructure construction company with diversified businesses, was not qualified to obtain such qualification and had to establish Zonbong Landscape to develop the landscaping business. ZCLLC assigned Mr. Liu, its then deputy general manager, together with other employees of ZCLLC, to manage Zonbong Landscape.

Mr. Liu is a licensed senior professional engineer and also a dedicated manager, with over 20 years of experience in the construction industry. Please refer to the section headed "Directors and Senior Management" for further details of Mr. Liu's background and experience. Since his appointment to Zonbong Landscape, Mr. Liu has been the pillar of our management.

We commenced our landscaping business in 2008 and have placed increasing effort in developing the business of ecological restoration since 2016. Please refer to the paragraph headed "— Our Company and our Operating Subsidiaries" below in this section for details of our corporate development in support of our expansion. We ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry in the Three Northeast Provinces in terms of revenue generated from projects located in the Three Northeast Provinces in 2019, according to the CIC Report.

KEY MILESTONES

The following table summarises the key milestones in our operational history:

Year	Event
2008	Zonbong Landscape was established, initially named Changchun Qida Green Landscape Engineering Limited (長春市啟達綠化景觀工程有限公司)

Year	Event
2009	Zonbong Landscape obtained Second-Grade Urban Landscape Construction Qualification Certificate (城市園林綠化工程施工貳級資質) and commenced providing construction services for its landscaping projects
	Zonbong Landscape obtained Second-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項乙級資質) and commenced providing design services for its landscaping projects
2011	Zonbong Landscape obtained First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級資質)
2012	Zonbong Landscape obtained First-Grade Urban Landscape Construction Qualification Certificate (城市園林綠化工程施工壹級資質)
2012	Zonbong Landscape obtained Second-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包貳級資質)
2013	Zonbong Landscape was converted from a limited liability company into a joint stock limited company and was renamed as Zonbong Landscape Co., Ltd. (中邦園林股份有限公司)
2014	Zonbong Landscape received 2014 IDEA-KING, Annual Top 10 Landscape Design Award in the Fourth International Landscape Architecture Design Competition (2014艾景獎第四屆國際園林景觀規劃設計大賽年度十佳景觀設計獎) issued by International Landscape Design Industry Association (國際園林景觀規劃設計行業協會), in respect of Fine Design for the System Engineering of Changchun Two-horizontal Three-longitudinal Expressway (長春兩橫三縱快速路系統工程精細化設計)
2015	Shares of Zonbong Landscape became listed on the NEEQ (and were later delisted in 2017)
2016	Zonbong Landscape placed increasing effort in developing its ecological restoration business since 2016
2017	Zonbong Landscape commenced its cultural tourism and soil remediation project, Shenjunshan Project, in Inner Mongolia
2018	Zonbong Landscape was converted from a joint stock limited company to a limited liability company as part of the Reorganisation for the Global Offering and was renamed as Zonbong Huize Landscape Environmental Development Limited (中邦匯澤園林環境建設有限公司)
2019	Zonbong Landscape obtained First-Grade Qualification of Professional Contractor for Environmental Engineering (環保工程專業承包壹級資質)

OUR COMPANY AND OUR OPERATING SUBSIDIARIES

Our Group consists of (i) our Company; (ii) our principal operating subsidiary, Zonbong Landscape; (iii) our other operating subsidiaries, namely Zonbong Shanshui and Zhongke Zonbong (together with Zonbong Landscape the "**Operating Subsidiaries**"); and (iv) our other subsidiaries which had no material contribution to our Group's financial results during the Track Record Period.

The major corporate history and developments of our Company and our Operating Subsidiaries are set out below:

Our Company

On 8 March 2019, our Company was incorporated in the Cayman Islands to act as the holding company of our Group. The Reorganisation of our group was completed on 14 October 2019 in preparation for the Listing such that the Operating Subsidiaries became subsidiaries of our Company. For information on our Reorganisation and subsequent developments, please refer to the paragraph headed "— Reorganisation" below in this section.

Zonbong Landscape

Zonbong Landscape, our principal operating subsidiary, was established in the PRC on 22 December 2008 as a limited liability company with an initial registered capital of RMB15,000,000 under the name of Changchun City Qida Green Landscape Engineering Limited (長春市啟達綠化景觀工程有限公司). As at the date of its establishment, Zonbong Landscape was wholly-owned by ZCLLC.

(i) Changes in registered capital and shareholding prior to listing on NEEQ

The following table sets forth changes in the registered capital of Zonbong Landscape since its establishment and prior to and until its listing on the NEEQ:

Date	Registered capital immediately before increase	Registered capital immediately after increase	Additional capital contributed by
	(RMB'000)	*(RMB'000)*	
25 June 2009	15,000	20,000	ZCLLC
23 September 2011	20,000	30,000	ZCLLC
7 March 2012	30,000	45,000	ZCLLC
5 July 2012	45,000	50,000	ZCLLC

On 26 December 2012, ZCLLC transferred 5% of its equity interest in Zonbong Landscape to Mr. Liu at a total consideration of RMB2,500,000, which was settled in full by Mr. Liu in February 2013. Upon completion of the transfer, Zonbong Landscape was owned as to 95% by ZCLLC and 5% by Mr. Liu.

On 25 February 2013, all the then shareholders of Zonbong Landscape, namely ZCLLC and Mr. Liu, resolved to convert Zonbong Landscape from a limited liability company into a joint stock limited company with limited liability. The then net assets of Zonbong Landscape were converted to 50,000,000 shares on a pro-rata basis at the par value of RMB1.00 each in Zonbong Landscape. Following the conversion, Zonbong Landscape remained owned as to 95% by ZCLLC and 5% by Mr. Liu.

On 22 October 2014, ZCLLC transferred all its shares in Zonbong Landscape to Changchun Mingju Commerce Limited (長春市銘聚商貿有限公司) (now known as ZIHG) at a total consideration of RMB55,000,000. Immediately following completion of the transfer, ZIHG and Mr. Liu held shares representing 95% and 5% of the total shareholding in Zonbong Landscape, respectively.

(ii) Listing on and delisting from NEEQ and changes in registered capital

On 28 July 2015, the shares of Zonbong Landscape became listed on NEEQ (stock code: 833026), in order to gain access to a more active and effective platform of corporate financing and to strengthen corporate governance in pursuit of long-term business development.

The table below sets out Zonbong Landscape's shareholders and changes of their respective shareholdings following its listing on the NEEQ and up to its delisting on the NEEQ:

	As at 12 May 2016				As at 4 July 2017				As at 22 September 2017				
Name of shareholders	Registered capital payable[(1)]	Registered capital paid-up[(1)]	Approximate shareholding percentage[(1)]	Contribution method	Registered capital payable[(1)]	Registered capital paid-up[(1)]	Approximate shareholding percentage[(1)]	Contribution method	Registered capital payable[(1)]	Registered capital paid-up[(1)]	Approximate shareholding percentage[(1)]	Contribution method	Relationship with Our Group
	(RMB'000)	*(RMB'000)*	%		*(RMB'000)*	*(RMB'000)*	%		*(RMB'000)*	*(RMB'000)*	%		
ZIHG	47,500	47,500	88.01	net asset[(2)]	78,238	78,238	90.18	net asset/cash[(2)]	140,828	140,828	90.18	net asset/cash[(2)]	Associate of our Controlling Shareholders
Mr. Liu	2,740	2,740	5.08	net asset/cash[(2)]	4,789	4,789	5.52	net asset/cash[(2)]	8,621	8,621	5.52	net asset/cash[(2)]	Chairman of the Board, chief executive officer, executive Director and one of our Controlling Shareholders
Mr. Sun	1,750	1,750	3.24	cash	1,750	1,750	2.02	cash	3,150	3,150	2.02	cash	Non-executive Director and one of our Controlling Shareholders
Mr. Shao Zhanguang (邵占廣)	550	550	1.02	cash	550	550	0.63	cash	990	990	0.63	cash	Non-executive Director and one of our Controlling Shareholders
Ms. Lyu Hongyan (呂鴻雁)	150	150	0.28	cash	150	150	0.17	cash	270	270	0.17	cash	Non-executive Director
Mr. Hou Baoshan (侯寶山)	150	150	0.28	cash	150	150	0.17	cash	270	270	0.17	cash	One of our Controlling Shareholders
28 PRC individuals	1,130	1,130	2.09	cash	1,129	1,129	1.31	cash	2,034	2,034	1.31	cash	The then employees of our Group
Total	**53,970**	**53,970**	**100.00**		**86,756**	**86,756**	**100.00**		**156,163**	**156,163**	**100.00**		

Notes:

1. Certain registered capital payable and percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

2. Pursuant to the conversion of Zonbong Landscape into a joint stock limited company from a limited liability company in February 2013, the then net assets of Zonbong Landscape were converted into shares of Zonbong Landscape held as to 95% by ZCLLC and 5% by Mr. Liu, representing RMB47,500,000 and RMB2,500,000 of its registered capital, respectively. ZCLLC subsequently transferred its entire shares in Zonbong Landscape to ZIHG in July 2014. Mr. Liu further subscribed for RMB240,000, RMB2,049,180 and RMB3,831,344 in the registered capital of Zonbong Landscape by cash on 12 May 2016, 4 July 2017 and 22 September 2017, respectively. ZIHG further subscribed for RMB30,737,720 and RMB62,590,000 in the registered capital of Zonbong Landscape by cash on 4 July 2017 and 22 September 2017, respectively.

On 23 November 2017, Zonbong Landscape was delisted from the NEEQ by way of its voluntary application for delisting (i) having no trading volume since its listing on the NEEQ; and (ii) we considered listing our Shares on the Stock Exchange which we believed to be a mature financial platform with a sound regulatory regime and access to international capital and we also believed that a listing on the Stock Exchange could raise the brand awareness, enhance the corporate image and strengthen the corporate governance of our Group. The management of Zonbong Landscape believed that the decision to delist from the NEEQ was commercially sensible and in the interest of the long-term development of Zonbong Landscape, as it was part of the larger plan to gain access to international investors and markets by undertaking the Global Offering and listing on the Stock Exchange.

The directors of Zonbong Landscape confirm, to the best of their knowledge and belief that:

(i) During the period that Zonbong Landscape was listed on the NEEQ,

  (a) save for the non-compliances as disclosed in the paragraph headed "Business — Legal proceedings and compliance" in this prospectus, we were in material compliance with all applicable laws; and

  (b) none of Zonbong Landscape, its shareholders or directors has been subject to any investigations or disciplinary actions by any regulatory authority or committed any material breach of the relevant rules governing the NEEQ.

(ii) There is no further matter in relation to Zonbong Landscape's listing on and delisting from the NEEQ that needs to be brought to the attention of the regulators or our investors.

Nothing has come to the attention of the Sole Sponsor which suggests that Zonbong Landscape was not in material compliance with the applicable laws and regulations during its listing on the NEEQ, save for the non-compliances disclosed in the section headed "Business — Legal proceedings and compliance — Non-compliance matters" in this prospectus. The Sole Sponsor is satisfied that to the best knowledge of the Sole Sponsor, the foregoing confirmation by our Directors on the compliance with the applicable laws and regulations during listing of Zonbong Landscape on the NEEQ has been made after due and careful enquiries.

(iii) Subsequent share subscriptions and equity transfers

Subsequent to the delisting from NEEQ and up to the Reorganisation, there was no transfer of shares in Zonbong Landscape. The shareholding structure immediately prior to the Reorganisation is set out below:

Name of shareholders	Registered capital payable[1]	Registered capital paid-up[1]	Approximate shareholding percentage[1]	Payment method	Relationship with Our Group
	(RMB'000)	*(RMB'000)*	%		
ZIHG[2]	140,828	140,828	90.18	net asset[3]/ cash	Associate of our Controlling Shareholders
Mr. Liu[2]	8,621	8,621	5.52	net asset[3]/ cash	Chairman of the Board, chief executive officer, executive Director and one of our Controlling Shareholders
Mr. Sun[2]	3,150	3,150	2.02	cash	Non-executive Director and one of our Controlling Shareholders
Mr. Shao Zhanguang[2]	990	990	0.63	cash	Non-executive Director and one of our Controlling Shareholders
Ms. Lyu Hongyan	270	270	0.17	cash	Non-executive Director
Mr. Hou Baoshan[2]	270	270	0.17	cash	One of our Controlling Shareholders
28 PRC individuals	2,034	2,034	1.31	cash	The then employees of our Group
Total	**156,162**	**156,162**	**100.00**		

Notes:

1. Certain registered capital payable and percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

2. Immediately prior to the Reorganisation, ZIHG was owned as to 35% by Ms. Zhao Hongyu, 5% by Mr. Liu, 27% by Mr. Sun, 5% by Mr. Shao Zhanguang, 5% by Mr. Hou Baoshan and the rest by seven other PRC individuals, all of whom are our Ultimate Controlling Shareholders. ZIHG has been wholly-owned by our Ultimate Controlling Shareholders throughout the Track Record Period and up to the date of this prospectus. Please refer to the section "Relationship with our Controlling Shareholders" in this prospectus for details of our Ultimate Controlling Shareholders.

3. Pursuant to the conversion of Zonbong Landscape into a joint stock limited company from a limited liability company, the then net assets of Zonbong Landscape were converted into shares of which Zonbong Landscape was held as to 95% by ZCLLC and 5% by Mr. Liu, representing RMB47,500,000 and RMB2,500,000 of its registered capital, respectively. ZCLLC subsequently transferred its entire shares in Zonbong Landscape to ZIHG in July 2014. Mr. Liu further subscribed for RMB240,000, RMB2,049,180 and RMB3,831,344 in the registered capital of Zonbong Landscape by cash on 12 May 2016, 4 July 2017 and 22 September 2017, respectively. ZIHG further subscribed for RMB30,737,720 and RMB62,590,000 in the registered capital of Zonbong Landscape by cash on 4 July 2017 and 22 September 2017, respectively.

(iv) Branch companies of Zonbong Landscape

The table below sets out information about the branch companies of Zonbong Landscape:

Branch name	Location of branch companies	Date of establishment	Reason of establishment
Zonbong Huize Landscape Environmental Construction Limited Tianjin Branch	Tianjin	13 September 2012	For the management of projects located at Tianjin
Zonbong Huize Landscape Environmental Construction Limited Tianjin Airport Economic Area Branch	Tianjin	10 April 2015	For the management of projects located at Tianjin Airport Economic Area
Zonbong Huize Landscape Environmental Construction Limited Beijing Branch	Beijing	11 April 2017	For the development of markets surrounding Beijing
Zonbong Huize Landscape Environmental Construction Limited Beijing Tongzhou Branch	Beijing	22 May 2019	For the management of an awarded project located at Tongzhou District, Beijing
Zonbong Huize Landscape Environmental Construction Limited Tonghua Branch	Tonghua, Jilin Province	21 May 2020	For participation in tenders for projects located at Tonghua, Jilin Province
Zonbong Huize Landscape Environmental Construction Limited Qikai Branch	Changchun, Jilin Province	25 May 2020	For participation in tenders for projects located at Qikai District in Changchun, Jilin Province
Zonbong Huize Landscape Environmental Construction Limited Jingyue Branch	Changchun, Jilin Province	28 May 2020	For participation in tenders for projects located at Jingyue District in Changchun, Jilin Province
Zonbong Huize Landscape Environmental Construction Limited Liaoyuan Branch	Liaoyuan, Jilin Province	1 June 2020	For participation in tenders for projects located at Liaoyuan, Jilin Province

Zonbong Shanshui

Zonbong Shanshui was established in Changchun, the PRC, as a limited liability company on 3 June 2009 by ZCLLC under the name of Jilin Province Zhongsheng Municipal Construction Design Limited (吉林省中盛市政工程設計有限公司) with a registered capital of RMB3,000,000.

Through a series of equity transfers and changes in registered capital between June 2009 to December 2015, Zonbong Shanshui became owned as to 51% by ZIHG and as to 49% by an Independent Third Party. In April 2018, the said Independent Third Party transferred its entire equity interest in Zonbong Shanshui to ZIHG. Immediately following the transfer, Zonbong Shanshui became wholly-owned by ZIHG.

On 21 August 2018, Zonbong Landscape entered into an equity transfer agreement with ZIHG, pursuant to which Zonbong Landscape acquired the entire equity interest of Zonbong Shanshui from ZIHG at a total consideration of RMB17,753,702, which was determined with reference to the then net asset value of Zonbong Shanshui and was fully paid in September 2018. Our PRC Legal Adviser is of the opinion that the said acquisition was duly and legally completed and all applicable regulatory approvals in the PRC have been obtained for the completion of the transaction.

On 31 August, 2018, Zonbong Shanshui increased its registered capital from RMB15,000,000 to RMB50,000,000. Such increased registered capital of RMB35,000,000 was subscribed by Zonbong Landscape, of which RMB5,000,000 was paid by December 2018 and the remaining RMB30,000,000 has to be paid before 31 December 2030 as stipulated in the articles of association of Zonbong Shanshui.

As at the Latest Practicable Date, Zonbong Shanshui remained a wholly-owned subsidiary of Zonbong Landscape. Our Group entered into the acquisition with a view to further developing our design and survey services for landscaping and ecological restoration projects, thereby potentially enhancing our opportunities to secure more projects in this area.

Branch company of Zonbong Shanshui

The table below sets out information about the branch company of Zonbong Shanshui:

Branch name	Location of branch company	Date of establishment	Reason of establishment
Zonbong Shanshui Planning and Design Limited Chongqing Branch	Chongqing	19 August 2020	For our expansion plan to establish regional design office in Chongqing (For details, please see the paragraph headed "Business — Business strategies — Maintain our position in the Three Northeast Provinces, strengthen our position and increase our market share in North China, East China and Southwest China and strategically expand to other regions in the landscaping and ecological restoration industries in the PRC" in this prospectus)
Zonbong Shanshui Planning and Design Limited Changchun Kuancheng Branch	Changchun, Jilin Province	25 September 2020	For participation in tenders for projects located at Kuancheng District in Changchun, Jilin Province

Zhongke Zonbong

Zhongke Zonbong was established in Beijing, the PRC, as a limited liability company on 14 April 2016 with a registered capital of RMB1,000,000, which was a wholly-owned subsidiary of Zonbong Landscape upon its establishment. It is primarily engaged in the business of technical consultancy for landscaping, ecological restoration and other projects.

On 22 September 2016, the registered capital of Zhongke Zonbong was increased to RMB5,100,000. On 22 February 2019, Jilin Zonbong acquired the entire equity interest of Zhongke Zonbong from Zonbong Landscape at a total consideration of RMB5,100,000 with reference to the then registered capital of Zhongke Zonbong, which was fully settled in October 2019. Our PRC Legal Adviser is of the opinion that the said acquisition was duly and legally completed and all applicable regulatory approvals in the PRC have been obtained for the completion of the transaction. Upon completion of such transfer, Zhongke Zonbong has become a wholly-owned subsidiary of Jilin Zonbong.

Pursuant to a capital increase agreement entered into between Jilin Shengyi (a company owned by our Ultimate Controlling Shareholders) and Zhongke Zonbong on 8 October 2019, Jilin Shengyi subscribed for 1% equity interest in Zhongke Zonbong by contributing RMB187,600,000 to Zhongke Zonbong, of which RMB51,500 and RMB187,548,500 were used to increase the registered capital and capital reserve of Zhongke Zonbong, respectively. For the background of such subscription, please refer to the paragraph headed "— Reorganisation — IV. Reorganisation undertaken in the PRC — (l) Subscription of 1% equity interest in Zhongke Zonbong by Jilin Shengyi" below in this section. As a result, Zhongke Zonbong became owned as to 99% by Jilin Zonbong and 1% by Jilin Shengyi.

Branch company of Zhongke Zonbong

The table below sets out information about the branch company of Zhongke Zonbong:

Branch name	Location of branch company	Date of establishment	Reason of establishment
Beijing Zhongke Zonbong Ecological Technology Limited Changchun Branch	Changchun, Jilin Province	10 April 2020	For overall management purpose and recruitment of staff in Changchun, Jilin Province

THE CARVE-OUT OF ZONBONG MIAOMU FROM OUR GROUP AFTER THE TRACK RECORD PERIOD

Zonbong Miaomu was established in Changchun, the PRC, as a limited liability company on 24 July 2015 and was a wholly-owned subsidiary of Zonbong Landscape at its establishment. Its net asset value was approximately RMB12 million as at 30 September 2019. It was primarily engaged in the production of plants and saplings. During the Track Record Period, our Group attributed to less than 0.1% of the revenue of Zonbong Miaomu. Since the principal activities of Zonbong Miaomu were outside the core businesses of our Group and having considered its asset size and quality and the fact that (i) it was no longer in our strategy and interest to allocate resources to maintain the operation of such nursery bases and the production of plants and saplings; and (ii) landscape plants and saplings are readily available in the market, we decided to carve out Zonbong Miaomu from our Group as part of our Reorganisation and focus on the provision of design and construction services for landscaping and ecological restoration projects. On 8 October 2019, Zonbong Landscape and Jilin Shengyi (a company owned by our Ultimate Controlling Shareholders) entered into an equity transfer agreement, pursuant to which the entire equity interest in Zonbong Miaomu was transferred from Zonbong Landscape to Jilin Shengyi at the consideration of RMB12,361,743.91, which was determined with reference to the net asset value of Zonbong Miaomu as at 30 September 2019. Such consideration was settled by Jilin Shengyi in October 2019. The transfer was properly and legally completed and all applicable regulatory approval in the PRC had been obtained as advised by our PRC Legal Adviser. Upon completion of the transfer, Zonbong Miaomu ceased to be a member of our Group. The financial information of Zonbong Miaomu was not included in our Group's financial information during the Track Record Period.

To the best knowledge of our Directors, Zonbong Miaomu was not the subject of any material non-compliant incidents, claims, litigations or proceedings (whether actual or threatened) during the Track Record Period, except for the following non-compliant incident:

- Zonbong Miaomu leased land for plant seedlings from leasors who have not obtained permission to lease the relevant land from the land village committee as required under PRC laws. Our PRC Legal Adviser advised us that under the aforementioned circumstances and if Zonbong Miaomu continues to occupy and utilise the land, the occupation of the land by Zonbong Miaomu could be deemed as illegal by the relevant PRC authorities and the relevant PRC authorities may order Zonbong Miaomu to return the illegally occupied land, dismantle the newly-built properties and other facilities on the land and restore the land to its original state within a required period or confiscate the newly-built properties and other facilities on the illegally occupied land and impose a penalty on Zonbong Maiomu.

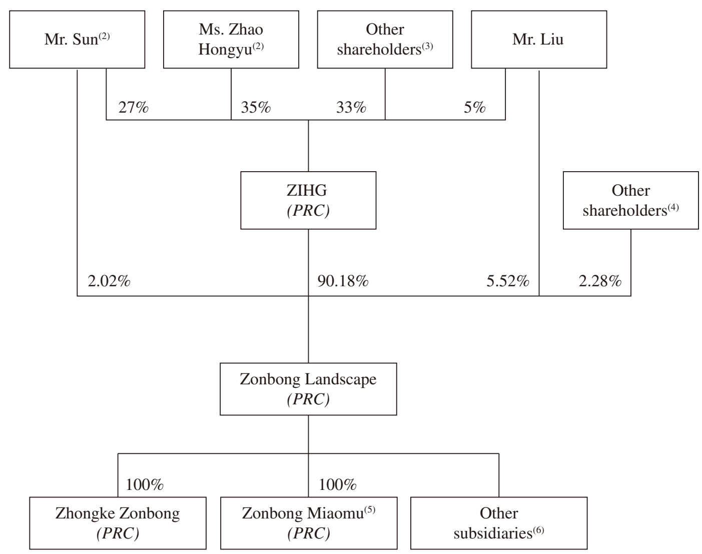
DISPOSAL OF JILIN ZHONGHE

Jilin Zhonghe Construction Drawing Review Limited (吉林省眾合建築施工圖審查有限公司) ("**Jilin Zhonghe**") was a company established by two Independent Third Parties, namely Mr. Yang Zhanyou and Mr. Weng Zhijun, in the PRC with limited liability on 17 August 2007 and it was principally engaged in the provision of review services for construction drawings. Based on the representation of Mr. Yang Zhanyou and Mr. Weng Zhijun, each of them had approximately more than 22 years of experience in construction prior to setting up Jilin Zhonghe. For the purpose of supplementing the design and technical services arms of Zonbong Shanshui, Zonbong Shanshui, which was then controlled by ZIHG, acquired the entire equity interest in Jilin Zhonghe from Mr. Yang Zhanyou and Mr. Weng Zhijun on 17 January 2014. However, as the principal activities of Jilin Zhonghe were provision of review services for construction drawings, which were independent and different from the design and survey services provided by Zonbong Shanshui, and not our Group's core business, Zonbong Shanshui decided to dispose of its interest in Jilin Zhonghe. Pursuant to the equity interest transfer agreements entered into by Zonbong Shanshui and Mr. Shan Dejiang (單德江), one of our Ultimate Controlling Shareholders and the supervisor of Zonbong Shanshui, and Ms. Wang Xuelian (王雪蓮), a key management personnel of ZIHG and related party of our Group, on 30 July 2018, the 51% and 49% of the entire equity interest of Jilin Zhonghe was transferred from Zonbong Shanshui to Mr. Shan Dejiang and Ms Wang Xuelian, at the consideration of RMB2,877,522 and RMB2,764,678, respectively, which was determined with reference to (i) the total purchase price of RMB5,642,200 at which Zonbong Shanshui purchased the entire equity interest of Jilin Zhonghe from the Independent Third Parties; (ii) the net asset value of Jilin Zhonghe as at 30 June 2018; and (iii) the qualification for review of construction drawings (施工圖綜合審查機構認定證書) held by Jilin Zhonghe, and the consideration was settled before 23 September 2019. As advised by our PRC Legal Adviser, the disposal was properly and legally completed and all applicable regulatory approval in the PRC had been obtained. Subsequent to the transfer, Jilin Zhonghe ceased to be a subsidiary of Zonbong Shanshui.

To the best knowledge of our Directors, Jilin Zhonghe was not subject of any material non-compliant incidents, claims, litigations or proceedings (whether actual or threatened) during the Track Record Period.

REORGANISATION

The corporate and shareholding structure of our Group immediately prior to the commencement of the Reorganisation is set out in the chart below.



Notes:

1. Certain percentage figures included in the above chart have been subject to rounding adjustments.

2. Ms. Zhao Hongyu is the spouse of Mr. Sun. Mr. Sun and Ms. Zhao Hongyu are parties acting in concert with each other.

3. The remaining equity interests in ZIHG were held as to 10% by Mr. Li Ping, 5% by Mr. Hou Baoshan, 5% by Mr. Sun Juzhi, 5% by Mr. Shao Zhanguang, 4% by Mr. Shan Dejiang, 1% by Mr. Li Peng, 1% by Mr. Liu Changli, 1% by Mr. Wei Xiaoguang and 1% by Mr. Weng Hongzhao, of which two shareholders also directly held equity interests in Zonbong Landscape. Please refer to the paragraph headed "— Our Company and our Operating Subsidiaries — Zonbong Landscape" above in this section for more details.

4. The remaining equity interests in Zonbong Landscape were held by 31 shareholders. Please refer to the paragraph headed "— Our Company and our Operating Subsidiaries — Zonbong Landscape" above in this section for further details.

5. Zonbong Miaomu was carved out from our Group in October 2019.

6. These companies were our PRC subsidiaries which had no material contribution to our Group's financial results during the Track Record Period.

In preparation for the Listing, we underwent the Reorganisation which consisted of steps carried out both outside of and in the PRC:

I. Incorporation of offshore holding companies

(a) Zonqing International

On 18 February 2019, Zonqing International was incorporated in the BVI with limited liability. Zonqing International was authorised to issue a maximum of 50,000 shares at a par value of US$1.00 each, of which 100 shares in total were allotted and issued to the following shareholders with percentages as set out in the table below:

Shareholders(1)	Number of shares	Shareholdings
Ms. Zhao Hongyu(2)	35	35%
Mr. Sun(2)	27	27%
Ms. Li Ping (李平)	10	10%
Mr. Hou Baoshan	5	5%
Mr. Liu (3)	5	5%
Mr. Shao Zhanguang (4)	5	5%
Mr. Sun Juzhi (孫舉志)(5)	5	5%
Mr. Shan Dejiang (單德江)	4	4%
Mr. Li Peng (李鵬)	1	1%
Mr. Liu Changli (劉長利)	1	1%
Mr. Wei Xiaoguang (魏曉光)	1	1%
Mr. Weng Hongzhao (翁宏昭)	1	1%
Total	100	100.0%

Notes:

1. Each of the shareholders of Zonqing International is a Controlling Shareholder of our Company. For details, please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

2. Ms. Zhao Hongyu is the spouse of Mr. Sun. Mr. Sun and Ms. Zhao Hongyu are parties acting in concert with each other. Mr. Sun is our non-executive Director and one of our Controlling Shareholders.

3. Mr. Liu is our executive Director, chief executive officer, chairman of the Board, and one of our Controlling Shareholders.

4. Mr. Shao Zhanguang is our non-executive Director and one of our Controlling Shareholders.

5. Mr. Sun Juzhi is the brother of Mr. Sun, our non-executive Director, and hence a connected person of our Company.

(b) Zonbong International

On 18 February 2019, Zonbong International was incorporated in the BVI with limited liability as an employee share award platform. Zonbong International was authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each, of which altogether 10,000 shares were allotted and issued to the following shareholders at the percentages setting out in the table below:

Name of shareholders	**Number of shares**	**Shareholdings**
Mr. Liu[1]	6,011	60.11%
Mr. Sun[2]	2,241	22.41%
Mr. Shao Zhanguang[2]	704	7.04%
Mr. Hou Baoshan[3]	192	1.92%
Ms. Lyu Hongyan[2]	192	1.92%
Mr. Wang Peng (王棚)[4]	114	1.14%
Ms. Wang Yumei (王玉梅)[4]	114	1.14%
Ms. Wang Yan (王彥)[6]	102	1.02%
Mr. Xu Liangjin (徐良進)[4]	76	0.76%
Mr. Wang Xuesong (王雪松)[4][5]	64	0.64%
Mr. Dong Lei (董磊)[4]	38	0.38%
Mr. Sun Lipeng (孫立朋)[4]	38	0.38%
Mr. Wang Shiwei (王世威)[4]	38	0.38%
Ms. Wang Xu (王旭)[4]	38	0.38%
Mr. Wang Xuesong (王雪松)[4][5]	38	0.38%
Total	10,000	100%

Notes:

1. Mr. Liu is our executive Director, chief executive officer, chairman of the Board, and one of our Controlling Shareholders.

2. Each of Mr. Sun, Mr. Shao Zhanguang and Ms. Lyu Hongyan is our non-executive Director and one of our Controlling Shareholders.

3. Mr. Hou Baoshan is one of our Controlling Shareholders.

4. Each of Mr. Wang Peng, Ms. Wang Yumei, Mr. Xu Liangjin, Mr. Wang Xuesong, Mr. Dong Lei, Mr. Sun Lipeng, Mr. Wang Shiwei, Ms. Wang Xu and Mr. Wang Xuesong is an employee of our Group.

5. These are two different individuals with the same name.

6. Ms. Wang Yan is one of our executive Directors.

II. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company on 8 March 2019 to act as the holding company of our Group. The initial authorised share capital of our Company was US$50,000 divided into 50,000 Shares of US$1.00 each, among which one Share was issued to an Independent Third Party at par value and was transferred to Zonqing International on the same day. On 8 March 2019, 90.96 Shares of par value of US$1.00 each and 8.04 Shares of par value of US$1.00 each were allotted and issued to Zonqing International and Zonbong International, respectively, at par value. Immediately after the Redenomination Exercise as described in "Appendix IV — Statutory and General Information" to this prospectus, Zonqing International and Zonbong International held 717,288 and 62,712 Shares respectively.

III. Incorporation of offshore subsidiaries

(a) Zonbong Ecological

Zonbong Ecological was incorporated in the BVI as a limited liability company on 19 March 2019. Upon incorporation, it was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. On the same day, one share of Zonbong Ecological was allotted and issued at par value to our Company. Upon completion of such allotment and issuance, Zonbong Ecological became a direct wholly-owned subsidiary of our Company.

(b) Zonbong Environment

Zonbong Environment was incorporated in Hong Kong as a limited liability company on 3 April 2019 with the initial issued share capital of HKD1.00 of one share of HKD1.00, which was allotted and issued at par value to Zonbong Ecological. Upon completion of such allotment and issuance, Zonbong Environment became an indirect wholly-owned subsidiary of our Company.

(c) Wing Tak Group

Wing Tak Group was incorporated in the BVI with limited liability on 17 June 2019 and was authorised to issue a maximum of 50,000 shares of US$1.00 par value of a single class. On the date of establishment, Wing Tak Group allotted and issued one share at par, credited as fully paid, to the Pre-IPO Investor. Upon completion of the share allotment and issuance, the Pre-IPO Investor owned the entire issued shares of Wing Tak Group.

(d) Wing Tak Investment

On 17 June 2019, Wing Tak Group established Wing Tak Investment in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of US$1.00 par value of a single class. On the same date, Wing Tak Investment allotted and issued one share at par, credited as fully paid, to Wing Tak Group. Upon completion of the aforesaid share allotment and issuance, Wing Tak Investment became wholly-owned by Wing Tak Group.

(e) Wing Tak Hong Kong

On 12 July 2019, Wing Tak Hong Kong was incorporated in Hong Kong as a limited liability company with the issued share capital of HKD1.00 comprising one share. On the same day, one share was allotted and issued at HKD1.00 to Wing Tak Investment. Upon completion of the aforesaid share allotment and issue, Wing Tak Hong Kong became a wholly-owned subsidiary of Wing Tak Investment.

(f) Acquisition of the shares of Wing Tak Investment

On 3 October 2019, our Company acquired one share of US$1.00 of Wing Tak Investment, being the entire issued share of Wing Tak Investment, from Wing Tak Group, in consideration of which our Company allotted and issued 5.26 Shares of US$1.00 each, credited as fully paid, to Wing Tak Group on the same day. Immediately after the aforesaid allotment and issuance, Wing Tak Investment became a wholly-owned subsidiary of our Company, and our Company was owned as to 87.36% by Zonqing International, 7.64% by Zonbong International and approximately 5% by Wing Tak Group. Immediately after the Redenomination Exercise as described in "Appendix IV — Statutory and General Information" to this prospectus, Wing Tak Group held 41,028 Shares representing 5% of our total issued Shares.

IV. Reorganisation undertaken in the PRC

(a) Acquisition of Zonbong Shanshui by Zonbong Landscape

On 21 August 2018, Zonbong Landscape entered into an equity transfer agreement with ZIHG pursuant to which Zonbong Landscape acquired the entire equity interest of Zonbong Shanshui from ZIHG at a total consideration of RMB17,753,702. Upon the completion of such acquisition, Zonbong Shanshui became a wholly-owned subsidiary of Zonbong Landscape. Please refer to the paragraph headed "— Our Company and our Operating Subsidiaries — Zonbong Shanshui" above in this section for more details.

(b) Increase of share capital of Zonbong Landscape

On 24 August 2018, the then shareholders of Zonbong Landscape resolved to increase the share capital of Zonbong Landscape by approximately 8,839,711.26 shares, which was fully subscribed by ZIHG at the consideration of RMB17,753,702, among which approximately RMB8,839,711.26 was credited as share capital of Zonbong Landscape and the remaining approximately RMB8,913,990.45 was credited to its capital reserve. Such consideration was determined with reference to the then valuation of Zonbong Landscape and was fully settled on 17 September 2018.

(c) Incorporation of Jilin Zonbong

Jilin Zonbong was incorporated in Changchun, the PRC, as a limited liability company on 29 September 2018 with the initial registered capital of RMB5,100,000, of which 95% was subscribed by ZIHG and the remaining 5% was subscribed by Mr. Liu.

(d) Restructuring of Zonbong Landscape into a limited liability company

On 11 November 2018, Zonbong Landscape passed a resolution at extraordinary general meeting to approve, among other matters, the conversion of Zonbong Landscape from a joint stock limited company into a limited liability company. Upon completion of such conversion, the registered capital of Zonbong Landscape was RMB165,002,131.26.

(e) Transfer of equity interest in Zonbong Landscape

On 11 December 2018, ZIHG entered into equity transfer agreements with all other shareholders of Zonbong Landscape at the relevant time, pursuant to which the entire equity interests held by such other shareholders in Zonbong Landscape (being 33 PRC individuals), representing approximately 9.29% equity interest of Zonbong Landscape, was transferred to ZIHG at the consideration of approximately RMB2.01 per share, which was determined with reference to the net asset value of Zonbong Landscape as at 31 December 2017. The consideration payable to 22 PRC individuals by ZIHG were fully settled in December 2018, while the consideration payable to each of the remaining 11 PRC individuals was offset by the same amount payable by each of them to ZIHG for the acquisition of corresponding equity interest in Jilin Zonbong from ZIHG described in the paragraph headed "— (f) Transfer of 3.2096% equity interest in Jilin Zonbong to 14 PRC individuals" below in this section. Upon completion of such transfer, Zonbong Landscape was fully owned by ZIHG.

(f) Transfer of 3.2096% equity interest in Jilin Zonbong to 14 PRC individuals

On 25 December 2018, ZIHG and Mr. Liu entered into an equity transfer agreement with 14 PRC individuals (including Mr. Sun, Mr. Shao Zhanguang, Mr. Hou Baoshan, Ms. Lyu Hongyan and 10 employees of our Group) pursuant to which ZIHG and Mr. Liu transferred an aggregate of approximately 3.21% equity interest in Jilin Zonbong to such 14 PRC individuals at approximately RMB2.01 per share, determined with reference to the asset value of Zonbong Landscape as at 31 December 2017. In addition to the offset of consideration described in the paragraph headed "— (e) Transfer of equity interest in Zonbong Landscape" above in this section, the consideration for such equity transfers was fully settled in December 2018. Upon completion of the said transfer, ZIHG and Mr. Liu held approximately 91.96% and 4.84% of the equity interest in Jilin Zonbong, respectively, and the remaining approximately 3.20% equity interest was held by the aforesaid 14 PRC individuals.

(g) Acquisition of Zhongke Zonbong by Jilin Zonbong

On 16 February 2019, Jilin Zonbong and Zonbong Landscape entered into a share transfer agreement, pursuant to which Jilin Zonbong acquired the entire share capital of Zhongke Zonbong, the then wholly-owned subsidiary of Zonbong Landscape, from Zonbong Landscape at a consideration of RMB5,100,000. Upon completion of such acquisition, Zhongke Zonbong became a wholly-owned subsidiary of Jilin Zonbong. Please refer to the paragraph headed "— Our Company and our Operating Subsidiaries — Zhongke Zonbong" above in this section for more details.

(h) Increase of registered capital of Zonbong Landscape

On 22 March 2019, ZIHG, the then sole shareholder of Zonbong Landscape, resolved to increase the registered capital of Zonbong Landscape by RMB159,997,868.74 from its undistributed profit. Upon completion of the capital increase, the registered capital of Zonbong Landscape increased from approximately RMB165,002,131.26 to RMB325,000,000.

(i) Change of shareholder of Zonbong Landscape

On 30 May 2019, Jilin Shengyi and ZIHG entered into an equity transfer agreement, pursuant to which Jilin Shengyi acquired the entire equity interest of Zonbong Landscape from ZIHG at a consideration of RMB376,299,473.45. Such consideration was determined with reference to the net asset value of Zonbong Landscape as at 31 December 2018.

On 17 June 2019, an equity transfer agreement was entered into by Jilin Shengyi and Zhongke Zonbong, pursuant to which the entire equity interest of Zonbong Landscape was transferred to Zhongke Zonbong at a consideration of RMB200,000,000 which was fully settled on 20 August 2019. Upon completion of such transfer, Zonbong Landscape became a wholly-owned subsidiary of Zhongke Zonbong.

(j) Capital contribution in Jilin Zonbong by the Pre-IPO Investor

On 24 July 2019, Wing Tak Hong Kong (a company indirectly wholly-owned by the Pre-IPO Investor), Jilin Zonbong and the then existing shareholders of Jilin Zonbong entered into a capital increase agreement, pursuant to which Wing Tak Hong Kong agreed to inject capital in the sum of RMB10,559,763 to Jilin Zonbong. The capital contribution was determined with reference to the net asset value of Jilin Zonbong as at 30 June 2019 assessed by an independent valuer. Upon completion of the capital contribution above, Jilin Zonbong was owned as to 87.36% by ZIHG, 5% by Wing Tak Hong Kong and 7.64% by 15 PRC individuals. The pre-IPO investment by Wing Tak Hong Kong was fully paid and settled on 26 August 2019.

(k) Increase of registered capital of Jilin Zonbong and change of shareholders of Jilin Zonbong

On 27 August 2019, the board of directors of Jilin Zonbong passed a resolution to increase the registered capital of Jilin Zonbong with the capital injection of RMB10,000,000 from Zonbong Environment, which was settled in October 2019. On the same date, Zonbong Environment entered into an equity transfer agreement with all shareholders of Jilin Zonbong (save for Wing Tak Hong Kong) pursuant to which Zonbong Environment acquired all the equity interest held by such shareholders at an aggregate consideration of RMB5,100,000 and was settled in October 2019. The consideration of the acquisition was determined based on the registered capital of Jilin Zonbong. Upon completion of the acquisition, Jilin Zonbong was owned as to 98.25% by Zonbong Environment and 1.75% by Wing Tak Hong Kong.

(l) Subscription of 1% equity interest in Zhongke Zonbong by Jilin Shengyi

As disclosed in paragraph (i) above, Zhongke Zonbong acquired the entire equity interest in Zonbong Landscape in June 2019 at the consideration of RMB200,000,000, which resulted in an amount payable from our Group to Jilin Shengyi as at 30 June 2019. Zhongke Zonbong subsequently obtained a loan with the principal amount of RMB200,000,000 from an Independent Third Party in August 2019 and settled the entire amount payable to Jilin Shengyi. Subsequently, considering that we would incur substantial interest expenses under such loan and our gearing ratio would be maintained at a relatively high level as a result of the loan, we discussed with Jilin Shengyi on the possible settlement arrangements for the loan, and Jilin Shengyi agreed to finance the loan repayment by way of injecting capital to Zhongke Zonbong through equity subscription. Accordingly, Zhongke Zonbong and Jilin Shengyi entered into a capital increase agreement on 8 October 2019, pursuant to which Jilin Shengyi agreed to contribute RMB187,600,000 to Zhongke Zonbong, of which RMB51,500 and RMB187,548,500 were used to increase the registered capital and capital reserve of Zhongke Zonbong, respectively. Upon completion of the subscription on 11 October 2019, Zhongke Zonbong became owned as to 99% by Jilin Zonbong and 1% by Jilin Shengyi. The capital contribution by Jilin Shengyi was fully settled in October 2019. Zhongke Zonbong then repaid the aforementioned loan from the third party in full in October 2019, primarily with the capital contributed from Jilin Shengyi.

(m) The carve-out of Zonbong Miaomu from our Group

On 8 October 2019, Zonbong Landscape entered into an equity transfer agreement with Jilin Shengyi (a company owned by our Ultimate Controlling Shareholders), pursuant to which the entire equity interest in Zonbong Miaomu was transferred from Zonbong Landscape to Jilin Shengyi at the consideration of RMB12,361,743.91. For details, please refer to the paragraph headed "— The carve-out of Zonbong Miaomu by our Group after the Track Record Period" above in this section. Upon completion of the transfer on 14 October 2019, Zonbong Miaomu ceased to be a subsidiary of our Group.

PRE-IPO INVESTMENT

Background of the Pre-IPO Investor

Wing Tak Group is an investment holding company incorporated in the BVI with limited liability on 17 June 2019 and is beneficially and wholly-owned by the Pre-IPO Investor. Wing Tak Investment is an investment holding company incorporated in the BVI on 17 June 2019 and is beneficially and wholly-owned by Wing Tak Group upon its incorporation. Wing Tak Hong Kong is an investment holding company incorporated in Hong Kong on 12 July 2019 and is beneficially and wholly-owned by Wing Tak Investment upon its incorporation. The Pre-IPO Investor was introduced to us in early 2019 by a mutual acquaintance. The Pre-IPO Investor has over 10 years of experience in accounting and auditing. He is a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries, and is currently the manager of a PRC utility company listed on the Main Board of the Stock Exchange. To the best knowledge and belief of our Directors, the Pre-IPO Investor decided to invest in our Group in view of the prospects and potential growth of our Group and the landscaping and ecological restoration industries. To the best knowledge and belief of our Directors after making reasonable enquiries, the Pre-IPO Investor is an Independent Third Party who had no relationship with our Group or our Controlling Shareholders prior to his investment in our Group. All Shares to be held by Wing Tak Group upon Listing will count towards the public float of our Company.

Investment

On 24 July 2019, Wing Tak Hong Kong (a company indirectly wholly-owned by the Pre-IPO Investor), Jilin Zonbong and the then existing shareholders of Jilin Zonbong entered into a capital increase agreement, pursuant to which Wing Tak Hong Kong agreed to inject capital in the sum of RMB10,559,763 to Jilin Zonbong. The investment had been fully paid and settled on 26 August 2019. Upon completion of such capital increase, Wing Tak Hong Kong held 5% equity interest in Jilin Zonbong.

On 3 October 2019, Wing Tak Group transferred its one ordinary share of Wing Tak Investment to our Company in consideration of our Company allotting and issuing 5.26 Shares of US$1.00 each credited as fully paid, to Wing Tak Group. Upon completion of such transfer, Wing Tak Investment became a wholly-owned subsidiary of our Company and Wing Tak Group held approximately 5.0% of the total issued Shares of our Company. Please refer to the paragraph headed "— Reorganisation" above in this section for details.

The following sets forth the summary of the pre-IPO investment:

Name of the Pre-IPO Investor	Mr. Chung Chi Fung
Amount of consideration	RMB10,559,763
Date on which consideration was fully paid and irrevocably settled	26 August 2019
Investment cost per Share paid under the pre-IPO investment *(Note 1)*	Approximately HKD1.09 (equivalent to approximately RMB0.96)
Basis of determination of the consideration	The consideration was determined based on arm's length negotiation between the Pre-IPO Investor and our Group taking into account the net asset value of Jilin Zonbong as appraised by an independent valuer as at 30 June 2019
Discount to the Offer Price (based on the midpoint of the indicative Offer Price range)	Approximately 49.5%
Use of proceeds from the pre-IPO investment *(Note 2)*	Mainly as general working capital of our Group

Strategic benefit from the pre-IPO investment to our Group	Our Directors are of the view that the pre-IPO investment (i) serves as a source of additional working capital to our Group and provides immediate funding available for our Group's business operation; and (ii) enlarges our shareholder base.
Shareholding in our Company immediately after the Reorganisation but before the completion of the Global Offering and the Capitalisation Issue	Approximately 5%
Shareholding in our Company immediately upon the completion of the Global Offering and the Capitalisation Issue	4%

Notes:

1. Based on the 10,993,730 Shares to be held by Wing Tak Group upon completion of the Capitalisation issue and the Global Offering.

2. As at the Latest Practicable Date, the net proceeds from the pre-IPO investment had been fully utilised.

Special rights and lock-up

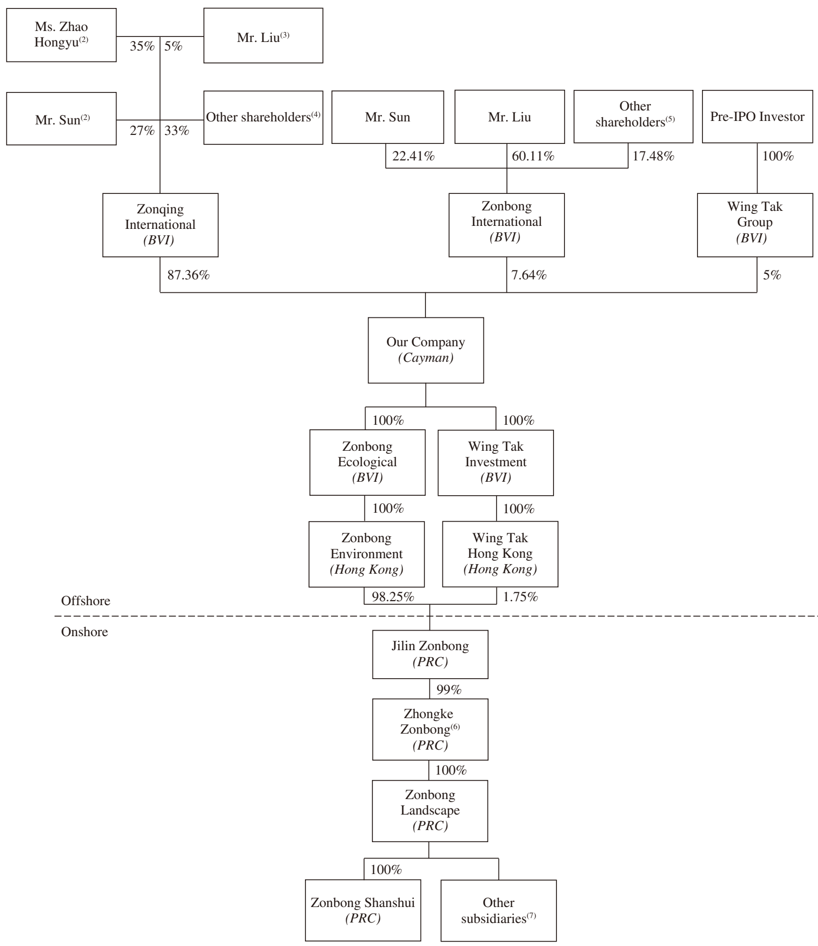
The Pre-IPO Investor was not granted any special rights that were not available to our other Shareholders. The Shares held by the Pre-IPO Investor will be subject to a six-month lock-up period after Listing.

Sponsor's confirmation

Given that (i) no special rights have been granted to the Pre-IPO Investor in respect of his pre-IPO investment through his wholly-owned companies; and (ii) the pre-IPO investment has been completed and settled more than 28 clear days before the date of submission of the Listing application by our Company, the Sole Sponsor is of the view that the pre-IPO investment is in compliance with the "Interim Guidance on Pre-IPO Investments" (HKEx-GL29-12) and the "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganisation, but prior to the completion of the Global Offering and the Capitalisation Issue:



Notes:

1. Certain percentage figures included in the above chart have been subject to rounding adjustments.

2. Mr. Sun and Ms. Zhao Hongyu are spouses to each other and are parties acting in concert with each other. Mr. Sun is our non-executive Director and a Controlling Shareholder.

3. Mr. Liu is our executive Director, chief executive officer, chairman of the Board, and one of our Controlling Shareholders.

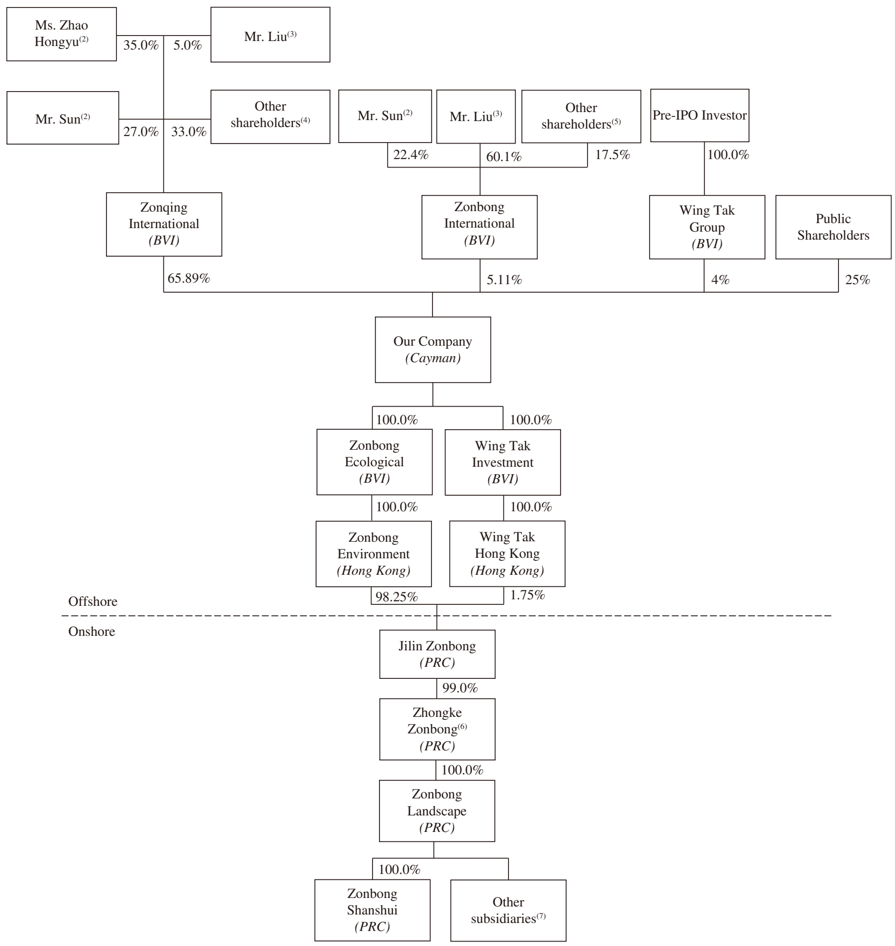
4. The remaining equity interests in Zonqing International were held by nine PRC individuals. Please refer to the paragraph headed "— Reorganisation — I. Incorporation of offshore holding companies" above in this section for more details.

5. The remaining equity interests in Zonbong International were held by 13 PRC individuals. Please refer to the paragraph headed "— Reorganisation — I. Incorporation of offshore holding companies" above in this section for more details.

6. The remaining equity interest in Zhongke Zonbong was held by Jilin Shengyi, which is wholly-owned by our Ultimate Controlling Shareholders.

7. These companies were our PRC subsidiaries which had no material contribution to our Group's financial results during the Track Record Period.

The following chart sets forth our Group's corporate and shareholding structure after completion of the Global Offering and the Capitalisation Issue:



Notes:

1. Certain percentage figures included in the above chart have been subject to rounding adjustments.

2. Mr. Sun and Ms. Zhao Hongyu are spouses to each other and are parties acting in concert with each other. Mr. Sun is our non-executive Director and a Controlling Shareholder.

3. Mr. Liu is our executive Director, chief executive officer, chairman of the Board, and one of our Controlling Shareholders.

4. The remaining equity interests in Zonqing International are held by nine PRC individuals. Please refer to the paragraph headed "— Reorganisation — I. Incorporation of offshore holding companies" above in this section for more details.

5. The remaining equity interests in Zonbong International are held by 13 PRC individuals. Please refer to the paragraph headed "— Reorganisation — I. Incorporation of offshore holding companies" above in this section for more details.

6. The remaining equity interest in Zhongke Zonbong is held by Jilin Shengyi, which is wholly-owned by our Ultimate Controlling Shareholders.

7. These companies were our PRC subsidiaries which had no material contribution to our Group's financial results during the Track Record Period.

PRC LEGAL COMPLIANCE

Save for Zonbong Shanshui as disclosed in the paragraph headed "— Our Company and our Operating Subsidiaries" in this section, our PRC Legal Adviser confirmed that the registered capital of our Operating Subsidiaries had been fully paid up, and the establishment, equity transfers and change in registered capital as described above had been approved by, registered at and/or filed to the relevant competent PRC authorities and were legally valid and effective.

M&A Rules

According to the Provisions of the Ministry of Commerce on M&A of a Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, State Administration for Industry & Commerce and the SAFE on 8 August 2006, effective as at 8 September 2006 and amended on 22 June 2009 by the MOFCOM, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport that a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall be approved by the MOFCOM prior to its establishment and shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Our PRC Legal Adviser considers that, as all requisite approvals, permits and licences required under the PRC laws and regulations in connection with the equity interests transfers of our subsidiaries in the PRC as set forth in this section have been obtained, and that the acquisition of Jilin Zonbong's equity interest by our Company does not fall within the scope of such acquisition by the foreign investor as stipulated under the M&A Rules, our PRC Legal Adviser is of the opinion that no approval of the CSRC or the MOFCOM is required for our Company and its PRC subsidiaries for the purpose of the Listing.

SAFE Circular 37

The Circular 37 requires a PRC individual resident (the "**PRC Resident**") to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Offshore SPV**") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, merger or division.

Our PRC Legal Adviser considers that, each of Mr. Sun, Ms. Zhao Hongyu, Mr. Liu, Mr. Hou Baoshan, Mr. Shao Zhanguang, Mr. Li Peng, Ms. Li Ping, Mr. Liu Changli, Mr. Shan Dejiang, Mr. Wei Xiaoguang, Mr. Sun Juzhi, Mr. Weng Hongzhao, Mr. Dong Lei, Ms. Lyu Hongyan, Mr. Sun Lipeng, Mr. Wang Peng, Mr. Wang Shiwei, Ms. Wang Xu, Mr. Wang Xuesong*, Ms. Wang Yan, Ms. Wang Yumei, Mr. Wang Xuesong* and Mr. Xu Liangjin, being a PRC individual resident and beneficial owner of our Company at that time, has completed supplementary foreign exchange registration procedure in accordance with Circular 37 in May 2019.

* *There are two individuals with the same name.*

OVERVIEW

Founded in 2008, we are an established service provider for landscaping and ecological restoration projects in the Three Northeast Provinces of the PRC. Our footprints have covered 13 provincial-level regions encompassing, among others, Jilin, Beijing, Tianjin, Inner Mongolia and Xinjiang. According to the CIC Report, we ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry in the Three Northeast Provinces, with market shares of approximately 6.7% and 1.3%, respectively, in terms of revenue generated from projects located in the Three Northeast Provinces in 2019. According to the CIC Report, our market shares in the landscaping and ecological restoration industries in the PRC were approximately 0.08% and 0.58%, respectively, in terms of revenue generated in 2019. We distinguish ourselves from our competitors as a one-stop service provider with qualifications to provide both design and construction services. According to the CIC Report, as at the Latest Practicable Date, we were one of the six companies registered in the Three Northeast Provinces that simultaneously held the First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級資質) and the qualifications for conducting construction activities.

As at the Latest Practicable Date, our business segments include (i) landscaping; (ii) ecological restoration; and (iii) others including investigation, survey, design and technical consultancy for municipal construction projects. During the Track Record Period, we secured new businesses mainly through participating in tendering process or direct engagement. We have undertaken a total of 374 projects during the Track Record Period, of which 128 were landscaping projects, 64 were ecological restoration projects and 182 were projects relating to other services. As at the Latest Practicable Date, we had 60 ongoing landscaping projects, 36 ongoing ecological restoration projects and 69 ongoing other projects.

During the Track Record Period, landscaping was a major source of our Group's recognised revenue. We, as contractors, undertake landscaping projects from our customers, such as the design and/or construction of urban gardens, theme parks and private parks, with an aim to improving the environment of urban areas through the combination of our design and construction capabilities. In such projects, we provide a variety of landscape design and construction services based on our customers' needs including, among other things, terrain modification, planting of nursery plants, underground construction works such as pipe installation for water supply, as well as maintenance works. Our landscaping projects accounted for approximately 49.7%, 57.4%, 49.0% and 52.1% of our total recognised revenue for FY2017, FY2018, FY2019 and 6M2020, respectively.

We have placed increasing efforts in developing our ecological restoration segment since 2016, resulting in an overall growth in its contribution to our Group's recognised revenue over the Track Record Period. Ecological restoration projects are projects which seek to treat, mediate or restore damaged natural resources by applying specialised technology, equipment, plants or other biological agents. Our services for ecological restoration projects include, among others, underground pipeline construction for rainwater harvesting and sewage system, design and construction of ecological facilities such as rain garden, sponge city system and greening construction. Our ecological restoration projects include treatment of polluted rivers, building of urban waterfront parks, restoration of regional water ecology system and mine rehabilitation. We believe that, with our extensive experience in landscaping, we will benefit from the PRC government's policy on environmental improvement in the provision of ecological restoration services. Our ecological restoration projects accounted for approximately 45.4%, 35.4%, 44.9% and 40.5% of our total recognised revenue for FY2017, FY2018, FY2019 and 6M2020, respectively.

The key differences between our landscaping projects and our ecological restoration projects mainly lie in that (i) our landscaping projects are undertaken with an aim to improving the environment of urban areas, whereas our ecological restoration projects are undertaken with an aim to treating, mediating or restoring damaged natural resources; (ii) the construction works for our landscaping projects include, among other things, planting of nursery plants, construction of garden roads and installation of landscape facilities, whereas the construction works for our ecological restoration projects include, among other things, construction of ecological protection slope for soil consolidation, purification of polluted water through installation of aeration equipment and restoration of damaged land surface through spraying plant seeds and covering nonwovens over a large area; and (iii) as the primary aims of these two types of projects differ, (a) different sets of techniques and skills are utilised for the projects such that our landscaping projects may involve, among other things, seedlings cultivation skills and tree transplanting and supporting skills, whereas our ecological restoration projects may involve, among other things, Low Impact Development (LID), heavily-polluted water purification skills and honeycomb restraint system slope construction skills; and (b) our patented technologies applied to our landscaping projects (such as our cultivation method and growth medium for Hemerocallis or cultivating device for seedlings used for construction) are also distinct from those applied to our ecological restoration projects (such as our purification device for treating coking wastewater or the system for treating Class C medical wastewater). Please refer to the section headed "Appendix IV — Statutory and General Information" in this prospectus for further details of our patents.

Apart from landscaping and ecological restoration projects, we also provide services for other projects, including investigation, survey, design and technical consultancy for municipal construction projects, which contributed to approximately 4.9%, 7.2%, 6.1% and 7.4% of our recognised revenue for FY2017, FY2018, FY2019 and 6M2020, respectively.

For our landscaping and ecological restoration projects, during the Track Record Period, we mainly adopted the (i) traditional model, under which we are engaged as the contractor or subcontractor for projects other than our PPP projects; (ii) EPC model, under which we are engaged as the main contractor for a project; or (iii) PPP model, under which we act as the private sector entity to cooperate with public sector entity and as contractor for these projects. Under these models, we provided a variety of services including design, engineering, procurement, construction and maintenance to cater to the different needs of our customers. Revenue recognised by our Group for projects under the PPP model accounted for approximately 47.1%, 47.0%, 26.0% and 14.0% of our total recognised revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. Projects under the EPC model accounted for approximately 36.0%, 36.1%, 27.0% and 40.5% of our total recognised revenue for FY2017, FY2018, FY2019 and 6M2020, respectively.

During the Track Record Period, over 90% of our recognised revenue were generated from public sector projects. We believe that our active participation in public sector projects enables us to develop an in-depth understanding of the project requirements imposed by public sector entities and reinforce their confidence in our services. During the Track Record Period, we recognised a total revenue of approximately RMB2,543.0 million from public sector projects, of which 16 projects had contract sum of more than RMB100.0 million.

We experienced promising growth in our recognised revenue and gross profit from FY2017 to FY2019. The following table sets forth the breakdown of our Group's revenue and gross profit margin recognised by business segments during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
										(unaudited)					
Landscaping	325,912	49.7	24.5	464,577	57.4	25.6	439,784	49.0	25.0	154,478	52.4	24.8	186,502	52.1	18.8
Ecological restoration	297,801	45.4	22.7	286,529	35.4	19.5	402,378	44.9	25.4	110,070	37.3	21.4	144,791	40.5	23.8
Others	31,783	4.9	40.7	58,238	7.2	36.7	55,124	6.1	38.2	30,261	10.3	34.7	26,592	7.4	67.9
Total	**655,496**	**100.0**	**24.5**	**809,444**	**100.0**	**24.3**	**897,486**	**100.0**	**26.0**	**294,809**	**100.0**	**24.5**	**357,885**	**100.0**	**24.5**

COMPETITIVE STRENGTHS

We believe the following competitive advantages differentiate us from our competitors and will continue to enable us to capitalise on future growth opportunities:

One-stop service provider in landscaping and ecological restoration industries and strong brand recognition in the Three Northeast Provinces

Founded in 2008, we are an established service provider for landscaping and ecological restoration projects in the Three Northeast Provinces of the PRC. We have provided services for landscaping projects for over ten years, and have accumulated extensive experience in project execution and project management relating to the design and construction of landscaping and ecological restoration projects. Under the EPC model, for projects that we were engaged as the main contractor, we were required to manage and control the quality of the entire process, from design, procurement, construction works until delivery of the projects. According to the CIC Report, we ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry in the Three Northeast Provinces in terms of revenue generated from projects located in the Three Northeast Provinces in 2019. As at the Latest Practicable Date, we were one of the six companies registered in the Three Northeast Provinces that simultaneously held the First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級資質) and the qualifications for conducting construction activities, which allow us to provide one-stop design and construction services in the landscaping and ecological restoration industries. We take pride in our capabilities of providing comprehensive services ranging from survey and design to construction works tailored to our customers' needs, which we believe differentiate us from our competitors.

During the Track Record Period, over 90% of our recognised revenue was derived from public sector projects, which our Directors consider to be a testament of our Group's established position in relation to the PRC government's initiatives in ecological civilisation and environmental protection. According to the CIC Report, most ecological restoration projects in the PRC are led by the local governments. We believe that participating in well-known or large-scale public sector projects will (i) allow us to develop our reputation as a reliable landscaping and ecological restoration services provider in the public sector which will further reinforce our market position; and (ii) further our access to more landscaping and ecological restoration works of larger scale which in turn will enrich our industry knowledge, experience and skills in managing more sophisticated and larger projects. During the Track Record Period, we recognised a total revenue of approximately RMB2,543.0 million from public sector projects, of which 16 projects had contract sum of more than RMB100.0 million.

In recognition of our strengths and market position, in 2019, our Group was appointed as Vice-President Unit of Sponge City Association (海綿城市協會副會長單位) jointly by Jilin Urban Water Supply and Drainage Association (吉林省城鎮供水排水協會) and Jilin Sponge City Association (吉林省海綿城市協會), as well as the President Unit of the Jilin Landscape Architecture Association (吉林風景園林協會理事長單位) from 2016 to 2019. Our Group was also awarded the Landscaping Enterprise with Credit Grade AAA in the PRC for six consecutive years (連續六年中國園林綠化AAA級信用企業) in 2018 jointly by China Engineering Construction Industry Association (中國工程建設行業協會) and Beijing Guoyan Credit Service Co., Ltd (北京國研征信有限公司). During the Track Record Period, we were engaged in different award-winning projects. For further details, please refer to the paragraph headed "— Awards and recognitions" in this section.

Our Directors believe that by leveraging our prominent position, strong brand recognition and well-established track record in the Three Northeast Provinces in the landscaping and ecological restoration industries, we will continue to maintain our strong project pipeline, expand our business and achieve rapid growth, which we intend to replicate to other areas in the PRC.

Robust in-house design capabilities in addition to landscaping and ecological restoration construction capabilities

Our design capabilities have been a core competitive strength of our business. According to the CIC Report, there has been an increasing number of landscaping and ecological restoration projects that require sophisticated design capabilities such as those relating to culture, environmental treatment, tourism attractions, water ecology improvements, etc. According to the CIC Report, a majority of the companies in the PRC landscaping and ecological restoration industries do not have the qualification to provide in-house design services. Further, as at the Latest Practicable Date, we were one of the six companies registered in the Three Northeast Provinces that simultaneously held First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級資質) as well as construction qualifications which, together with our other qualifications, allow us to provide design and construction services for landscaping and ecological restoration projects. Please refer to the paragraph headed "— Our qualifications and certificates" in this section for further details of our qualifications.

Our design capabilities, together with our construction capabilities, enable us to provide one-stop services in landscaping and ecological restoration projects. Having a unique combination of capabilities, we participated in the formulation of various technical guidance and standards approved by the Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳) for the construction of sponge cities in Jilin Province, such as:

- Technical Guidelines for the Construction of Sponge Cities in Jilin Province (Trial) (吉林省海綿城市建設技術導則(試行));

- Technical Specification for Low Impact Development of Stormwater Management and Harvest Engineering (DB22/JT 168-2017) (低影響開發雨水控制與利用工程技術規程); and

- Facilities for Low Impact Development of Stormwater Management and Harvest in Jilin Province (DBJT06-188-2017) (低影響開發雨水控制與利用設施).

Our design capabilities are underpinned by the experience and dedication of our design team led by Mr. Wang Xuesong (王雪松) who possesses senior professional engineer qualification and obtained an ecological-related doctorate degree. As at the Latest Practicable Date, our design team consists of 125 members, of which 93 had more than five years of experience and 98 held relevant qualifications.

Diversified industry qualifications which allow us to undertake a diverse range of works for landscaping and ecological restoration projects

We have obtained a range of key design and construction qualifications. For public sector projects, only those contractors who meet the qualifications and requirements specified in the tender document may be selected to participate in the projects. Holders of first-grade design and construction related qualifications are able to undertake more types of works and projects with larger contract sum than holders of lower grade qualifications. As at the Latest Practicable Date, we held (i) First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級); (ii) First-Grade Engineering Design of Municipal Industry Professional Qualification Certificates (工程設計市政行業專業甲級資質) in respect of water supply engineering, drainage engineering, road engineering and bridge engineering; and (iii) First-Grade Engineering Survey Professional Qualification Certificates (工程勘察專業甲級資質) in respect of hydrogeological and geotechnical engineering. These qualifications together allow us to engage in projects in relation to landscape design, construction of scenic resorts, public parks, gardens and residential real estate landscape. Please refer to the paragraph headed "— Our qualifications and certificates" in this section for further details of our qualifications and the authorised scope of work under these qualifications.

By possessing multiple qualifications, our Directors believe that our Group has a competitive advantage in securing landscaping and ecological restoration projects as qualifications is one of the factors that project owners consider when awarding projects to contractors.

A proven track record of sustainable financial performance and business growth under the leadership of our experienced and diversified senior management team supported by our dedicated professional teams and well-established relationship with external experts

We believe that our experienced management team with extensive operational expertise and in-depth knowledge of the PRC landscaping and ecological restoration market are fundamental to our success. Our Group is led by Mr. Liu (our founder, chairman of the Board, chief executive officer and executive Director), who is a licensed senior professional engineer in the PRC and also a dedicated manager, with over 20 years of experience in the construction industry and over 10 years of experience in the landscaping industry. Mr. Liu is assisted by (i) Mr. Wang Xudong, our executive Director and general manager who has over 20 years of management experience in the construction industry; and (ii) Ms. Wang Yan, our executive Director, deputy general manager and the chief financial officer who has more than 10 years of financial management experience in the construction industry. For further details, please refer to the section headed “Directors and Senior Management” in this prospectus.

Under the leadership of Mr. Liu and our managerial staffs comprising experienced personnel from a variety of backgrounds, ranging from landscaping, civil engineering, environmental engineering, construction, water supply and drainage, hydrogeology, to design and accounting, we have established a track record of successful project procurement, as demonstrated by (i) our project presence in a wide range of geographical areas in the Three Northeast Provinces and North China; and (ii) the expansion of our projects portfolio from landscaping projects to ecological restoration projects.

We also have a dedicated and professional team, a majority of whom have attained at least tertiary education degrees. As at the Latest Practicable Date, we had 254 professional engineers, 40 registered engineers, 68 registered constructors and three registered architects. For further details, please refer to the paragraph headed “— Employees” in this section. Our design departments are capable of either undertaking design projects independently or undertaking projects which we are engaged in both design and construction works. Further, we have collaborated with Chinese Academy of Sciences (中國科學院), a leading PRC science research institute, on the analysis of water pollution and water treatment methods. The results of our cooperation were applied to the Heavily-Polluted Water Treatment Project of Yitu Ula River Range (West Lake Basin) as part of the Ecological Management and Restoration Project for Yitu Ula

River Range in Changchun Municipality (長春市伊通河流域水環境綜合治理工程 — 伊通河流域黑臭水體治理工程(西湖流域)工程). Through our collaboration with the research institute, we have obtained a detailed study on the causes and status of pollution as well as a set of treatment methods.

Our revenue recognised from landscaping segment increased from approximately RMB325.9 million for FY2017 to approximately RMB439.8 million for FY2019, and revenue recognised from our ecological restoration segment increased from approximately RMB297.8 million for FY2017 to approximately RMB402.6 million for FY2019. With our expanding project portfolio and proven track record, our Directors believe that we will continue to achieve stable financial growth.

BUSINESS STRATEGIES

We plan to implement the following strategies:

Maintain our position in the Three Northeast Provinces, strengthen our position and increase our market share in North China, East China and Southwest China and strategically expand to other regions in the landscaping and ecological restoration industries in the PRC

Driven by factors including the PRC government's in ecological civilisation and environmental protection, the sponge city initiative, the booming tourism industry in the PRC, and continuous urbanisation and urban afforestation, according to the CIC Report, the growth of landscaping and ecological restoration industries is expected to continue and the market sizes of both industries are expected to reach approximately RMB596.9 billion and RMB114.2 billion in 2024, respectively, representing a CAGR of approximately 2.9% and 10.5% from 2019 to 2024, respectively.

We ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry registered in the Three Northeast Provinces in terms of revenue generated from projects located in the Three Northeast Provinces in 2019 according to the CIC Report. We believe that with around 10 years of experience in public sector projects and our established position and reputation in the landscaping and ecological restoration industries in the Three Northeast Provinces of the PRC, our Group can benefit from the growing market size of these industries. As at the Latest Practicable Date, we had 130 ongoing projects in the Three Northeast Provinces, and after the Track Record Period and up to Latest Practicable Date, we submitted 49 tenders for projects in such regions. We plan to continue to submit tenders for projects in the Three Northeast Provinces with an aim to maintaining a stable level of ongoing projects in such region after Listing.

During the Track Record Period, we sought to strengthen our market presence and increase our market share in North China, East China and Southwest China and undertook 53 projects in these regions in total with an aggregate contract sum of approximately RMB1,342.4 million. Through our participation in these projects, our Group has gained a better understanding of the potential growth and project requirements of the landscaping and ecological restoration markets in the aforesaid regions.

As at the Latest Practicable Date, we had 31 projects in North China and East China with total backlog of approximately RMB454.7 million, of which approximately RMB453.1 million or 28 projects were from North China and approximately RMB1.6 million or three projects were from East China. The following table sets out some of our ongoing projects in North China, East China and Southwest China with contract sum over RMB20.0 million as at the Latest Practicable Date:

Project	Location	Nature of project	ZIHG Project/ Non-ZIHG Project	Year of commencement	Contract sum	Balance of backlog as at the Latest Practicable Date(1)
					RMB'000	*RMB'000*
Shenjunshan Project (神駿山項目) . . .	Ulanhot City, Inner Mongolia	Ecological restoration	Non-ZIHG Project	2017	776,279 (for construction of Zone A and Zone C)	285,018
Landscape and Greening Construction Project for Huanghe International Ecological City in Qihe Province (齊河縣黃河國際生態城景觀綠化工程施工項目)	Dezhou City, Shandong Province	Landscaping	Non-ZIHG Project	2017	71,400	1,147
Ecological Restoration of Ulanhot City in 2019 (烏蘭浩特市2019年生態治理工程)	Ulanhot City, Inner Mongolia	Ecological restoration	Non-ZIHG Project	2019	59,262	18,136
Phase I of the Ulanhot Forest City Auxiliary Facilities Construction Project (烏蘭浩特打造森林城市一期附屬設施工程建設項目)	Ulanhot City, Inner Mongolia	Landscaping	Non-ZIHG Project	2019	38,185	6,017

Project	Location	Nature of project	ZIHG Project/ Non-ZIHG Project	Year of commencement	Contract sum	Balance of backlog as at the Latest Practicable Date[1]
					RMB'000	*RMB'000*
Ecological Landscape Belt Construction Project for Chaobaihe Forest in Tongzhou District (Phase III) 15th Bid Section (Construction) (通州區潮白河森林生態景觀帶建設工程(三期)十五標段(施工)	Beijing	Landscaping	Non-ZIHG Project	2019	25,751	11,379
Phase II of the Plantation Works at Wangkou Town as part of the Ecological Reserve Forest Project in Jinghai District (靜海區生態儲備林項目植樹工程王口鎮二標段)	Tianjin	Landscaping	Non-ZIHG Project	2017	27,514	5,992
Infrastructure and Greening Project of Tianjiao Ecological Cultural Park in Greater Khingan Range (Bid section I of Dreamland Forest)(大興安嶺天驕生態文化園基礎設施及綠化工程(夢幻森林一標段))	Ulanhot City, Inner Mongolia	Ecological restoration	Non-ZIHG Project	2020	79,860	27,462
Construction Project of Environmental Improvement and Reconstruction (Sidewalk and Landscaping) in Port Free Trade Zone(海港保稅區環境提升改造(人行道及園林綠化)施工項目).	Tianjin	Landscaping	Non-ZIHG Project	2020	33,462	2,459
Tourism Auxiliary Project of the Shenjunshan Project (Phase I) (烏蘭浩特市神駿山生態修復及景觀PPP項目(一期)旅遊配套工程)	Ulanhot City, Inner Mongolia	Landscaping	Non-ZIHG Project	2020	76,000	51,103

Note:

1. The balance of backlog as at the Latest Practicable Date is estimated based on the assumption that the construction drawings for the respective project listed in the above table will cover all the construction works as required in the contracts or variation orders from the customers by ways of, among others, issuance of updated feasibility reports which list the modified scope of work.

To further establish our market presence in North China, East China and Southwest China (the "**Target Locations**"), we intend to set up regional design offices in Beijing, Shanghai and Chongqing. According to the CIC Report, the landscaping market in East China, Southwest China and North China is expected to increase with CAGRs of 3.0%, 2.3% and 1.7% respectively between 2019 and 2024. The ecological restoration market in East China, Southwest China and North China is expected to increase with CAGRs of 11.2%, 9.1% and 10.9% respectively between 2019 and 2024.

Notwithstanding that our Company has branch offices in Beijing and Tianjin, the functions and focus of our existing branch offices are different to the regional design offices proposed to be established in North China. Our existing branch office in Tianjin focuses on providing engineering services, whilst our existing Beijing branch office is the administration centre, responsible for coordinating the operations of different regional offices. In contrast, our regional design offices in the Target Locations are expected to focus on market expansion and provision of our design services. In addition, we consider that our Beijing branch office does not have sufficient space to accommodate the personnel to be employed for our regional design office in Beijing. After our regional design office in Beijing commences its operation, it is expected that our Beijing branch office will continue to be in operation as the administration centre of our Group in North China. Our Directors believe that, with design capabilities being a core competitive strength of our business, setting up design offices in the Target Locations will enable us to further capture the market shares in these regions. According to the CIC Report, we are a new entrant to the landscaping and ecological restoration market in Beijing and Tianjin. Our market share was approximately less than 0.01% and 0.3%, respectively, in each of these two municipalities in 2019. In contrast, our market share in the Three Northeast Provinces, where our design and construction functions are located, was 1.3% in 2019, ranking second in the region in terms of revenue generated from projects located in the Three Northeast Provinces. Although the landscaping market is highly fragmented, through establishing regional design offices, we believe that we can capture more business opportunities and expand our customer base in and around the Target Locations, thereby increasing our comparatively minimal market shares in these regions and establishing a local presence:

- with local personnel in the Target Locations, our Group can be more aware of available business opportunities, and can understand the market trend and needs better for us to develop a more effective business development strategy; and

- our Group can potentially expand our customer base in and around the Target Locations, as the local personnel can proactively reach out to and communicate closely with potential customers, allowing us to follow-up closely in relation to quotations and design proposals.

We also believe that setting up regional design offices will facilitate our provision of design services, primarily for the following reasons:

- shorter response time as communications with local customers will be substantially improved with local presence in the Target Locations;

- the regional design offices will be located in close proximity to our potential customers, thus shortening the time of local site visits and ensuring prompt and efficient delivery of design services; and

- we will participate in more tendering processes to broaden our customer bases in and around the Target Locations. Our Directors believe that personnel in our representative offices in the Target Locations will be better able to closely communicate with the customers, obtain materials for our projects in advance and actively follow-up with the customers in and around the Target Locations in relation to quotations and design proposals. As at the Latest Practicable Date, we had 37 projects with total backlog of approximately RMB455.9 million in the Target Locations. Our Directors believe that it is important to build up local support in order to effectively complete such projects as well as to pursue potential new projects in the Target Locations.

We have chosen to establish new regional design offices in Beijing, Shanghai and Chongqing, primarily for the following reasons:

Beijing:

- Beijing is the capital in the PRC, making it an obvious place for us to further establish a market presence in the North China. Our Directors believe that a physical market presence in Beijing will assist us in enhancing our reputation and in reaching out to other potential customers based on its advantageous location.

- According to the CIC Report, climate in the majority of Northeast China and some regions of the North China is predominantly the same as the hot summer continental climate. Taking into account of the Group's long term industry know-how in Northeast China, the Group will be more familiar with the provision of optimal design services to serve the needs of its potential customers in North China, thus enhancing the existing and potential demand for our design services.

- As mentioned in our revenue breakdown by region, North China has been the second revenue contributor following the Three Northeast Provinces during the Track Record Period. Our Directors believe that the setting up of a regional design office in Beijing will help further maximise our revenue in North China region as well as foster new business relationship with potential customers in the neighbouring cities.

Shanghai:

- Shanghai is an important economic, financial, trade and shipping centre in China, making great contributions to whole nation's economic structure and the development of society. According to the CIC Report, the nominal GDP of Shanghai reached approximately RMB3,815.5 billion in 2019, ranking 11th among province-level administrative units. It is estimated that the nominal GDP of Shanghai will increase to RMB5,582.5 billion by 2024. Our Directors believe that establishing a physical market presence in Shanghai will assist us in gaining access to the local market and its surrounding cities, as well as capturing the market opportunities brought by the growth in the city.

- As mentioned in our revenue breakdown by region, revenue generated from East China in general showed an increasing trend during the Track Record Period. According to the CIC Report, we are a new entrant to the landscaping market and ecological restoration market in Shanghai, with market share of less than 1% in Shanghai in 2019. Our Directors believe that the setting up of regional design offices in Shanghai will help further maximise our revenue in the East China as well as expand our market shares in the East China.

Chongqing:

- Chongqing is one of the four municipalities under the direct administration of the PRC, further from Beijing, Shanghai and Tianjin which we intend to set up regional design offices or we have existing branch office. According to the CIC Report, Chongqing's economy has developed rapidly during the 21st century, with nominal GDP reaching approximately RMB2,360.6 billion in 2019. Chongqing, Chengdu and Xi'an comprise the West Triangle Economic Zone, which contributes nearly 40% of Western China's GDP. The nominal GDP of Chongqing is projected to increase to approximately RMB3,453.8 billion by 2024.

- We are a new entrant to the landscaping market and ecological restoration market in Chongqing, with market share of less than 1% in Chonqing in 2019 according to the CIC Report. Our Directors believe that the setting up of a regional design office in Chongqing will help further maximise our revenue in Southwest China as well as expand our market shares in Southwest China.

Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for details of how we intend to apply the proceeds from the Global Offering to the establishment of the regional design offices.

Leveraging our industry experience, brand and capabilities, we are able to capture emerging opportunities and we will continue to explore and seize new opportunities in our strategic expansion target regions in addition to the projects currently in our project pipeline.

Enhance cooperation with local governments

With our experience in public sector projects in the landscaping and ecological restoration industries, we intend to continue to cooperate with local governments and other public sector entities. We believe that cooperating with public sector entities will enable us to gain more access to landscaping and ecological restoration projects of larger scale which in turn will effectively enrich our knowledge, experience and skills in managing more sophisticated projects. In addition, we also believe that cooperating with public sector entities in well-known or large-scale projects will allow us to develop our reputation as a reliable service provider of landscaping and ecological restoration services to public sector entities.

During the Track Record Period, we have cooperated with local governments in the PRC through undertaking projects under the PPP model. Under the existing PPP model, our Group would normally establish a project company with a public sector entity which is responsible for financing the project (including its capital expenditures, development expenses and contractors fees, etc) from its capital and third party loans. This form of cooperation generally requires significant capital commitment which exposes the project company to credit and liquidity risks. With a view to lowering the capital commitment and related risks in undertaking PPP projects, we have been exploring different forms of cooperation with local governments under the PPP model, i.e. by establishing project companies with local governments where our Group holds different levels of equity interest and control over the project companies to cater for the requirements of both parties for each project in respect of capital commitment and risk allocation, such as (i) the project company of the Shenjunshan Project which is considered as a joint venture as our Group and the local government contractually agreed to share control over the project company and the rights to its net assets; and (ii) the project company of the Meihekou Project where our Group only holds 3.33% of the equity interests of the project company and is not entitled to appoint any of the directors of the project company. Notably, leveraging our experience and knowledge in managing scenic resort and tourism projects from the Shenjunshan Project, we entered into an investment agreement with a local county government in Xinjiang in January 2019 for the establishment of a joint venture company in relation to the development of the cultural tourism projects in the county and the landscaping construction works for developing a scenic resort in such county. In particular, the joint venture company was established with registered capital of RMB50,000,000, of which 40% was subscribed by a public sector entity controlled by the local government and 60% was subscribed by our Group. Such joint venture company is one of the subsidiaries of our Group and in charge of the operation and management of the project. As at the Latest Practicable Date, this company has not commenced operation and thus has not recognised any revenue or incurred any cost of sales.

Enhance our technical competence for our sustainable growth and profitability

We strive to further improve our technical competence, reduce our overall operating costs, enhance our operational efficiency and increase profitability through constant efforts in technological development. We intend to focus on optimising our operational efficiency through technological improvement. We intend to continue improving our data analysis capability through the use of technologies for our landscaping and ecological restoration projects. Such technologies include BIM, an analysis tool for engineering and construction designs by processing various information that enables document management, coordination and simulation during the entire lifecycle of a project including plan, design, construction and maintenance. We also intend to continue using CIM, an intelligent city modelling tool of various city components which creates and displays three dimensions city model environment, and enables city-wide simulation of various aspects such as traffic congestion, energy and impact of natural disasters. With BIM and CIM, we believe we will be able to (i) visualise and analyse our project sites more accurately through simulation of collected site data; (ii) create designs for our landscaping and ecological restoration projects more efficiently and effectively; and (iii) improve efficiencies during every stage of our projects' lifecycle, from design to construction to maintenance, which will in turn lower our costs and shorten the construction period of our projects.

We expect to further our cooperation with tertiary institutions, such as Jilin University (吉林大學), a major research university in the Three Northeast Provinces, for research and development especially in water treatment, energy conservation and environmental protection, tree planting and maintenance technologies, prefabricated construction, intelligent building, green building and utilities tunnel design.

In order to enhance our competitiveness in the provision of landscaping and ecological restoration services, we plan to improve our staff training and provide bonus and benefits package to our technical departments and individuals according to their performance to equip our employees with the skills and knowledge relevant to their functions and to retain our high calibre talent. Our training programmes will be hosted by both internal staff and external industry experts. We have also carried out programmes, such as "Inverse Triangle" programme and "Competitive Talents" programme to promote our technical staff based on their competencies and we plan to roll-out similar programmes in the future. We believe that by improving our technical capabilities, we will be able to reduce our overall operating costs, enhance operational efficiency and increase profitability to further strengthen our sustainable growth.

Continue to develop our information management system to further improve our work efficiency and internal management

We intend to improve our information management system to cope with the expansion of our business through, among other things, acquiring an ERP system which is a system designed to monitor and manage the entire process of our business workflow. Our Directors believe that such ERP system will enhance our operation in the following aspects: (i) facilitating easy access to the system in and out of office by allowing access through online browsers without having to download any software; (ii) centralising the management of all data and records of our Group, including, among others, financial accounts and suppliers records; (iii) unifying the accounts management system used by all of our subsidiaries and branch companies, which facilitates the accounts preparation process; and (iv) integrating our financial and business functions, which allows for easy cross-departmental access to data across our Group. With such ERP system, our Group expects to manage our business operation and financial reporting in an effective and timely manner under one integrated system.

OUR BUSINESS MODEL AND OPERATIONAL WORKFLOW

Business segments

We are an established service provider in the landscaping and ecological restoration industries in the Three Northeast Provinces in the PRC. We ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry in the Three Northeast Provinces, with market shares of approximately 6.7% and 1.3%, respectively, in terms of revenue generated from projects located in the Three Northeast Provinces in 2019, according to the CIC Report. Our core business consists of:

(i) design and construction services for landscaping projects including public and private space landscaping and maintenance projects;

(ii) design, technical consultancy and construction services for ecological restoration projects including development of cultural tourism scenic resort, building urban waterfront parks, restoration of regional water ecology system and mine rehabilitation; and

(iii) other services including investigation, survey, design and technical consultancy for municipal construction projects.

The following table sets forth a breakdown of our revenue recognised by business segment during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%
										(unaudited)					
Landscaping	325,912	49.7	24.5	464,577	57.4	25.6	439,784	49.0	25.0	154,478	52.4	24.8	186,502	52.1	18.8
Ecological restoration	297,801	45.4	22.7	286,629	35.4	19.5	402,578	44.9	25.4	110,070	37.3	21.4	144,791	40.5	23.8
Others	31,783	4.9	40.7	58,238	7.2	36.7	55,124	6.1	38.2	30,261	10.3	34.7	26,592	7.4	67.9
Total	**655,496**	**100.0**	**24.5**	**809,444**	**100.0**	**24.3**	**897,486**	**100.0**	**26.0**	**294,809**	**100.0**	**24.5**	**357,885**	**100.0**	**24.5**

During the Track Record Period, we secured new business mainly through tendering process or direct engagement.

Landscaping

Our landscaping segment is a major component of our business which mainly involves the following:

(i) landscaping design works including preparing schematic design, preliminary design and construction documents based on project proposal and other project information obtained from customers and surveys for landscaping projects; and

(ii) landscaping construction works including:

- earthworks for the greening area and terrain modification after the backfilling of planting soil;

- positioning and digging of planting pits according to design drawings;

- underground construction works including pipe installation for water supply and drainage, electrical engineering and foundation construction works for buildings;

- planting and watering of nursery plants including the setting up of support frames;

- ground construction works including civil engineering and construction and refurbishment works for buildings, streets and pavements; and

- maintenance works including watering and pruning nursery plants, regular inspection, early prevention and control of diseases and pests, removing weeds in greening area and reinforcement of tree support.

We mainly undertake landscaping projects from public sector entities. We completed 25, 27 15 and 3 landscaping projects in FY2017, FY2018, FY2019 and 6M2020, respectively, and had 45, 37, 49 and 58 ongoing landscaping projects as at 31 December 2017, 2018, 2019 and 6M2020, respectively. The aggregate awarded contract sum of our landscaping projects during the Track Record Period and up to the Latest Practicable Date was approximately RMB1,929.9 million. As at the Latest Practicable Date, we had 59 landscaping projects with total balance of backlog of approximately RMB552.3 million attributable to these projects.

Set out below are some of our milestone landscaping projects undertaken by us which are selected based on their sizes and/or award-winning conditions:

Songyuan Urban Greening Project (松原城區綠化項目)

The Government Purchase Procurement Project for the Urban Landscaping, Greening and Construction of Songyuan City in 2015 (松原市2015年城區園林綠化工程政府購買服務項目) ("**Songyuan Urban Greening Project**") has contract sum of RMB444.0 million. Notwithstanding that this project has been listed in the PPP project library in the PRC, based on the respective features of our project models as described in the paragraph headed "— Project models" in this section, this project is classified as a project under the traditional model for the purpose of disclosure in this prospectus. For this project, we were awarded the 2015 Excellent Project Prize in Jilin "Landscape Cup" (2015年度吉林省"園林杯"優質工程獎) by Jilin Landscape Architecture Association (吉林省風景園林協會) in 2016, the 2016 Excellent Landscape Greening Construction Project in the PRC (2016年度中國園林綠化優秀施工項目) by China Engineering Construction Industry Association (中國工程建設行業協會) in 2017, and the 2017 Excellent Landscape Greening Construction Project in the PRC (2017年度中國園林綠化優秀施工項目) by China Engineering Construction Industry Association (中國工程建設行業協會) in 2018. We commenced construction for this project in 2015 and expect to complete all construction and maintenance works by 2024.

Erdao Landscaping Project (二道綠化項目)

The Integrated Project for Urban Greening Investment, Design and Landscape Construction for the Main Roads in Erdao District, Changchun City (長春市二道區主城區街道綠化工程投資、設計與施工一體化工程) ("**Erdao Landscaping Project**") has contract sum of approximately RMB83.0 million for both the design and construction works. This project was under the EPC model which involved urban greening works for areas covering 51 streets in Erdao District, Changchun City, Jilin Province. Our integrated services included design and landscape construction works to maintain a unified greening style in the aforementioned areas. We were awarded the 2018 Outstanding Project Prize in Jilin "Landscape Cup" (2018年度吉林省"園林杯"優質工程獎) by Jilin Landscape Architecture Association (吉林省風景園林協會) in 2018. We commenced construction for this project in 2015 and completed the entire construction works in September 2020.

Meihekou Project (梅河口項目)	PPP Project for the Water Storage of Lihu Town, Meihekou City, Jilin Province (吉林省梅河口市李爐鄉蓄水工程(PPP)項目) ("**Meihekou Project**") is considered by the local government as a key project in Meihekou City. The purpose of the Meihekou Project is to build an urban recreation park surrounding water storage facilities in the Hailong Lake area, located at Lilu County, Meihekou City, Jilin Province. The contract sum of this project between our Group and the PPP project company is RMB402.0 million and the total area of this project covered approximately 1.1 km^2, consisting of commercial, recreational and landscape areas. Our services provided in this project include the planting of trees and construction of bridges, pavilions, antique buildings and landscape stones. We commenced construction for this project in 2017 and completed the entire construction works in August 2020.

Ecological restoration

We have placed increasing efforts in developing our ecological restoration segment since 2016. Our services for ecological restoration project mainly consist of the following:

(i) design services involving preparing schematic design, preliminary design and construction documents;

(ii) technical consultancy services involving collection and provision of necessary data and information for design works, reviewing design documentations and assisting project designers in completing design works; and

(iii) construction services involving:

- underground pipeline construction, including lay-out and placement of pipelines for rainwater harvesting and sewage system;

- construction of ecological facilities, including design and construction of sewage treatment facilities, asphalt roads, permeable pavement and other foundation constructions;

- greening construction, including earthwork and planting; and

- ecological construction, including building of rain garden, sponge city system, vegetation buffer zone, protection slope by the side of grassed swales and rivers, and planting aquatic plants.

We completed five, 12, 10 and nil ecological restoration projects in FY2017, FY2018, FY2019 and 6M2020, respectively, and we had 33, 31, 35 and 37 ongoing ecological restoration projects as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The aggregate awarded contract sum of our ecological restoration projects during the Track Record Period and up to the Latest Practicable Date was RMB2,960.3 million. As at the Latest Practicable Date, we had 33 ecological restoration projects with total balance of backlog of approximately RMB2,257.2 million attributable to these projects.

Set out below are some of our milestone ecological restoration projects undertaken by us which are selected based on their sizes and/or award-winning conditions:

Shenjunshan Project (神駿山項目)	Shenjunshan Ecological Restoration and Landscaping Project (神駿山生態修復及景觀項目) ("**Shenjunshan Project**") comprises (i) the EPC contract entered into between our Group and the public sector entity in 2017 for design and construction of Zone A of the project; (ii) the PPP contract entered into between the PPP project company and the public sector entity in 2018 covering design, investment, financing, construction, operation and maintenance of Zone A to Zone D of the project; and (iii) the construction contract entered into between the project company and our Group for design, construction and maintenance services. This project is a large-scale ecological restoration PPP project located at Ulanhot City, Hinggan League, Inner Mongolia and has a total investment amount of approximately RMB1,892.8 million. We have undertaken the construction works for Zone A and Zone C by collaborating with Beijing Turen City Planning and Design Co., Ltd. (北京土人城市規劃設計股份有限公司) (also known as Turenscape (土人設計)), an award-winning designer. The goal of this project is to restore the surrounding ecological environment of nine abandoned mines located at Ulanhot City, Inner Mongolia and build a cultural tourism resort of approximately 4.0 km^2 with landscape and ecological theme parks.

Nanxi Project (南溪項目)

Main Contracting Project of Nanxi Water Culture Ecological Park as part of the Ecological Treatment Project of Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 南溪水文化生態園工程總承包) ("**Nanxi Project**") is an ecological restoration project for an old factory area in Changchun City, Jilin Province, a Historical and Cultural Site protected at the level of Changchun city (長春市市級文物保護單位). It has contract sum of approximately RMB166.7 million. We were engaged to provide the following services: (i) vegetation planting; (ii) landscape facilities construction; (iii) water ecological engineering including installation of water scenery; and (iv) transformation of a sedimentation tank to a landscape garden. The main construction works were completed in 2018, which transformed the old factory area into a water cultural theme park. For this project, we were awarded the National Quality Engineering Award (國家優質工程獎) by China Association of Construction Enterprise Management (中國施工企業管理協會) in 2020.

Dongxinkai River Project (東新開河項目)

Main Contracting Project of Dongxinkai River Range (東新開河流域項目工程總承包) ("**Dongxinkai River Project**") is a large-scale water treatment EPC project which comprises two stages for the ecological management and restoration of Dongxinkai River Range with contract sum of approximately RMB1,392.3 million. We were engaged in the Dongxinkai River Project to purify the polluted river and to improve the ecological environment in the Dongxinkai River Range which has a length of approximately 16.8 km and spans across a basin with an area of approximately 60 km^2, as the river was heavily polluted by domestic and construction waste prior to the commencement of this project in 2016. The services we provided include among others, (i) pollution control engineering, greening and landscaping for surrounding area; (ii) plantation of grass at ditch sites; and (iii) installation of a rain garden and permeable pavement. We expect to complete the construction of this project in December 2023.

Others

Apart from landscaping and ecological restoration projects, we also provide services including investigation, survey, design and technical consultancy for municipal construction projects.

We have completed 32, 36, 32 and nil projects in this segment for FY2017, FY2018, FY2019 and 6M2020, respectively, and we had 63, 61, 51 and 82 ongoing projects in this segment as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The aggregate awarded contract sum of our other projects during the Track Record Period and up to the Latest Practicable Date was approximately RMB254.2 million. As at the Latest Practicable Date, we had 54 projects in this segment with total balance of backlog of approximately RMB39.5 million attributable to these projects.

Project models

During the Track Record Period, we were principally engaged in projects under the (i) traditional model; (ii) EPC model; and (iii) PPP model.

The table below sets forth the main characteristics of projects under the traditional model, EPC model and PPP model that we have undertaken:

	Traditional model	EPC model	PPP model
Role of our Group	(i) Contractor engaged by the customer who is also the project owner for contracts with smaller contract sum or (ii) subcontractor engaged by the customer who is main contractor of projects with larger contract sum other than our PPP projects	Main contractor singly or jointly with other entities engaged by the customer [1]	(i) Private sector entity (investor) to cooperate with the local government to establish the project company and (ii) contractor for the construction and maintenance works engaged by the project company when required
Main responsibilities of our Group	Provide services in respect of a portion of works for a project, such as construction, design and ancillary services including survey, technical consultancy and maintenance services	Manage and/or carry out the entire process of the projects from design, procurement and construction up to completion Our Group, as the main contractor, is responsible for matters such as quality, construction period and cost management of the project	Main responsibility of our Group as the investor: invest capital to the project company and assist the project company in obtaining financing when required Main responsibilities of our Group as the contractor: provide construction and maintenance services
Main rights of our Group	Receive payment from customers for the services provided by our Group[2]	Receive payment from customers for the entire work of the project, including services performed by us and by our subcontractors[2]	Main rights of our Group as the investor: share profits or losses of project companies where we have equity investment Main rights of our Group as the contractor: receive payment from project companies for the services provided by our Group

	Traditional model	EPC model	PPP model
Customers	Public sector entities or private sector entities	Public sector entities or private sector entities	For the project companies invested by our Group, customers are public sector entities (local governments) in respect of the PPP contracts entered into between the local governments and the project companies For our Group, customers are project companies in respect of the contracts entered into between the project companies and our Group
Main responsibilities of the customers	Manage the entire process of the project Obtain relevant certificates and approvals from local government for initiating the project and provide necessary conditions and documents for works of contractors Fund for costs of the project and make payment to contractors in respect of their works	Obtain relevant certificates and approvals from local government for initiating the project and provide necessary conditions and documents for works of main contractor Fund for costs of the project and make payment to main contractor	Main responsibilities of the local governments as customers of the project companies: contribute capital to the project company when required under the PPP contract; conduct performance appraisal for the project; make payment to project company; and provide subsidy to project company (where applicable) Main responsibilities of the project companies as customers of our Group: execute the project through planning, coordination and overall management of the project and responsible for the design and construction (which may be contracted to our Group and third parties), and operation and maintenance of the project (which may be contracted to our Group and third parties); arrange for financing required for the implementation of the project during the construction phase and make payment to contractor(s); and transfer the project to the public sector entities upon reaching an agreed milestone
Main rights of the customers	Engage contractors for the respective works required at each phase of the project, such as design, construction and other ancillary works	Engage main contractor for the project Modify the works of main contractors, such as design, procurement and construction, based on the contract and relevant PRC laws	Main rights of the local governments as customers of the project companies: monitor the entire process of the project regarding matters including, but not limited to, the capital contribution to the project company, use of funds, progress and quality of the project, financing and repayment position and operation conditions; and share profits or losses of the project companies where the local government has equity investment Main rights of the project companies as customers of our Group: engage contractor for the respective works required at each phase of the project, such as design, construction, operation (if applicable), maintenance and other ancillary works; and receive payment from the local government in respect of services provided (such as construction, operation and maintenance) and subsidies if stipulated in the contract and receive user payments from operation activities where applicable
Operation of the project under PPP model	Not applicable	Not applicable	The project company is responsible for the operation of the project and may subcontract the operation to third parties

	Traditional model	EPC model	PPP model
Financing the project under PPP model	Not applicable	Not applicable	The project company is normally responsible for financing the project and our Group, as the investor, may be required to assist or arrange financing for the project company and/or provide guarantees for the relevant bank borrowings by the project company
Major risks of our Group[(3)]	• Credit risk: credit risk primarily comes from the default of the customers in making payments • Business risk: as the prices for construction costs incurred for a project under the traditional model is normally fixed, the profits generated from the project would decrease as the costs incurred by contractors increase • Operational risk: the quality of the design and/or construction works may not meet the requirements of the customers	• Credit risk: credit risk primarily comes from the default of the customers in making payments • Business risk: the prices for construction costs estimated by us may be different from that certified by the customers which may lead the profit margins recognised to be lower than expected • Operational risk: operational risks are the major risks we face in this model mainly in respect of management of subcontractors and quality control of the project in cases that the quality of the design and/or construction works may not meet the requirements of the customers	Risks faced by us as the investor: • Business risk: the return of equity investment in the project company may be less than expected Risks faced by us as the contractor: • Business risk: the prices for construction costs estimated by us may be different from certified amount which may lead the profit margins recognised to be lower than expected • Credit risk: the project company may default in payment of the construction services as a result of its failure in obtaining sufficient funds through financing • Operational risk: the quality of the design and/or construction works may not meet the requirements of the customers
Major risks of project companies under PPP model	Not applicable	Not applicable	• Financial risk: most PPP projects require large investment and long payback period. Such risks include but not limited to the mismatch of the investment and/or working capital requirement with financing and/or operating cashflow[(4)] • Credit risk: local governments may default in payments in cases • Operational risk: the project company may not meet the expectation of the local government in relation to technical and management capability to operate and manage the project as well as finding the right operating partner for outsourcing the relevant operation

	Traditional model	EPC model	PPP model
Capital requirements and financing arrangements	According to the CIC Report, the capital requirements for projects under the traditional model is low as normally only advance payment for certain raw materials is involved and the amount of advance payment is insignificant as most projects under this model are small in scale	According to the CIC Report, the capital requirements for projects under the EPC model is medium as the main contractor usually has to pay the cost of raw materials and, sometimes, subcontracting in advance, which is normally financed by the working capital of the main contractor or the bank loans borrowed by the main contractor	According to the CIC Report, projects under the PPP model require large amount of capital which is funded by public and private sector entities through ways including but not limited to loans, assets-backed securities, bonds, private equity and industrial fund, in addition to equity investment

Notes:

1. When we are awarded a project under EPC model through joint bidding, we are engaged as main contractor jointly with other entities. Our Group may collaborate with various partners to participate in joint bidding by entering into collaboration agreements, with a view to enhancing the likelihood of a successful tender. Please refer to paragraph headed "— Our business model and operational workflow — Operational workflow — Tendering process/direct engagement" in this section for further details.

2. Our Group may need to bear the cost of sales incurred on a temporary basis during the construction phase for certain public sector projects where the payment timeframe stipulated in the contract spans over a relatively long period (such as five years or more). In such event, interest on trade receivables may form part of the payment obligation of the customers. According to the CIC Report, it is a common practice in the landscaping and ecological restoration industries that trade receivables could be interest bearing based on contract terms.

3. Please refer to the paragraph headed "Financial Information — Selected financial data of consolidated statements of financial position items — Trade receivables" in this prospectus for details in relation to our credit control policy and measures.

   Please refer to the paragraph headed "— Our business model and operational workflow — Operational workflow — Undertaking construction and progress payment" in this section for details in relation to our measures for business risks associated with the cost overruns for projects.

   Please refer to the paragraph headed "— Our business model and operational workflow — Project models — The PPP model" in this section for details in relation to our credit control policies and measures arising from the mismatch of long payback period and cash flow for PPP projects.

   Please refer to the paragraph headed "— Internal control and risk management" in this section for details in relation to our measures and procedures for operational risk in respect of quality control, risk monitoring and on-job training to our employees.

4. For the PPP projects with project company established, the private sector entity is required to invest equity interest in the project company and the amount of capital injection will not be returned to the private sector entity until the transfer of such equity interest.

The following table sets forth the breakdown of our revenue and gross profit margin recognised by each business model during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%
											(unaudited)				
Traditional model	150,181	23.0	23.1	137,230	17.0	18.0	422,575	47.1	21.5	85,591	29.0	23.9	162,703	45.5	22.2
EPC model	196,319	29.9	25.5	292,057	36.0	23.8	241,837	26.9	30.8	79,003	26.8	23.1	145,091	40.5	23.2
PPP model[1]	308,996	47.1	24.4	380,157	47.0	26.9	233,074	26.0	29.1	130,215	44.2	25.8	50,091	14.0	35.4
Total	**655,496**	**100.0**	**24.5**	**809,444**	**100.0**	**24.3**	**897,486**	**100.0**	**26.0**	**294,809**	**100.0**	**24.5**	**357,885**	**100.0**	**24.5**

Note:

1. The revenue and gross profit recognised from projects under the PPP model during the Track Record Period represent revenue and gross profit recognised by our Group as a contractor for the construction and maintenance services for the respective PPP projects.

During the Track Record Period, the overall gross profit margins of our EPC projects and PPP projects were roughly similar, except for the relatively high gross profit margin of PPP projects of (i) approximately 26.9% for FY2018 compared to the approximately 23.8% gross profit margin of EPC projects, which was primarily attributable to the relatively lower gross profit margins for three large-scale projects, namely the Dongxinkai River Project, Nanxi Project and Beihu Project, which were at their early stage (during the Track Record Period, our Group has been taking a conservative approach in revenue recognition, and hence normally the profit margin recognised during the early stage of a project would be relatively lower); and (ii) approximately 35.4% for 6M2020 compared to the approximately 23.2% gross profit margin of EPC projects, which was primarily attributable to the relatively high gross profit margins of the Shenjunshan Project and EDZ Project during 6M2020 as a majority of the gross profit generated from the two projects during such period were from maintenance works (we generally recorded higher gross profit margins for maintenance works for projects during the Track Record Period because whilst the percentage of total revenue to be recognised during maintenance period was normally fixed in accordance with payment terms of the contracts, less maintenance works may be required when the quality of completed construction works were mainly under our control and thus less costs would be incurred for maintenance works).

During the Track Record Period, in general, we recorded lower gross profit margins for projects under traditional model compared to that for EPC projects and PPP projects, which was primarily due to that (i) for EPC projects and PPP projects, design works (mainly construction drawings) were undertaken by our Group or our collaborative partner for the projects which could be adjusted during the construction phase and require materials (such as trees and stones) to be utilised from an economical and practical perspective according to the actual situation of the projects, whilst for traditional model, the construction drawings would not be adjusted during the course of construction; and (ii) for EPC projects and PPP projects, prices of materials utilised may fluctuate with reference to the issued bills of quantities and based on the prices of materials confirmed by local governments, which would result in higher gross profit margin compared to that for projects under traditional model carried out on a fixed-price basis. According to the CIC Report, it is an industry norm that the gross profit margin for projects under EPC and PPP model is generally higher than that for projects under the traditional model.

Our Group intends to place strategic focus on procuring and undertaking projects under the traditional model and EPC model in light of (i) the promotion of the EPC model by the PRC government through a series of policies published in recent years which advocate the adoption of the EPC model in construction projects and encourage competent engineering design and construction enterprises to carry out EPC projects; (ii) our extensive experience in undertaking projects under the traditional model; and (iii) the relatively high level of capital commitments required for projects under the PPP model whilst no such requirements for projects under the traditional model and the EPC model.

The traditional model

Under the traditional model, we are generally engaged as (i) contractor by the customer who are also project owners for contracts with smaller contract sum; or (ii) subcontractor by customers who are main contractor of projects with larger contract sum other than our PPP projects. Our customers will be responsible for the management of the project (whether we are engaged as contractor or subcontractor). For private sector projects, the customers may select contractors through tendering process or direct engagement. For projects wholly or partly utilising state-owned capital or state funds in the PRC with estimated contract sum of more than RMB4.0 million for construction services or RMB1.0 million for design or survey services, the PRC laws require the selection of the service providers through tendering process. Prior to the tendering process for selection of construction contractors, design and relevant technical documentation is required to be completed and funds for construction projects shall be prepared by the customers. For construction projects, supervisor(s) will typically be appointed by customers to oversee the whole process of construction works undertaken by contractors.

Key terms of design contracts under the traditional model

The general terms of our design contracts under the traditional model vary based on negotiations with our customers. General terms of our design contracts under the traditional model include the following:

Key Terms	Description
Scope of work	The scope of design works normally include, among others, (i) preparing schematic design, preliminary design and/or construction drawings, which are subject to the approval by customers; and (ii) assisting customers during the phase of construction works and inspection of the completed construction works.
Design basis	The design works are generally based on the basic project information provided by customers and main technical industry standards granted by the PRC government.
Payment terms	We are paid by way of progress payments based on the completion of each milestone as stipulated in the relevant design contacts. Such milestones may include, among others, the approval of completed schematic design, preliminary design and construction drawings.

Key terms of construction contracts under the traditional model

The general terms of our construction contracts under the traditional model vary based on negotiations with our customers. General terms of our construction contracts under the traditional model include the following:

Key Terms	Description
Scope of work	The scope of construction works is normally stipulated in the construction contract with reference to the bills of quantities (which set out the measured amount of construction works) and construction drawings of the project.
Quality standard	It is normally required in the construction contract that the quality of construction works should satisfy the requirements of construction drawings, construction acceptance standards issued by the PRC government, industry standards and/or applicable criteria as agreed by both parties.

Key Terms	Description
Subcontracting	The construction contract generally stipulates (i) whether subcontracting of ancillary construction works is allowed under the construction contract; (ii) the scope of main construction work, which is not allowed to be subcontracted under the PRC laws; and (iii) other details in relation to subcontracting.
Performance guarantee	In certain cases, the construction contract requires a contractor to provide performance guarantees (normally in the amount of 3% to 10% of the total contract sum) by paying deposits or subscribing for a performance bond to be issued by financial institutions or guarantee companies.
Construction period and progress	The contractor shall follow the progress schedule as required in the construction contract. Should there be any delay in the project completion date due to reasons caused by the contractor, the contractor is obliged to indemnify the customer for any loss arising from the delay and/or pay liquidated damages to the customer based on the days of delay.
Measurement	Measurement of the progress of construction work is required to be carried out in accordance with the industrial and governmental standards by relevant authorities or representatives engaged by customers on a regular basis. The results of measurement will be confirmed by customers which represent the certified value of completed construction works and is the basis for the progress payments.
Payment terms	Customers may be required to pay a certain amount of prepayment to us prior to the commencement of our construction works. During the construction phase, we shall be paid by way of progress payments on a regular basis (normally monthly) according to the value of completed construction works certified by the result of the measurement. During the construction phase, in general, around 60% to 80% of the total certified value of completed construction works are required to be paid by the customers to us.

Key Terms	Description
	In some cases, upon completion of the entire construction works and relevant Settlement Audit, customers may withhold certain amount of the final certified value of completed construction works as retention money until the expiry of the maintenance period. Upon completion of the Settlement Audit, in general, around 90% to 97% of the total certified value of completed construction works are required to be paid by the customers to us. Interest on trade receivables may form part of the payment obligation of the customers for public sector projects where the payment timeframe stipulated in the contract spans over a relatively long period (such as five years or more). According to the CIC Report, it is a common practice in the landscaping and ecological restoration industries that trade receivables could be interest bearing based on contract terms.
Acceptance and transfer	Inspection of the completed construction and maintenance works shall be held within a certain period after the completion of the construction and maintenance works. If the customer is satisfied with the completed construction and maintenance works, transfer of the project should be finished within a required period after the issuance of acceptance certificate.
Settlement Audit	Settlement Audit on our construction works shall be conducted by customers (themselves or through engagement of cost consultant or auditing agent) or the relevant department of local governments (when the project is invested by government funds) after completion of the entire construction works. The results of the Settlement Audit will be the basis for the final amount payable by the customers to us for the entire construction works.

Key Terms	Description
Quality assurance and maintenance service	Under the construction contract, we generally provide maintenance service for a period of one year or more starting from the agreed date of project delivery, during which we will be responsible for rectifying defective works undertaken by us. The retention money (usually amounting to less than 10% of the final settlement value) retained by the customers for quality assurance purpose shall be released to us upon the expiry of the maintenance period subject to compliance with the relevant contractual obligations.

As at the Latest Practicable Date, we had 109 projects under traditional model with total balance of backlog of approximately RMB902.1 million attributable to these projects.

The EPC model

The EPC model is a contractual arrangement whereby we are engaged as the main contractor by the customers to manage and/or carry out the entire process of the projects including design, procurement and construction with an aim to delivering the project to the customers for operation. Main contractors for projects under the EPC model are normally selected by customers through the tendering process. The main contractors are required to possess main contractor qualifications to undertake an EPC project but they may or may not be required to possess all other licences and qualifications required for the project. As such they may appoint subcontractors to complete certain parts of the projects subject to the consent of customers and requirements under the PRC laws. However, the main contractors are responsible for the quality, safety, timely delivery and cost control of the entire process of a project.

The customers will pay the contract price to the main contractors for the work. If subcontractors are engaged, the main contractors will be responsible for the payment to the subcontractors.

Key terms of contracts under the EPC model

The general terms of our contracts under the EPC model vary based on negotiations with our clients and the contract used or provided by our clients. General terms of our contracts under the EPC model include the following:

Key Terms	Description
Main contractor	We may be engaged as main contractor singly or jointly with other entities.
Scope of work	The contracts define the scope of our work under the EPC model, which generally includes (i) survey, schematic design, preliminary design, construction drawing design, budget planning, revision of design and other design services during the entire duration of projects; and (ii) construction, procurement and obligations to cooperate with customers in respect of works relating to inspection and acceptance, auditing, project delivery and quality maintenance during maintenance period.
Project period	The milestone dates normally include, among others, commencement of survey, commencement of design works, commencement of construction works, commencement of maintenance works and completion of projects.
Project progress	The main contractor(s) is responsible for creating an overall project progress schedule and separate progress schedules for design, procurement and construction works, which shall be approved by customers. Should there be any material delay in our progress for completion of works according to the project schedule due to reasons caused by us, we are obliged to accelerate the construction works at our own costs.
Project design	Customers of EPC projects are obliged to provide basic data and other information necessary for our design works. Our design works normally include the following steps: survey, schematic design, preliminary design and construction drawings, which shall comply with national standards and requirements stipulated by customers.

Key Terms	Description
Subcontracting	The main contractor(s) may designate certain parts of the project (such as design, procurement and/or construction and maintenance) to subcontractors within the range of services permitted to be subcontracted under the main contract. For parts that are not allowed to be subcontracted under the main contract, the main contractor(s) shall obtain the customers' approval prior to the engagement of subcontractor(s). Subcontractor(s) is required to possess relevant qualifications to undertake the subcontracted works. The main contractor(s) is responsible for the works of subcontractor(s) to the customers, and the main contractor(s) and the subcontractor(s) are jointly and severally liable to the customers for the works of the subcontractor(s).
Project procurement	The main contractor(s) is required to procure raw materials from suppliers selected through competitive approaches such as tenders process. Customers may not designate suppliers.
Quality assurance and maintenance service	The main contractor(s) generally provide maintenance service for a period of usually two years or more starting from the date of acceptance of projects. Customers have the right to retain certain amount as retention money (usually amounting to less than 10% of the final settlement value), which shall be returned to contractors in full provided that there is no quality defect identified during the maintenance period.
Settlement Audit	Settlement Audit is required to be conducted within certain period after the customers' acceptance of the completed construction works. The final settlement amount for the construction works shall be determined based on the standard for valuation of bills of quantities effective as at the time of the Settlement Audit. The cost of materials and labour shall be determined based on the guidance published by governments. During the process of Settlement Audit, any adjustment for the prices of materials shall be made with reference to the prices of materials confirmed by the relevant finance department of local governments.

Key Terms	Description
Payment terms	Contracts under EPC model normally stipulate the total contract price as well as separate prices for survey, design and construction works, which are subject to adjustment based on audit results concluded by the financial and auditing departments of local governments. We are paid by way of progress payments based on our completed project milestones for our design and survey works, and on a regular basis (normally monthly) for our construction works. During the construction phase, in general, around 60% to 80% of the total certified value of completed construction work of our completed construction works are required to be paid by the customers to us. Upon completion of the Settlement Audit, in general, around 90% to 97% of the total certified value of completed construction work of our completed construction works are required to be paid by the customers to us. Interest on trade receivables may form part of the payment obligation of the customers for public sector projects where the payment timeframe stipulated in the contract spans over a relatively long period (such as five years or more). According to the CIC Report, it is a common practice in the landscaping and ecological restoration industries that trade receivables could be interest bearing based on contract terms.
Performance Guarantee	We are normally required to provide performance guarantee by paying deposits or by subscription of performance bond issued by financial institutions or guarantee companies for us to guarantee our full and due performance of the contract. The amount of performance guarantee usually ranges from 5% to 10% of the total contract sum. The deposits of performance shall be returned by customers within certain days stipulated in the contract after their acceptance of projects.

As at the Latest Practicable Date, we had 35 projects under EPC model with total balance of backlog of approximately RMB1,622.1 million attributable to these projects.

The PPP model

The PPP model in the PRC is a model of long-term cooperative arrangement between public sector entity (the government) and private sector entity(ies) in the infrastructure construction and public services sectors in terms of project management, financing and operation, according to the CIC Report. In general, the key feature of a PPP project is the establishment of a project company by the public sector entity and private sector entity(ies) for executing various functions for the project, which, based on a number of policy documents published by the PRC government such as the Trial Implementation Guide on the Public-Private Partnership (政府和社會資本合作模式操作指南(試行)) as well as the general contractual terms of PPP projects classified by the PRC government, normally include:

- **Risk-taking:** the project company is generally responsible for project investment, construction and operation under the PPP project and it assumes the associated risks, such as financial risk arising from cashflow mismatch as the project company shall settle the construction fee upon completion of construction works but government payment to the project company (including the construction and maintenance and operation fee, the financing costs of the project company and the investment return for the private sector entities) shall be made in multiple instalments over a long period of time, typically much longer than the construction period;

- **Financing:** the project company is also generally required to arrange for the financing of the PPP projects, which may be carried out through equity investments from private sector entity(ies) and/or public sector entity into the project company and bank loans borrowed by the project company, and private sector entity(ies) may be required to assist the project company in obtaining the project financing and provide guarantee for the financing.

- **Project operation and payments:** the project company is usually responsible for the operation of the infrastructure under the PPP project, in addition to undertaking maintenance work thereunder. Government payments shall be made to the project company in instalments over a long period of time (during the operation period or the entire project term, including both the construction period and the operation period) and the amount of government payments is determined based on the amount of the works completed and/or the result of performance appraisal of services provided by the project company with reference to indicators stipulated in project contracts, such as project quality, construction period, environmental protection and work safety. The project company will not receive payments by the government until the commencement of the operation and maintenance period or receive small portion of the payment at the construction stage. The project companies will then use the payment received to (i) repay outstanding bank loan and (ii) cover the equity contribution and the investment of the private sector entities. Apart from the payments for the services of construction and maintenance (if required) from the project companies, the private sector entities shall receive reasonable return for its capital investments in the project companies.

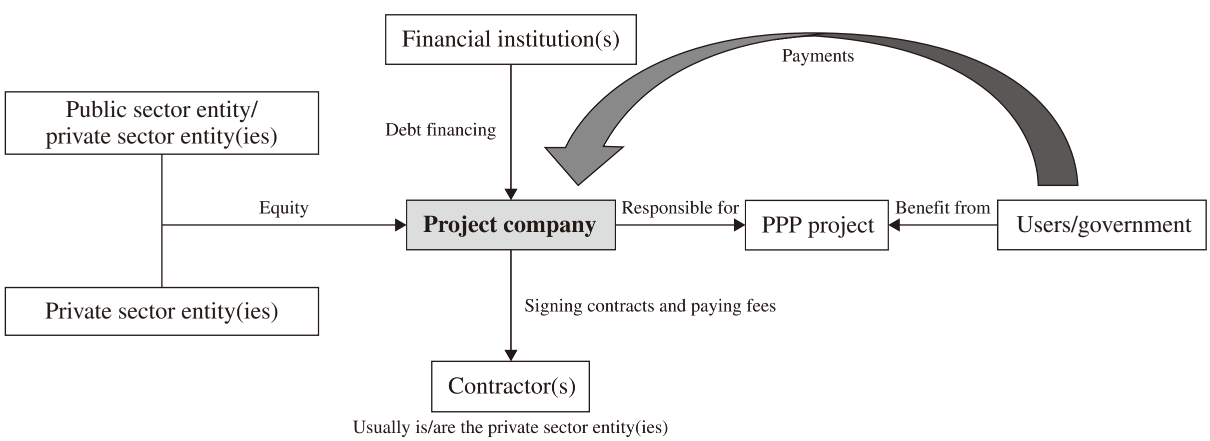
Under a PPP project, a project company is generally established for financing, managing, constructing, operating and maintaining the PPP project. Private sector entity(ies) (and public sector entity(ies) if required under the project contract) will invest in the project company. Upon expiry of the operation period, the ownership of the equity interest shall be transferred from private sector entity(ies) to public sector entity (i.e. the government).

It is not mandatory for the public sector entity to hold equity interest in the project company under the PPP model. According to the Notice of the MOF on Issuing the Guidelines for Mode of Cooperation for Government and Social Capital (Trial) (財政部關於印發政府和社會資本合作模式操作指南(試行)的通知), private sector entities may set up project companies and the government may designate relevant institutions to invest in the project companies under the relevant laws. For instance, in one of our PPP projects, namely the EDZ Project, at the time of entering the PPP contract between the public sector entities and our Group for the EDZ Project, it is not mandatory for the public sector entity to invest in the project company. Accordingly, the public sector entity of the EDZ Project determined not to invest and hold equity interest in the project company. Notwithstanding the above, the EDZ Project is still considered as a PPP project in this prospectus since that (i) there is a project company established for executing the various functions of a PPP project as disclosed above; and (ii) the relationship between the public sector entity (i.e. the local government) and the project company under the PPP contract of the EDZ Project reflects the cooperative arrangement between the local government and our Group and resembles those corresponding relationships under our other PPP projects. In accordance with the project contract of the EDZ Project, the public sector entity (i.e. the local government) has substantial influence over the management of the project company in relation to matters such as (a) that the project company is not allowed to sign any document for financing without obtaining written approval from the government; (b) the funding for project construction shall be utilised by the project company under the supervision of the government; and (c) the entire equity interest of the project company shall be transferred from the private sector entities to entity(ies) designated by the local government at the end of the term of the PPP contract between the project company and the local government. Further, the local government is required to assist the project company in obtaining project financing. The project company is not allowed to have external investment, provide guarantees for third parties or engage in activities outside its business scope during the cooperation period.

The tendering process for PPP projects with project companies established is set out below:

(i) According to the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) promulgated by the Standing Committee of the National People's congress with effect from December 2017, tendering process is required to be held for projects wholly or partly utilising state-owned capital or state funds in the PRC. Accordingly, private sector entity(ies) for PPP projects are selected through tendering process. Only private sector entity who meets the qualifications and/or requirements required by the government and the requirements for tendering may participate in the projects (the "**First Stage Tendering**").

(ii) The project company will select the required service providers (for example, designers or construction and maintenance contractors) through a tendering process (the "**Second Stage Tendering**") or direct engagement of the private sector entity(ies) if they qualify for providing such services.



During the construction phase, the project company generally finances the capital expenditures and fees to contractors from its capital and third party loans, which are repaid by the project company mainly through cashflow derived from government payments. Under a typical PPP project, the government payments will be made to the extent that enables the project company to generate reasonable returns for its investors. According to the CIC Report, the reasonable return after tax of the total capital investment under a typical PPP project ranges from 5.5% to 10.0% based on the announcement of PPP projects published by listed companies in the landscaping and ecological restoration industries.

Certain projects undertaken by our Group during the Track Record Period used to be undertaken by way of "government's purchase of services" (政府購買服務). Government's purchase of services refers to a model whereby the government engages private sector entities to provide certain public services at a fee determined based on the quantity and quality of services provided. According to the contracts of the projects under "government's purchase of services", construction fees were generally payable to us by instalments semi-annually or annually over a period of more than three years together with any financing costs (which represent the interests accrued on the construction costs borne by our Group in advance). In order to standardise the financing activities of local governments and control fiscal and financial risks, a policy was released by the PRC government in May 2017, namely the Notice on Firmly Forbidding Illegal Financing in the Name of Government's Purchase of Services (關於堅決制止地方以政府購買服務名義違法違規融資的通知), which prohibited local governments from executing construction projects by way of "government's purchase of services". Subsequent to the release of such policy, contracts for all the aforementioned projects used to be undertaken by way of government's purchase of services have been terminated or amended through supplemental agreements such that the project would no longer be considered as one which undertaken by way of "government's purchase of services". Our Directors consider that save for the Baishan Project (Phase I) and Baishan Project (Phase II) as further elaborated in paragraph headed "Financial Information — Description of major components of our consolidated statements of profit or loss — Impairment losses on trade and other receivables and contract assets", the change in government policy in government's purchase of services did not result in any material adverse impact on our Group's projects or any write-off of contract assets or trade receivables of our Group during the Track Record Period which caused any material adverse impact on the financial position of our Group. As at the Latest Practicable Date, our Directors confirm that none of our ongoing projects were undertaken by way of government's purchase of services.

According to the CIC Report, projects undertaken by way of government's purchase of services are distinct from projects under the PPP model. In comparison with projects undertaken by way of "government's purchase of services", (i) the government is generally entitled under a PPP project contract to exercise a larger extent of control over the operation, execution or management of the projects as a project supervisor in addition to being a project owner only; and (ii) the relevant government policies imposes more extensive requirements on the PPP projects such as (a) the requirement that the fiscal expenditure on PPP projects should not exceed 10% of the annual budget in general public expenditure of the government; and (b) the requirement that a PPP project must be listed in the PPP project library (a project database published by the China Public Private Partnership Center) where detailed information of each PPP project is made available to the public.

Risks associated with PPP projects and internal control

(i) For our role as the investor of the project companies

As the investor of the project companies, we face business risk that the return of our equity investment in the project companies may be less than expected. The project company may fail to operate the project successfully and our returns may be adversely affected. Further, as an investor, we may be required to provide guarantee for the financings obtained by the project companies and thus we face the risk of the project companies defaulting on their repayment obligations, in which case our contingent liabilities under the guarantee would materialise. We may also be required to contribute further capital to the project companies in support of their funding requirements.

We have implemented various credit control policies and measures to mitigate the risks arising from our role as the investor of the project companies and the mismatch of long payback period and cashflow of the PPP project companies, which include the following:

- we have implemented a management measure for project investment which stipulates internal rules for assessing whether to undertake projects concerning matters including but not limited to feasibility study on the investment of PPP projects, project approval, due diligence, business negotiation, composition and responsibilities of the investment committee, investment implementation and management as well as post investment management, etc.;

- before undertaking each new project, our finance department will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to the project and our overall business operations so as to ensure the sufficiency of our financial resources before undertaking a new project;

- in order to improve the capital liquidity position and prevent risks associated with capital management, the project companies of our PPP projects have established capital approval and payment management systems which stipulate that, (i) in general, the project company shall not incur capital expenditure outside the scope of its monthly capital plan unless the application of the capital expenditure is approved by the person in charge in the relevant department and finance department, general manager and chairperson of the Board of Directors and (ii) any capital expenditure outside the scope of the project company's annual capital plan shall be approved by the Board of Directors and the meeting of shareholders;

- the project companies of our PPP projects also implemented comprehensive budget management measures which stipulate that the project company shall compile its annual budget which contains, among others, operating budget (directly relating to the company's daily operation and business activities), capital expenditure budget (relating to one-off business that does not occur frequently) and financial budget (relating to the company's cash income and expenditure). The implementation of such budget shall be carried out by each department of the project company and assessed by the board of directors of the project companies; and

- the project companies generally finance the mismatch between the cash outflow and the cash inflow during the construction phase through equity investment and/or bank loans, which are subject to the credit assessment of local banks on the public sector entities.

(ii) For our role as the contractor of the PPP projects

As the contractor of the projects, a major risk faced by us is credit risk that the project company may default in payment of the construction services as a result of its failure in obtaining sufficient funds through financing. In particular, under the contract for the PPP projects we participated in, in general, government payments will be paid during a long time period ranging from 10 years to 22 years. When project companies are established, as part of the provision of project management services, the project companies may engage contractors for construction works of the project and contractors are paid during the construction phase by way of progress payment. As such, for the project companies, there is a mismatch between the cash outflow during the construction phase and the cash inflow upon completion of the construction works, which are generally financed through bank loans and equity investment. In the event that the project companies fail to obtain funds through financing on time, in full or at all, our Group, as the service provider, may face associated credit risks and liquidity risks that the project company may default in payment of the construction services provided by our Group due to insufficient working capital of the project company arising from the mismatch of the aforementioned cash inflow and cash outflow of the project company. For details, please refer to the paragraph headed "Risk Factors — Risks associated with PPP projects" in this prospectus.

We have implemented the following credit control policies and measures to mitigate the credit and liquidity risks arising from our role as the contractor of the PPP projects:

- our auditing and finance department would regularly monitor the ageing and balances of the trade receivables and contract assets for the construction works completed by our Group, and following up closely to ensure prompt receipt of amounts due from our customers. Please refer to paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" in the prospectus for further information regarding contract assets and trade receivable control policies; and

- to manage our liquidity risk, our finance department measures and monitors the liquidity risk of our Group and the project companies monthly through a number of indicators, including net cash flow, current ratio and liquidity coverage ratio. Since we share the same accounting management system and staff of the finance department with the project companies, our finance department will oversee the financial reporting functions of our Group as well as the project companies, including but not limited to, the aforementioned financial ratios, our capital requirements, liquidity position and financial viability of our Group and the project companies. Our Directors will be notified once the aforementioned liquidity indicators reached a certain threshold, and our Directors would then subsequently formulate measures to recover the liquidity indicators back to a healthy level.

Key terms of contracts between public sector entity and the project company

The general terms of contract between public sector entity and the project company vary based on negotiations between the said parties and the contract used or provided by public sector entity. General terms of such contracts include the following:

Key Terms	Description
Project company	In general, public sector entity and private sector entity(ies) normally jointly invest in and form a project company with a shareholding structure based on their respective investment amount. In some cases, project companies may be invested purely by private sector entity(ies) without capital contribution from public sector entity pursuant to the relevant contract. The project company shall be responsible for investment and financing, construction, operation, maintenance and final transfer of projects. Private sector entity(ies) are normally not allowed to transfer their equity interests in project companies to third parties and/or related entities within the lock-up period, except for the share transfers among shareholders of the project company.

Key Terms	Description
Project investment and financing	Project company is responsible for financing the construction and operation of the project according to the general investment scheme detailed in the contract. The capital contribution from the public sector entity and/or the private sector entity(ies) to the project company should be more than a certain percentage (usually 20% to 30%) of the total amount of investment as per the general investment scheme.
Project operation and maintenance	Project company may apply to public sector entity for commencement of operation, subject to the approval of public sector entity(ies) after the acceptance of the entire completed construction works. Project company is responsible for the operation and maintenance of the project, which may be outsourced to third party(ies) subject to the obtaining of written consent from public sector entity. The performance of operation and maintenance shall be appraised by public sector entity in respect of indicators, such as maintenance of project facilities, work safety and user satisfaction.
Payment terms	Project company sources their income from user payments and/or government payments. Government payments are normally paid by public sector entity in instalments according to the payment schedule stipulated in the contract during the operation period subsequent to the completion of the construction works. User payments may be generated from operation activities such as ticket selling and provision of accommodation services. Where project company is paid by both user payments and government payments and the actual performance of the operation is lower than expected according to the indicators stipulated in the contract, adjustments shall be made to the amount of government payments so as to subsidise the losses incurred by project company in respect of the operation of the project.

Key Terms	Description
Transfer of projects	Project company shall transfer the entire project and project assets together with relevant facilities to public sector entity by the end of the required transition period. The assets should have no title defects at the time of the transfers.

Key terms of construction contracts between the project company and us as contractor

The general terms of the construction contracts under the PPP model between our Group and the project companies include the following:

Key Terms	Description
Scope of work	The scope of construction works is normally stipulated in the construction contract with reference to the bills of quantities (which set out the measured amount of construction works) and construction drawings of the project.
Quality standard	It is normally required in the construction contact that the quality of construction works should satisfy the requirements of construction drawings, construction acceptance standards issued by the PRC government, industry standards and/or applicable criteria agreed by both parties.
Subcontracting	The construction works may be subcontracted to third parties if agreed by the project company.
Construction period and progress	Our Group shall follow the progress schedule as required in the construction contract. Should there be any delay in the project completion date due to reasons caused by us, we are obliged to pay liquidated damages to the project company based on the days of delay.

Key Terms	Description
Measurement	Measurement of the progress of construction works is required to be carried out in accordance with the industrial and governmental standards by relevant authorities on a regular basis. The results of measurement will be confirmed by the project company which represent the certified value of completed construction works and is the basis for the progress payments.
Payment terms	During the construction phase, we shall be paid by way of progress payments on a regular basis (normally monthly) according to the value of completed construction works certified by the result of the measurement. During the construction phase, in general, 70% to 85% of the total certified value of completed construction works are required to be paid by the project companies to us. Upon completion of the entire construction works and relevant Settlement Audit, project companies may withhold certain amount of the final certified value of completed construction works as retention money until the expiry of the maintenance period. Upon completion of the Settlement Audit, in general, around 95% to 97% of the total certified value of completed construction works are required to be paid by the project companies to us.
Acceptance and transfer	Inspection of the completed construction works shall be held within a certain period after the completion of the construction works. If the project company is satisfied with the completed construction works, transfer of the project should be finished within a required period after the issuance of acceptance certificate.

Key Terms	Description
Settlement Audit	Settlement Audit is required to be conducted within certain period after the project companies' acceptance of the completed construction works. The final settlement amount for the construction works shall be determined based on the standard for valuation of bills of quantities effective as at the time of the Settlement Audit. The cost of materials and labour shall be determined based on the guidance published by governments. During the process of Settlement Audit, any adjustment for the prices of materials shall be made with reference to the prices of materials confirmed by the relevant finance department of local governments.
Quality assurance and maintenance service	Under the construction contract, we generally provide maintenance service for a period of two years starting from the agreed date of project delivery, during which we will be responsible for rectifying defective works undertaken by us. The retention money (usually amounting to 3% to 5% of the final settlement value) retained by the project companies for quality assurance purpose shall be released to us upon the expiry of the maintenance period subject to compliance with the relevant contractual obligations.

As at the Latest Practicable Date, we had two projects under the PPP model with total balance of backlog of approximately RMB324.8 million attributable to these projects.

The following table sets forth the PPP projects we participated in during the Track Record Period and up to the Latest Practicable Date:

	EDZ Project	Shenjunshan Project(2)	Meihekou Project
Type of projects	Project in which we do not have controlling interests and our equity investment in the project company is accounted for as interest in an associate	Project in which we do not have controlling interests and our equity investment in the project company is accounted for as interest in a joint venture	Project in which we do not have controlling interests and our equity investment in the project company is accounted for as other equity investment
Timing of entering contract(3)	May 2017	March 2018	September 2017
Investment amount(4)	RMB496,280,700	RMB1,892,820,000	RMB680,118,900

	EDZ Project	Shenjunshan Project[2]	Meihekou Project
Required financing[5]	RMB397,024,600	RMB1,324,970,000	RMB544,095,120
Project equity investment	RMB99,256,100	RMB567,850,000	RMB136,023,780
Our required equity percentage	50%	75%	3.33%
Our required equity investment[6]	RMB49,628,050	RMB425,887,500	RMB4,529,592
Amount of equity investment contributed by our Group as at the Latest Practicable Date	RMB49,628,050	RMB135,782,975[7]	RMB4,529,592
Shareholders of the project company other than our Group and their respective shareholdings[8]	Jilin Modern Transportation Construction Co., Ltd (吉林省現代交通建設有限公司), wholly owned by Mr. Xia Yanhui (夏豔輝) (an Independent Third Party), holding 50% of the equity interests of the project company[9]	Ulanhot Cultrual Tourism Investment Co., Ltd (烏蘭浩特市文化旅遊投資有限責任公司) wholly owned by the local government holding 25% of the equity interests of the project company	Meihekou State Owned Assets Management Co., Ltd (梅河口市國有資產經營有限責任公司) wholly owned by the local government holding 5% of the equity interests of the project company Jilin Zonqing Taifeng Investment Center (Limited Partnership) (吉林省中慶泰豐投資中心(有限合夥)) ("**Zonqing Taifeng**") established by ZCLLC as the limited partner and Jilin Province Huaxin Fund Management Co., Ltd (吉林省華信基金管理有限公司) (a wholly-owned subsidiary of ZIHG) as the general partner holding 86.67% of the equity interests of the project company ZCLLC holding 5% of the equity interests of the project company
Identity of the public sector entity	A department of the local government	A department of the local government	A department of the local government
Project owner	The local government	The local government	The local government

	EDZ Project	Shenjunshan Project[2]	Meihekou Project
Responsibilities of the project company	Financing, investment, construction, operation and maintenance and transfer of the project	Design, investment, financing, construction, operation and maintenance and transfer of the project	Investment, financing, refinement of design works, construction, operation and maintenance and transfer of the project
Responsibilities of our Group as contractor in the project	Landscape construction and maintenance	Construction	Landscape construction
Responsible party(ies) for financing	The project company with the assistance of our Group	The project company with the assistance of our Group	The project company
Project status as at the Latest Practicable Date	In progress	In progress for Zone A and Zone C and no construction contract has been entered into for Zone B and Zone D	Completed
Contract sum under the construction contract between the project company and our Group [10]	RMB320,000,000	RMB776,279,000[11]	RMB402,000,000
Percentage of completion of construction by our Group as at the Latest Practicable Date [12]	52.2%	28.2%[13]	100.0%
(Expected) Year for completing the construction by our Group[14]	2021	2023[15]	2020
Expected year of transfer of the project by the project company to public sector entity[16]	2027	2042	2032
Operation and/or maintenance period by the project company[17]	Seven years	22 years	14 years
Total revenue of the project company which was accounted for as a joint venture or associate of our Group recognised during the Track Record Period	approximately RMB379.3 million	approximately RMB300.1 million	Not applicable

	EDZ Project	Shenjunshan Project[2]	Meihekou Project
Total revenue of our Group as contractor of the project recognised during the Track Record Period	approximately RMB147.8 million	approximately RMB433.3 million	approximately RMB391.3 million
Key composition/ features and mechanism in determining government payments[18]	The public sector entity is required to pay service fee to the project company which consists of (i) construction service fee and operation and maintenance service fee; and (ii) agreed financing cost, less deductions based on the result of assessment for construction works with reference to indicators including project quality, construction period, environmental protection, work safety and emergency handling. Such fees are scheduled on an annual basis during the operation period In addition, the public sector entity is also required to pay maintenance service fee to the project company during the construction phase in respect of maintenance for landscape construction works completed by Independent Third Parties prior to the commencement of the project. Such fees are scheduled on an annual basis for the first three years since the commencement of this project	The public sector entity is required to provide the viability gap funding (可行性缺口補助) during the operation period which is calculated based on (i) performance appraisal of the construction works with reference to indicators including project quality, construction period, environmental protection and work safety; and (ii) the assessment of the project operation by comparing the total actual and estimated number of visitors for the purpose of subsidising cash flow to the project company in the event that the actual number of visitors is less than expected. Such fees are scheduled to be paid on a quarterly basis during the operation period	The public sector entity is required to provide government payment calculated based on the expected return of private sector entities on their capital contribution, which consists of (i) construction service fee subject to adjustment based on the assessment of the completed construction works with reference to indicators including project quality, construction period, environmental protection and work safety; and (ii) operation and maintenance service fee subject to adjustment based on the assessment of the operation and maintenance services with reference to indicators including operation and maintenance of project facilities, work safety, environmental protection, archives management and stakeholder satisfaction. Such fees are scheduled to be paid twice a year throughout the operation period

	EDZ Project	Shenjunshan Project[2]	Meihekou Project
Nature of government payments	The project company has only a contractual right to receive a fixed amount of cash from the local government subject to evaluation for services provided. The government payments were considered as the financial asset recognised in this PPP project company	The project company has both a right to receive user payment and a contractual right to receive guaranteed minimum amount of cash from the local government subject to evaluation for services provided. In such arrangement, the project company's contract asset during the construction phase consists of two components, namely a financial asset component based on the guaranteed amount and an intangible asset for the remaining amount	The project company has only a contractual right to receive a fixed amount of cash from the local government subject to evaluation for services provided. The government payments were considered as a financial asset recognised in this PPP project company
Billing process of the project companies to public sector entities under the PPP contract	Bills shall be issued by the project company to public sector entity according to the government payment schedule set forth in the PPP contract	Bills shall be issued by the project company to public sector entity according to the government payment schedule set forth in the PPP contract	Bills shall be issued by the project company to public sector entity according to the government payment schedule set forth in the PPP contract
Billing process of our Group to the project companies	Bills shall be issued by our Group to the project companies upon fulfilment of certain milestones, such as receiving a progress completion report certifying our completed construction work measured on a regular basis, completion of the Settlement Audit and expiry of the maintenance period.	Bills shall be issued by our Group to the project companies upon fulfilment of certain milestones, such as receiving a progress completion report certifying our completed construction work measured on a regular basis, completion of the Settlement Audit and expiry of the maintenance period.	Bills shall be issued by our Group to the project companies upon fulfilment of certain milestones, such as receiving a progress completion report certifying our completed construction work measured on a regular basis, completion of the Settlement Audit and expiry of the maintenance period.

	EDZ Project	Shenjunshan Project[(2)]	Meihekou Project
Cash inflow pattern of the project companies	The project company may generate cash inflow from government payment throughout the entire period of the project and the payments from the project company to our Group during the construction phase are financed through capital contribution by private sector entities and bank loans borrowed by the project company	The project company may generate cash inflow from government payment and user payment during the operation phase and the payments from the project company to our Group during the construction phase are financed through capital contribution by public and private sector entities and bank loans borrowed by the project company	The project company may generate cash inflow from government payment during the operation phase and the payments from the project company to our Group during the construction phase are financed through capital contribution by public and private sector entities and bank loans borrowed by the project company
The level of control/influence of our Group on the project company in selecting service providers	We do not have controlling interest in the project company. Senior management of our Group and the other equity shareholder are together are members of the board of the project company. We may be involved in the selection of service providers but their appointment was determined by the bid evaluation committee	We do not have controlling interest in the project company. Senior management of our Group and the other equity shareholder are together are members of the board of the project company. We may be involved in the selection of service providers but their appointment was determined by the bid evaluation committee	We would not be involved in the selection of service providers due to the small portion of interest we hold in the project company

Notes:

1. The projects disclosed in the above table are the PPP projects we participated in and for which we have equity interest in the respective project company.

2. The Shenjunshan Project comprises contracts including (i) the EPC contract entered into in 2017 for design and construction of Zone A of the project; (ii) the PPP contract entered into in 2018 covering design, investment, financing, construction, operation and maintenance of Zone A to Zone D of the project; and (iii) construction contracts entered into between the project company and our Group.

   We have been informed that as the time required to obtain relevant certificates and approvals from local government for commencement of the project is normally longer under the PPP model than that under the EPC model, the project owner of the Shenjushan Project under the EPC contract (being the public sector entity under the PPP contract) sought to expedite the commencement of construction of the project by undertaking Zone A of the Shenjushan Project first under the EPC model. In accordance with the assignment agreement entered into by the public sector entity, the joint main contractors under the EPC contract (Zonbong Landscape and an Independent

Third Party) and the project company established by the public sector entity and our Group, (i) the rights and obligations of the joint main contractors under the EPC contract shall remain valid; and (ii) the rights and obligations of the public sector entity as the project owner shall remain valid and be transferred to the project company.

3. The timing of entering contract represents the time when the PPP contract between the public sector entity and the project company was entered into.

4. Investment amount comprises construction contract sum including construction, operation and maintenance services and where applicable, unforeseeable expenses and interests during the life of the project. We have undertaken the construction works of all the PPP projects that we participated in during the Track Record Period and up to the Latest Practicable Date.

5. Pursuant to the PPP contracts, the project company is responsible for the financing and we may be required to arrange financing the projects or assist the project company in financing. The following set out details for the financing arrangement of the aforementioned PPP projects up to the Latest Practicable Date:

   - A bank loan agreement with the amount of RMB300.0 million borrowed by the project company for the EDZ Project was entered into in November 2019 which was jointly guaranteed by our Group, the private sector entity holding 50% of the equity interest of the project company and an Independent Third Party;

   - Zone A of the Shenjunshan Project was financed through a bank loan in the amount of RMB410.0 million borrowed by the project company, among which RMB310.0 million was guaranteed by our Group and the remaining amount was guaranteed by ZCLLC.

     Pursuant to the PPP contract for this project, the project company and our Group are responsible for arranging financing for the entire project involving Zone A to Zone D and our Group shall bear the responsibility for financing this project. The amount of financing to be raised for Zone B to Zone D is estimated to be approximately RMB915.0 million; and

   - The Meihekou Project was financed through bank loans in a total amount of RMB360.0 million borrowed by the project company.

   In the event that we are required to arrange for financing for the PPP projects, we mainly source such funding from bank loans. As at 31 December 2017, 2018 and 2019, 30 June 2020 and the Latest Practicable Date, our unutilised banking facilities amounted to RMB85.0 million, RMB140.0 million, RMB135.0 million, RMB55.0 million and RMB120.0 million, respectively. Based on our previous experience, we do not expect that we will have any material difficulties in obtaining new banking facilities or renewing existing banking facilities after the Listing.

   The remaining required equity investment in the Shenjunshan Project by our Group in the amount of approximately RMB290.1 million pursuant to the PPP project contract is expected to be financed through bank loan(s).

6. Our required equity investment is calculated by multiplying total equity investment by our equity percentage in the project company.

7. According to the articles of association of the project company for the Shenjunshan Project, as at 23 October 2020, the total registered capital of the project company is RMB181,043,900, of which RMB135,782,975 is subscribed by our Group and has been paid up by our Group.

   The remaining required equity investment by our Group to the Shenjunshan Project in the amount of RMB290,104,525 pursuant to the PPP project contract will be subscribed by our Group subject to the capital requirements for the progress of the project (such as the progress of construction for Zone C of the project and the commencement of construction for Zone B and Zone D of the project). Terms of such equity contribution from our Group will be stipulated in the amendments to the articles of association of project company and no such amendments have been passed as at the Latest Practicable Date for the aforementioned further equity contribution requirement. Based on the existing articles of association of the project company in effect as well as its previous versions, newly subscribed equity contribution was generally required to be paid up within a period of three to six years following the subscription.

8. Having made all reasonable enquiries, to the best of knowledge of the Directors, save for ZCLLC and Zonqing Taifeng (a limited partnership established by ZCLLC as the limited partner and Jilin Province Huaxin Fund Management Co., Ltd, a wholly-owned subsidiary of ZIHG, as the general partner), none of the entities which hold the remaining interests in the project companies for the EDZ Project, Shenjunshan Project and Meihekou Project has any past or present relationship (business, financing or otherwise) with our Group, the Controlling Shareholders, directors, senior management or any of their respective associates.

9. Jilin Modern Transportation Construction Co., Ltd is a private sector entity which participated in the tendering process of the EDZ Project jointly with our Group. It is not mandatory for the public sector entity to hold equity interest in the project company under the PPP model. Please refer to the paragraph headed "— The PPP model" in this section for details of the reason why the EDZ Project is classified as a PPP project.

10. The contract sum under the construction contract represents the total contract price as stipulated in the construction contract between the project company and our Group in respect of both construction and maintenance works.

11. The contract sum of RMB776.3 million for the Shenjunshan Project consists of the contract price for the EPC contract in respect of Zone A of the project in the amount of RMB443.0 million and the contract price for the construction contract entered into by the project company and our Group in respect of Zone C in the amount of approximately RMB333.3 million. Construction drawings for the remaining part of the Shenjunshan Project involving Zone B and Zone D have not been prepared and no construction contract has been entered into for Zone B and Zone D as at the Latest Practicable Date.

12. The percentage of completion of construction represents the ratio of completed construction and maintenance works for the projects over the entire required construction and maintenance works pursuant to the PPP contracts, which is estimated based on the proportion of the actual revenue incurred relative to the estimated total revenue for construction and maintenance works.

13. The percentage of completion of construction for the Shenjunshan Project is in respect of the construction works undertaken by our Group for Zone A and Zone C of the project.

14. The expected year for completing the construction is estimated based on the progress of construction works, which does not involve maintenance works during the operation period.

15. The construction works for the Shenjunshan Project have been completed in 2020 for Zone A and are expected to be completed in 2023 for Zone C, and the expected year for completing construction works for Zone B and Zone D of this project remains uncertain as their construction drawings have not been prepared as at the Latest Practicable Date.

16. Transfer of the projects listed above upon expiry of the operation and maintenance period will be carried out with no consideration attached.

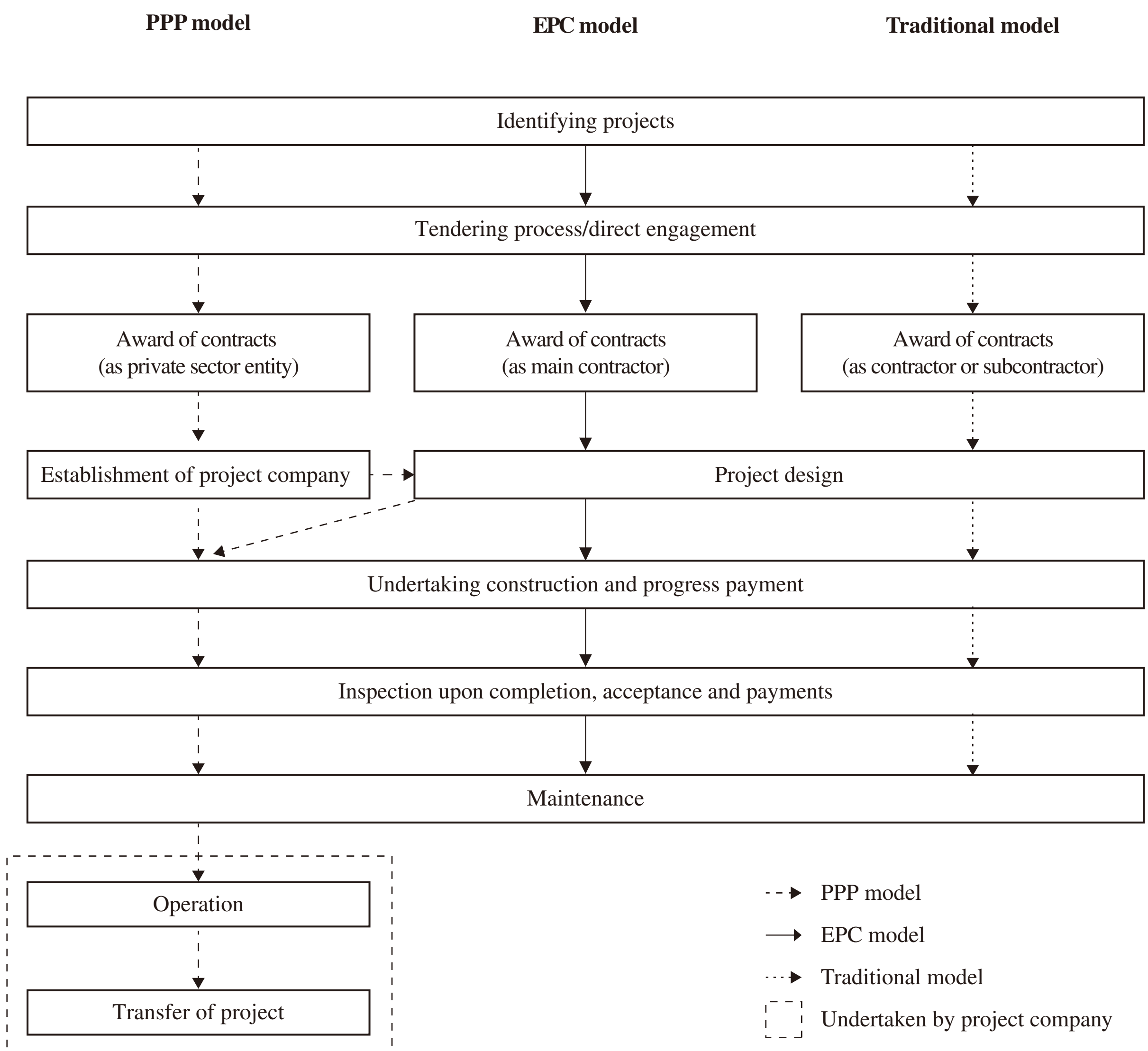
17. The operation and/or maintenance period generally represents the period subsequent to the completion of construction.

    The project company of the Shenjunshan Project engaged Beijing Zonbong Wenlv Technology Development Limited (北京中邦文旅科技發展有限公司) ("**Zonbong Wenlv**"), an indirect wholly-owned subsidiary of our Company, to be responsible for management of the operation of Zone A of the project. The designated project management team of Zonbong Wenlv for this project consists of members who have relevant professional experience ranging from two years to 13 years and have participated in the operation management for multiple large-scale and state-level tourist attractions. Our Directors believe that the experienced operation management team of Zonbong Wenlv are competent and capable of managing the operation of Zone A of the Shenjunshan Project. In addition, except for the ticket selling and provision of sightseeing automobiles for Zone A of the project, the remaining operation activities, including property management and commercial operation of shops, restaurants and transport within the scenic resort of Zone A of the project, were outsourced to independent third parties by the project company. Based on the understanding of our Directors, the project company is expected to outsource operating activities of Zone B to Zone D to third parties.

18. For the government payments subject to assessment of construction and maintenance works with reference to several indicators listed under the respective PPP projects, our Directors believe that (i) the indicators are standardised in the landscaping and ecological restoration industries; and (ii) the construction works undertaken by our Group for the PPP project have met the standards set out in the PPP contracts and no deduction of government payments was incurred as a result of our default in performance during the Track Record Period.

Operational workflow

The following simplified flow chart lists out the general workflow of our business operation:



Identifying projects

Our marketing and sales department is responsible for exploring potential projects by collecting publicly available information regarding government infrastructure plans in target regions, public tender invitations published on government's websites and communicating directly with customers.

Information collected regarding potential project opportunities will be filtered and listed, and be presented to other departments for them to analyse the feasibilities. For instance, our cost department will perform research to identify any possible issues and conduct preliminary cost estimate for the contemplated projects. Our general manager, chief financial officer and relevant personnel in construction and engineering department will determine whether we should bid for the projects.

Tendering process/direct engagement

During the Track Record Period, we were awarded contracts through tendering process or direct engagement.

The following table sets forth the breakdown of our Group's revenue recognised from projects awarded through tendering process and direct engagement during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
Revenue	**2017**		**2018**		**2019**		**2019**		**2020**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Projects awarded through tendering process	631,117	96.3	795,266	98.2	773,817	86.2	278,666	94.5	285,109	79.7
Projects awarded through direct engagement	24,379	3.7	14,178	1.8	123,669	13.8	16,143	5.5	72,776	20.3
	655,496	**100.0**	**809,444**	**100.0**	**897,486**	**100.0**	**294,809**	**100.0**	**357,885**	**100.0**

We participate in tenders through different channels, i.e. through invitation to tender or through online tenders that invite all qualified bidders. A tendering process typically consists of the following steps:

(a) Pre-qualification submissions: Preparation and submission of pre-qualification statements are required for some projects to enable the customers to shortlist the qualified applicants for the tender. Prequalification statements usually contain information proving our qualifications and abilities for the forthcoming projects. Such information typically consists of our credentials, qualifications, biography of our engineers, resources undertaken to be committed, credit records and financial statements.

(b) Internal assessment: Upon shortlisted by the customers, we will prepare a bidding document in response to all the requirements in the tender invitation. Our various business units will be involved, such as our design, engineering, procurement, cost, technical, and operation departments. Each of such departments is responsible for the review and analysis of various aspects of the project under the tendering process. Such review and analysis covering different aspects of the potential project, including but not limited to technical requirements and risks, cost estimate, proposed project period and availability of our staff and other resources. The costs are primarily assessed by the aforementioned departments based on their experience in respect of the major parameters, such as the management resources to be involved, the total materials required and labour costs, with reference to guidelines issued by government. We may conduct site visits to evaluate site conditions, environmental issues and project constraints. In addition to cost estimates, other factors driving our tender price include, among others, price for tenders of similar conditions, our strategic plans to expand to target regions through tendering and our estimates on the tender price of our competitors. The marketing and sales department will monitor, coordinate and integrate the analysis done by various departments and prepare the bidding document.

(c) Submission of our bid: We submit bidding documents in accordance with the requirements set out in the tender invitation. Departments involved in the tendering process include our engineering, cost, technical, operation, financial and marketing and sales departments for PPP projects, our engineering, cost, technical, design, financial and marketing and sales departments for EPC projects and our engineering, cost technical, financial and marketing and sales departments for traditional projects. A refundable deposits of bidding may be required by the potential customer or tender organiser for our tender submission.

We may not satisfy all the requirements of some projects, particularly those under the PPP and EPC models, which require various qualifications, licences and expertise. In such cases, we may collaborate with various partners, including the ZIHG Group, to participate in joint bidding by entering into collaboration agreements, with a view to enhancing the likelihood of a successful tender. The aggregated revenue generated from ZIHG Projects amounted to approximately 19.2%, 54.4% and 33.7% of our Group's total revenue for FY2017, FY2018 and FY2019, respectively. For details of our collaborations with the ZIHG Group, please refer to the paragraph headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus.

According to the collaboration agreements for the joint bidding, one of the partners in the joint bidding will be designated as the initiator (牽頭人) who represents all the partners participating in the joint bidding and is responsible for the coordination of the joint bidding in tenders and relevant works under the project contracts. All the partners involved in the joint bidding are required to jointly undertake all the obligations and responsibilities stipulated in the project contract and bear joint and several liabilities to the customers. The collaboration agreements also stipulate the scope of work of each partner which is normally divided by phases of the project (such as survey, design, construction and maintenance) and/or types of construction works. Revenues generated from undertaking the project are shared among the partners with reference to their respective scope of work and workload. Fees for survey, design and construction works are normally required to be settled separately and the customers shall make payment to each partner respectively.

Award of contracts

In the event that the customer selects us in a tendering process, we will receive a notice of award. We will then proceed with negotiating the key terms of project contracts with the customer. Customers tend to set forth key commercial terms in the tender documents, in addition to the bidding and performance indicators of the tender, and require tenderers to respond. Such key commercial terms may include a required timeline such as progress milestones, quality standards, contract sum, payment methods, completion settlement and maintenance.

Based on project documents obtained including tender documents, construction drawings and other information provided our marketing and sales department will be in charge of drafting, modifying and negotiating project contract terms. Our cost department, internal lawyers in auditing department, finance department, engineering department and technical department will review the essential terms that may have material effects on our interests and provide advice as to the modification of contractual terms. The definitive agreement will be signed subject to the joint approval of general manager, chairman of the board of the relevant subsidiaries and responsible personnel of the aforementioned departments.

In certain circumstances, we may be invited by the project owner to provide survey and/or design services at the early stage of a project before we are awarded the formal project contract and incur associated costs, which, as advised by our PRC Legal Adviser, would not be deemed to violate the applicable PRC laws and regulations, and which we also consider to be common in the landscaping and ecological restoration industries in the PRC. In addition, we may also be requested by the customers to commence construction works before the formal project contract are entered into, which, our Directors believe, is primarily due to the prolonged period for the customers to obtain required certificates and approvals from the local governments for initiating the project and the demand of the customers to ensure the progress of the project. Under such circumstance, in order to successfully procure the projects and avoid associated risks at the same time, we would enter into framework agreements with the project owners which normally stipulate (i) general information of the project, such as the provisional contract sum, project period and scope of works, and (ii) rights and obligations of each party, such as that should our Group fail to be awarded the project contract through the tendering process, the customers is obliged to make payments to us for the completed construction works and should our Group be awarded the project contract through the tendering process, our Group has the right to continue existing construction works. During the Track Record Period, to the best knowledge and belief of our Directors, we commenced construction works before entering into formal project contract for 14 projects, among which we entered into framework agreements with the customers prior to the commencement of construction works for three projects (one of them were subsequently replaced by formal contracts). As at the Latest Practicable Date, among such 14 projects we commenced construction before entering into formal contracts, we have entered into formal contracts for 11 projects. Among the remaining three projects, we have entered into framework agreements for two projects as at the Latest Practicable Date and expect to enter into a formal contract for one project by January 2021.

Establishment of project company (for projects under PPP model)

For a typical project under the PPP model, we will establish a project company jointly with public sector entity or other private sector entity(ies) after signing the PPP contract with public sector entity and one or more of such parties will be required to invest in the project company under the PPP contract. Public sector entity normally holds less than 50% shareholding of the project company and may possess the right to supervise the operation of the project company. The project company will then enter into contract(s) with contractor(s) (normally the private sector entity(ies)) for the design, construction and/or maintenance of the project.

The project company is responsible for the financing, construction, operation, maintenance and transfer of the project. The capital expenditures, development expenses and fees to contractors of the PPP project are normally financed through the capital contribution by public and private sector entities and loans granted from financial institutions to the project company.

Project design

Phases involved in our design process based on our internal guidelines are set out as below:

- Obtaining project information, i.e. to gather detailed information from the customers, generally including the classification of the intended project, conditions of the project site, surrounding environment, existing landscape, major parameters of the project, timeline of the project and survey plan.

- Schematic design, i.e. to analyse the information gathered and create layout plans that outline the criteria and concepts, create conceptual design drawings and sketches along with a rough estimate of costs and also identify the major equipment and materials for the project. Customers may propose amendments to our layout plans and other design drawings and sketches. Further discussion will be held and we will refine our works accordingly.

- Preliminary design, i.e. to further develop the layout plans and other design documents into preliminary design documents. Such developed design documents are the basis for final construction documents which will be subject to the approval of customers.

- Construction documents, i.e. to develop the comprehensive construction layout plans and other design documents including drawings and technical specifications necessary for construction and permit application.

Undertaking construction and progress payment

Our engineering department is responsible for forming internal project teams and producing construction plans for approval. A special project team consisting of a project manager, deputy project manager, construction team leader, technical staff, document management staff and material management staff will be appointed by our engineering department to undertake the construction works.

We will perform onsite inspections before we initiate construction works. We have a set of standard procedures for different construction works including foundation construction, main body construction and ancillary construction. We will implement an internal quality control system for the construction works of a project. Our technical department is responsible for conducting regular and random inspections to evaluate qualities of the works completed and to identify potential flaws based on our internal quality targets as well as standards set by customers. If any defect is identified upon inspection, a notice demanding rectification will be issued to the project manager in charge who will lead the project team to rectify the defect pursuant to the notice. Our technical department will conduct another round of inspection after they have received responses from the project manager, with a view to ensuring the satisfaction of the quality standards set by the customers and our internal requirements.

Our cost department will regularly monitor the cost of the project through the cost analysis system and issue warning letters on a timely manner to the project team once cost overruns are identified. The warning letter will list the difference between the estimated costs and actual costs incurred for the project undertaken. The project manager is responsible for responding to the warning letter with explanation on the reasons for the cost overruns and relevant rectification measures.

The progress of our construction works is recorded and monitored through our internal monthly progress report which details the completed construction works for each of the project undertaken by us with reference to the actual quantity of completed construction works, and reasons for the delay of construction works. During the construction phase, the stage of project completion is determined by the actual completed construction works according to our internal monthly progress report and the figures of percentage-of-completion, which are calculated by our finance department by comparing the actual cost incurred to date to the total estimated cost.

The customers together with the project supervisor will evaluate our completed construction works on a regular basis and sign on the progress completion report (進度完成情況報表) confirming the results of such evaluation. Trade receivables (including current and non-current trade receivables) relating to the completed construction works will be recognised in our financial accounts upon our receipt of the progress completion report.

Inspection upon completion, acceptance and payments

We will perform internal inspection after the completion of projects which is organised by our project manager. If the completed construction works satisfy our requirements under internal examination, an internal acceptance form will be issued and passed to the technical manager, engineering department and cost department for them to review and sign on. Otherwise, our technical staff will list the identified defects in the internal acceptance form which will be rectified and re-inspected until the completed construction works are able to pass our internal examination. Subsequent to our internal inspections, our project manager will organise external inspection by our customers.

The customers together with project supervisor and design parties will inspect and measure our completed construction works when the entire construction works are completed by us. Subsequently, Settlement Audit will be conducted by customers (themselves or through engagement of professional third parties) or the local governments (when the relevant project is invested by government funds) along with project supervisors which certifies the final settlement value for the entire construction works. There may be discrepancies between the final settlement value for our entire completed construction works and the total contract sum as stipulated in the project contract, as the total quantity of construction works may vary from the bills of quantities subject to the adjustment of design for the project during the construction phase.

Maintenance

The customers of construction projects normally require a maintenance period of two years or more after the completion of our construction works. During the maintenance period, we generally provide services including, among others, plant maintenance, repairing facilities and removal and replacement of dead plants. We will assign our project team to perform onsite inspections, develop maintenance plans with the customers and estimate maintenance costs.

Our maintenance works are subject to inspection and acceptance by our project team and customers. The customers are obliged to settle the remaining certified value of the entire construction works as required in our project contracts once the maintenance period expires. For urban greening projects involving maintenance services, upon expiry of the maintenance period, a taking-over certificate will be issued to us upon the transfer of the completed projects to customers.

Operation and transfer of project by the PPP project companies (for projects under the PPP model)

For projects under the PPP model, project company is responsible for the operation of the project and may subcontract the operation to third parties subject to the terms of PPP project contract. The operation will normally commence after completion of the construction works. During the operation period, the project company sources its income from government payments and/or user payments.

Public sector entities will normally arrange relevant government departments together with project supervisors to conduct assessments on the results of operation of the project as stipulated in the contract, which evaluates various factors, such as the conditions of project operation, compliance of the PPP projects, identified risks of the PPP projects and corresponding measures to eliminate the risks.

The PPP project will be transferred subject to the assessment as to whether the conditions and criteria for transfer of projects stipulated in the PPP contracts are satisfied, and the transfer has to be completed within the period required under the PPP contracts.

OUR PROJECT PORTFOLIO

We undertake projects within the Three Northeast Provinces and have strategically expanded our footprints to Beijing, Tianjin, Inner Mongolia, Xinjiang, Shanghai, Anhui, Shandong and Chongqing. Our Directors believe that the determination of our expansion to the aforesaid regions was made after considering the local market potential and the similar regulatory environment, which is beneficial for our Group to compete and adapt to the environment.

The following table sets forth the breakdown of our revenue recognised by region in the PRC during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
Revenue	**2017**		**2018**		**2019**		**2019**		**2020**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
The Three Northeast Provinces	392,271	59.8	678,262	83.8	711,217	79.2	219,610	74.5	265,501	74.2
North China	243,342	37.1	122,605	15.1	172,854	19.3	69,851	23.7	76,304	21.3
Southwest China	551	0.1	874	0.1	132	0.0	—	0.0	17	0.0
East China	19,332	3.0	7,703	1.0	13,283	1.5	5,348	1.8	16,063	4.5
Total	**655,496**	**100.0**	**809,444**	**100.0**	**897,486**	**100.0**	**294,809**	**100.0**	**357,885**	**100.0**

The following table sets forth the average and range of contract sum and project period of the projects undertaken by us during the Track Record Period by business model:

	Contract sum		Project period[1]	
	Average	**Range**	**Average**	**Range**
	RMB'000	*RMB'000*	*Month*	*Month*
Traditional model	9,055	3–444,000	24	1–133
EPC model	108,490	11–1,392,256	46	5–87
PPP model	499,426	320,000–776,279	78	36–122

Notes:

1. The project period for projects under the traditional model and EPC model represents (i) for ongoing projects with contracts awarded and on-site works commenced, the period from the actual commencement date of the on-site works to the estimated completion date of the projects; (ii) for ongoing projects with contracts awarded but on-site works has not yet commenced, the period from the estimated commencement date of the on-site works of the projects to the estimated completion date of the projects; and (iii) for completed projects, the actual commencement

date of the on-site works of the projects to the actual completion of date of the on-site works. For ongoing projects where we provided services other than construction and with no agreed terms of the project spatulated in the contract, such projects are not taken into account when calculating the average project period.

The project period for projects under the PPP model represents the period from the commencement of construction of the project until the transfer of the project to project owners, which includes the phases of construction and operation and/or maintenance.

During the Track Record Period, we had undertaken over 300 projects. The table below sets forth a breakdown of the projects undertaken by us by contract size during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue recognised		No. of projects undertaken	Revenue recognised		No. of projects undertaken	Revenue recognised		No. of projects undertaken	Revenue		No. of projects undertaken	Revenue		No. of projects undertaken
	RMB'000	*%*		*RMB'000*	*%*		*RMB'000*	*%*		*RMB'000*	*%*		*RMB'000*	*%*	
Over RMB100 million	501,229	76.5	14	659,302	81.5	15	514,415	57.3	14	204,444	69.4	13	171,379	47.9	14
Over RMB50 million up to RMB100 million	43,036	6.6	9	32,321	4.0	10	167,536	18.6	12	24,584	8.3	11	80,979	22.6	13
Over RMB10 million up to RMB50 million	57,177	8.7	32	71,532	8.8	30	138,785	15.5	31	36,309	12.3	27	85,279	23.8	36
Up to RMB10 million	54,054	8.2	148	46,289	5.7	149	76,750	8.6	135	29,472	10.0	112	20,248	5.7	117
Total	**655,496**	**100.0**	**203**	**809,444**	**100.0**	**204**	**897,486**	**100.0**	**192**	**294,809**	**100.0**	**163**	**357,885**	**100.0**	**180**

The table below sets forth details of the major projects with contract sum of more than RMB100.0 million which generated revenue during the Track Record Period:

No	Project	Public or private sector/Nature of projects/Project model	Collaboration party(ies): Initiator	Collaboration party(ies): Other collaboration party(ies)	Collaboration party(ies): ZIHG Project/ Non-ZIHG Project	Project status as at the Latest Practicable Date	Year of commencement of construction works	(Expected) Year of completion of construction and maintenance	Percentage of completion as at the Latest Practicable Date	Contract sum[1]	Revenue recognised for the year ended 31 December: 2017	Revenue recognised for the year ended 31 December: 2018	Revenue recognised for the year ended 31 December: 2019	Revenue recognised for 6M2020	Accumulative Revenue recognised since the commencement of the projects to 30 June 2020	Gross profit recognised for the year ended 31 December: 2017	Gross profit recognised for the year ended 31 December: 2018	Gross profit recognised for the year ended 31 December: 2019	Gross profit recognised for 6M2020	Balance of backlog as at 30 June 2020[33]	Total estimated revenue[34]	Discrepancy between the contract sum and total estimated revenue: Amount of contract sum less total estimated revenue	Discrepancy between the contract sum and total estimated revenue: Main reason for the discrepancy
									%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	RMB'000	(RMB'000)	(RMB'000)	(RMB'000)	
1	Dongxinkai River Project[2]	Public/ Ecological restoration/ EPC	ZCLLC[3]	Our Group, two Independent Third Parties and two related parties[3]	ZIHG Project	In progress	2016	2023	40.8	1,392,256	20,687	58,435	58,364	25,919	206,374	775	9,142	13,892	2,065	331,527	537,901	854,355	The amount of estimated revenue is expected to be lower than the contract sum based on the estimation of our Directors with reference to the estimated actual quantities of construction works.[35]
2	Chuanhu Project[4]	Public/ Ecological restoration/ EPC	An Independent Third Party[5]	Our Group and six Independent Third Parties[5]	Non-ZIHG Project	In progress	2017	2023	12.9	1,045,550	5,314	18,662	25,412	4,688	70,610	1,973	3,761	5,199	2,376	501,374	571,984	473,566	The amount of estimated revenue is expected to be lower than the contract sum based on the estimation of our Directors with reference to the estimated actual quantities of construction works.[35]
3	Shenjunshan Project[6]	Public/ Ecological restoration/ PPP	Our Group[7]	An Independent Third Party[7]	Non-ZIHG Project	In progress	2017	2023	28.2	776,279[8]	210,537	91,029	109,481	22,227	433,273	48,730	21,069	24,600	8,532	290,154	723,427	52,851	(i) the total estimated revenue is tax-exclusive whilst the contract sum is tax-inclusive; and (ii) the actual quantities of construction works is expected to be higher than the quantities stipulated in the project contract based on the estimation of our Directors.
4	Xinkai River Project[9]	Public/ Ecological restoration/ EPC	Our Group[10]	An Independent Third Party and two related parties[10]	ZIHG Project	In progress	2017	2023	5.5	561,445	5,717	3,867	4,678	2,177	21,275	1,278	886	1,403	555	479,074	500,349	61,096	The amount of estimated revenue is tax exclusive and expected to be lower than the contract sum based on the relevant terms stipulated in the contract.
5	Songyuan Urban Greening Project[11]	Public/ Landscaping/ Traditional[12]	–	–	Non-ZIHG Project	In progress	2015	2024	57.3	444,000	28,565	31,533	30,361	7,282	222,573	8,836	10,417	10,117	2,574	1,027	403,477	40,523	The total estimated revenue does not include the financing cost and is tax-exclusive whilst the amount contract sum includes capital applied to the project and is tax-inclusive
6	Meihekou Project[13]	Public/ Landscaping/ PPP	ZCLLC[14]	Our Group and a related party[14]	ZIHG Project	Completed	2017	2020	100.0[15]	402,000	33,837	242,605	95,658	19,188	391,288	9,301	68,948	25,936	5,498	8,036	399,325	2,675	The total estimated revenue is tax-exclusive whilst the amount contract sum is tax-inclusive and the quantities of total construction works increased subject to the confirmation from the public sector entity.
7	EDZ Project[15]	Public/ Landscaping/ PPP	Our Group[16]	An Independent Third Party[16]	Non-ZIHG Project	In progress	2017	2027	52.2	320,000	64,621	46,523	27,935	8,677	147,757	17,403	12,100	17,292	3,706	51,238	288,288	31,712	The total estimated revenue is tax-exclusive whilst the amount contract sum is tax-inclusive
8	Xinlicheng Project[17]	Public/ Ecological restoration/ Traditional	–	–	ZIHG Project	In progress	2019	2022	2.0	269,000	–	–	3,450	197	3,647	–	–	567	32	243,142	246,789	22,211	The total estimated revenue is tax-exclusive whilst the amount contract sum is tax-inclusive
9	Hunwu Project[18]	Public/ Landscaping/ Traditional	–	–	Non-ZIHG Project	Completed	2014	2018	99.4[19]	245,309	8,259	8,197	–	–	168,128	2,834	2,813	–	–	1,031	169,160	76,149	The total estimated revenue is determined based on estimated result of the Settlement Audit which may contain impairment amount

			Collaboration party(ies)								Revenue recognised for the year ended 31 December					Gross profit recognised for the year ended 31 December						Discrepancy between the contract sum and total estimated revenue	
No	Project	Public or private sector/Nature of projects/Project model	Initiator	Other collaboration party(ies)	ZIHG Project/ Non-ZIHG Project	Project status as at the Latest Practicable Date	Year of commencement of construction works	(Expected) Year of completion of construction and maintenance	Percentage of completion as at the Latest Practicable Date	Contract sum[1]	2017	2018	2019	Revenue recognised for 6M2020	Accumulative Revenue recognised since the commencement of the projects to 30 June 2020	2017	2018	2019	Gross profit recognised for 6M2020	Balance of backlog as at 30 June 2020 [33]	Total estimated revenue[34]	Amount of contract sum less total estimated revenue	Main reason for the discrepancy
									%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*RMB'000*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	
10	Meihekou Ecological Restoration Project[20]	Public/ Ecological restoration/ Traditional	—	—	Non-ZIHG Project	In progress	2018	2022	78.4	226,490	—	—	99,612	43,382	142,994	—	—	24,753	10,887	54,861	197,855	28,635	The amount of estimated revenue is expected to be lower than the contract sum based on the estimation of our Directors with reference to the estimated actual quantities of construction works.
11	Beihu Project[21]	Public/ Landscaping/ EPC	—	—	Non-ZIHG Project	Completed	2017	2020	97.9[22]	177,600	48,213	45,302	32,720	6,394	132,628	11,549	13,020	24,173	2,839	4,073	136,701	40,899	A portion of the construction works were unable to be conducted by our Group due to the issue of levy and dismantling of the project site, which is out of our control.
12	Nanxi Project[23]	Public/ Ecological restoration/ EPC	ZCLLC[24]	Our Group and four Independent Third Parties[23]	ZIHG Project	In progress	2017	2021	92.8	166,746	27,458	88,516	17,220	4,958	139,050	5,507	17,778	6,978	3,657	8,277	147,327	19,419	The amount of estimated revenue is tax-exclusive and based on the quantities of construction works measured by the customers.
13	Lianhuashan Project[25]	Public/ Landscaping/ EPC	—	—	Non-ZIHG Project	Completed	2014	2018	99.6[26]	144,734	3,456	2,467	2,146	—	75,654	481	343	2,146	—	275	75,929	68,806	The amount of total estimated revenue is determined based on the result of the Settlement Audit less reserved amount of RMB0.5 million for the Settlement Audit
14	Baishan Project (Phase I)[27]	Public/ Landscaping/ EPC	Our Group[28]	Four Independent Third Parties and a related party[27]	Non-ZIHG Project	In progress[29]	2015	2021	99.8	136,100	24,321	3,701	1,307	2,026	150,437	7,119	1,083	267	1,498	521	150,958	(14,858)	The amount of total estimated revenue is determined based on the result of the Settlement Audit
15	ILDZ Project[30]	Public/ Landscaping/ EPC	—	—	Non-ZIHG Project	Completed	2016	2020	98.6[31]	120,287	20,243	18,466	6,072	8,203	75,608	4,976	4,539	1,493	5,191	11,496	83,981	36,306	(i) The contract sum contains fees relating to design, financing and tax, which are excluded when calculating total estimated revenue; and (ii) the actual quantities of construction works decreased as compared with the quantities stipulated in the contract
16	Xihu Park Project [32]	Public/ Landscaping/ Traditional	—	—	Non-ZIHG Project	In progress	2020	2023	28.3	166,197	—	—	—	16,061	16,061	—	—	—	3,774	146,851	162,911	3,286	The amount of estimated revenue is tax-exclusive

Notes:

1. For projects we awarded by collaboration with third parties, the contract sum represents the contract sum for the particular scope of work undertaken by our Group. For PPP projects, the contract sum represents the contract sum as per the construction contract entered into by the project company and our Group or construction drawings for the particular scope of work undertaken by our Group.

2. Dongxinkai River Project involves ecological restoration for Dongxinkai River range as part of the ecological restoration project for Yitu Ula River range in Changchun City, Jilin Province. Please refer to the paragraph headed "— Our business model and operational workflow — Business segments — Ecological restoration" in this section for details.

3. ZCLLC is the initiator and in charge of the construction for river treatment and construction projects; our Group is in charge of the design and construction for water ecological restoration and maintenance; and two Independent Third Parties and two related parties are, respectively, in charge of (i) design and survey for sewage closure, end closure and sewage treatment plants (ii) municipal project construction for sewage closure and end closure; (iii) construction for water treatment plants; and (iv) survey and design for river treatment.

4. Chuanhu Project represents the Main Contracting Project of Chuanhu Bosin as part of the Ecological Restoration Project for Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 串湖流域項目工程總承包) ("**Chuanhu Project**"), located at Changchun City, Jilin Province.

5. An Independent Third Party is the initiator and (i) together with our Group and two Independent Third Parties in charge of the construction for expansion of urban flood control works, water ecological restoration engineering, landscape water supply and delivery engineering, water ecological maintenance engineering, sponge city engineering and street lamp engineering; and (ii) together with three Independent Third Parties (one of them is also involved in the construction works) in charge of design for municipal (road and bridge) works, architecture engineering and landscaping engineering as well as geotechnical investigation; and an Independent Third Party in charge of the water conservancy (urban flood control works and river treatment works) design and water conservancy and hydrological survey.

6. Our Group is the initiator and in charge of construction of the project and an Independent Third Party is in charge of survey and design for the project.

7. Shenjunshan Project involves ecological restoration for abandoned mining areas in Shenjunshan Project, Ulanhot, Inner Mongolia. Please refer to the paragraph headed "— Our Business Model and Operational Workflow — Business segments — Ecological restoration" in this section for details.

8. The contract sum of approximately RMB776.3 million for the Shenjunshan Project represents the contract sum for the EPC contract in respect of Zone A of the project in the amount of RMB443.0 million and the contract sum of the construction contract entered into between the project company and our Group for Zone C of the project in the amount of approximately RMB333.3 million. Although the total investment amount under the PPP contract for the Shenunshan Project amounts to approximately RMB1,892.8 million, the construction contract between the project company and our Group for construction of Zone B and Zone D has not been formed as at the Latest Practicable Date. Please refer to the paragraph headed " — Our business model and operational workflow — Project models" in this section for further details.

9. Xinkai River Project represents the Main Contracting Project of Comprehensive Treatment for Xinkai River Tributary as part of Xinkai River Range in Changchun City, (長春市新凱河水系綜合治理工程 — 新凱河支流工程總承包) ("**Xinkai River Project**") located at Changchun City, Jilin Province.

10. Our Group is the initiator and in charge of the design and construction for water ecological maintenance engineering and ecological restoration portion of the water ecological restoration engineering, geotechnical investigation and municipal design; ZCLLC is in charge of the construction for flood control works of Xinkai River tributary; two Independent Third Parties are, respectively, in charge of (i) the construction for sewage interception portion of the water ecological restoration engineering and (ii) hydrogeological survey and water conservancy design.

11. Songyuan Urban Greening Project involves landscaping and greening work for urban areas in Songyuan City, Jilin Province. Please refer to the paragraph headed "— Our Business Model and Operational Workflow — Business segments — Landscaping" in this section for details.

12. Notwithstanding that the Songyuan Urban Greening Project has been listed in the PPP project library in the PRC, based on the respective features of our project models as described in the paragraph headed "— Project models" above, the project is classified as a project under the traditional model for the purpose of disclosure in this prospectus.

13. Meihekou Project involves construction of an urban recreation park, located at Lilu County, Meihekou City, Jilin Province. Please refer to the paragraph headed "— Our business model and operational workflow — Business segments — Landscaping" in this section for details.

14. ZCLLC is the initiator and in charge of the investment, construction (other than greening works) and operation of the project; our Group is in charge of the investment and construction for the greening works; and a related party is in charge of the investment of the project.

15. EDZ Project represents the 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養護及市政設施管理維護PPP項目) ("**EDZ Project**"), located at Changchun City, Jilin Province.

16. Our Group is the initiator and in charge of the construction and maintenance of greening works; an Independent Third Party is in charge of the maintenance of the municipal engineering works and a portion of the greening works. In addition, our Group together with the Independent Third Party are also in charge of the financing for the project company and provision of other credit enhancement measures in the event that the project company is unable to financing for the project in full or at all.

17. Xinlicheng Project represents the Construction of the Ecological Restoration PPP Project for the Drinking Water Source Area (Jingyue District) of Chnagchun Xinlicheng Reservoir (Bid Section I) (長春新立城水庫飲用水水源地(淨月區)生態環境保護工程PPP項目施工(一標段)) ("**Xinlicheng Project**") located at Changchun City, Jilin Province.

18. Hunwu Project represents the Greening Design Project of Hunwu Highway (from Wukaihe Avenue to Yinmahe Bridge) (琿烏公路綠化設計(霧開河大街至飲馬河大橋)工程) ("**Hunwu Project**") located at Changchun City, Jilin Province.

19. The construction of the Hunwu Project has been completed but the Settlement Audit for this project has not been finalised as at the Latest Practicable Date and the remaining approximately 0.6% of the percentage of completion represents the estimated costs to be incurred during the period from the Latest Practicable Date to the completion of Settlement Audit.

20. Meihekou Ecological Restoration Project represents the Ecological Restoration Project for Mountain, River, Forest, Land, Lake and Grass of Meihekou City (Huifa River Basin Water Environment Comprehensive Treatment Project) and Ancillary Works (梅河口市山水林田湖草生態保護修復工程(輝發河流域水環境綜合治理工程)及附屬工程) ("**Meihekou Ecological Restoration Project**") located at Meihekou City, Jilin Province.

21. Beihu Project represents the New Urbanisation Construction Project in Changchun New Area (Phase I Project — EPC Project for Greening of Changchun Beihu Science and Technology Development Zone in 2017 (長春新區新型城鎮化建設項目（一期工程 — 2017年長春北湖科技開發區綠化EPC工程）) ("**Beihu Project**"), located at Changchun City, Jilin Province.

22. The construction of the Beihu Project has been completed as at the Latest Practicable Date and we have received the taking-over certificate from the customer. The remaining approximately 2.1% represents the remaining maintenance work required to be conducted by our Group.

23. Nanxi Project involves construction of a water ecological theme park based on an abandoned factory area in Changchun City, Jilin Province. Please refer to the paragraph headed "— Our business model and operational workflow — Business segments — Ecological restoration" in this section for details.

24. ZCLLC is the initiator and in charge of the construction for architecture engineering and assigning the project manager for the project and responsible to the project owner for the quality, safety and progress of the project; our Group is in charge of the landscape design and construction; and four Independent Third Parties are, respectively, in charge of (i) survey of the project; (ii) architectural design, assigning the chief designer responsible for the general coordination among professional designer and surveyor and the overall design scheme, design progress and design effect to the project owner; (iii) design for the cultural relics protection; and (iv) construction for the cultural relics protection.

25. Lianhuashan Project represents the Integrated Project for Landscape and Greening Design and Construction as part of the Enhancement and Reconstruction Project for Lianhuashan Avenue in Lianhuashan Ecological Tourism Resort in Changchun City (長春蓮花山生態旅遊度假區蓮花山大路提升改造工程 — 景觀綠化工程設計與施工一體化工程) ("**Lianhuashan Project**"), located at Changchun City, Jilin Province.

26. The construction of the Lianhuashan Project has been completed but the Settlement Audit for this project has not been finalised as at the Latest Practicable Date and the remaining approximately 0.4% of the percentage of completion represents the estimated costs to be incurred during the period from the Latest Practicable Date to the completion of Settlement Audit.

27. Baishan Project (Phase I) represents the Landscape and Greening Project of Baishan City (Phase I) (白山市城市綠化及景觀提升項目一期工程) ("**Baishan Project (Phase I)**"), located at Baishan City, Jilin Province.

28. Our Group is the initiator and in charge of the project investment, design and construction for greening works and landscape road; and three Independent Third Parties, respectively, in charge of (i) survey for the project; (ii) landscape and greening maintenance; and (iii) maintenance for the landscape road and street lamp.

29. The formal contract of the Baishan Project (Phase I) was terminated subject to the termination agreement and its supplemental agreement entered into between our Group and the customer in December 2018 and November 2019, respectively. Notwithstanding this, the status of the project was still in progress as at the Latest Practicable Date due to that we did not received the taking-over certificate for completed construction works from the customer. The remaining percentage of completion for the project of approximately 0.2% as at the Latest Practicable Date was mainly in relation to the estimated costs to be incurred during the process of obtaining the taking-over certificate from the customer and the amount of estimated costs to be adjusted upon completion of the project (i.e. obtaining the taking-over certificate from the customer).

30. ILDZ Project involves the Landscape and Greening Project in Changchun International Logistics Development Zone (長春國際物流經濟開發區街路綠化景觀提升工程) ("**ILDZ Project**"), located at Changchun City, Jilin Province.

31. The construction of the ILDZ Project has been completed but the Settlement Audit for this project has not been finalised as at the Latest Practicable Date. The remaining percentage to be completed of approximately 1.4% represents the estimated costs to be incurred during the period from the Latest Practicable Date to the completion of Settlement Audit.

32. Landscape Greening Project of Xihu Park in Changchun Automobile Economic and Technological Development Zone (長春汽車經濟技術開發區西湖公園園林景觀綠化工程) ("**Xihu Park Project**"), located at Changchun City, Jilin Province.

33. Our revenue is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of actual costs incurred relative to the estimated total costs. The balance of backlog as at 30 June 2020 is estimated based on the assumption that the construction drawings for the respective projects listed in the above table will cover all the construction works as required in the contracts or variation orders from the project owners by ways of, among others, issuance of updated feasibility reports which list the modified scope of work.

34. Total estimate revenue refers to the sum of the accumulative revenue recognised since the commencement of the projects to 20 June 2020 and the balance of backlog as at 30 June 2020.

35. The decrease in quantities of construction works to be conducted by our Group for the Dongxinkai River Project and the Chuanhu Project, which share the same project owner and are carried out based on the same feasibility report, was primarily due to that such feasibility report was modified subsequent to the commencement of the construction works for the purpose of reducing the cost of the projects as determined by the project owner. Our Directors consider that there exists uncertainty as to the actual scope of work to be carried out by our Group for the two projects and estimate the total revenue in accordance with the modified feasibility report. In the event that the quantities of construction works increase or further decrease in the future subject to the variation orders, if any, from the project owner by ways of, among others, issuance of updated feasibility report or construction drawings, the total estimated revenue of such two projects may be modified accordingly.

Ongoing and completed projects

The following table sets forth the movement of number of projects undertaken by us during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the six months ended 30 June	For the period from 1 July 2020 to the Latest Practicable Date
	2017	2018	2019	2020	
Opening balance of number of ongoing projects	123	141	129	135	177
Number of new projects commenced	80	63	63	45	58
Less: (number of projects completed).	62	75	57	3	70
Closing balance of number of ongoing projects	**141**	**129**	**135**	**177**	**165**[(1)]

Note:

1. As at the Latest Practicable Date, our 165 ongoing projects consisted of 146 backlog projects with outstanding performance obligations and 19 projects with no further revenue to be recognised. Such 19 projects with no further revenue to be recognised were classified as ongoing projects as we have not received the result of Settlement Audit or taking-over certificate from the customer.

Backlog

The figures set out hereunder are our estimate of the aggregated amounts of the transaction prices allocated to the remaining performance obligations, if any, under our ongoing project contracts during the Track Record Period and up to the Latest Practicable Date and remaining revenues to be recognised for our completed projects due to the adjustment of certified value upon completion of Settlement Audit, which may be conducted subsequent to the receipt of taking-over certificate from the customer or transfer of completed construction and/or maintenance works. Assuming the remaining works are duly performed without adjustment and cancellation, we expect to recognise revenue of such amounts. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — Our backlog is subject to unforeseen adjustments and cancellations and therefore is not indicative of our future results of operations" in this prospectus.

The following table sets forth the movement of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			For the six months ended 30 June 2020	For the period from 1 July 2020 to the Latest Practicable Date
	2017	2018	2019		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Opening balance of backlog	967,978	2,329,068	2,148,215	2,702,998	2,592,114
Aggregate estimated revenue of new projects commenced	2,016,586	628,591	1,452,269	247,001	760,653
Less: (Aggregate revenue recognised for completed works)	655,496	809,444	897,486	357,885	503,796
Closing balance of backlog	**2,329,068**	**2,148,215**	**2,702,998**	**2,592,114**	**2,848,971**

Note: The balance of backlog refers to our estimate of the aggregated amounts of the transaction prices allocated to the remaining performance obligations, if any, under our ongoing projects and remaining revenues to be recognised for our completed projects due to the adjustment of certified value upon completion of Settlement Audit, which may be conducted subsequent to the receipt of taking-over certificate from the customers or transfer of completed construction and/or maintenance works, during the Track Record Period and up to the Latest Practicable Date

As at the Latest Practicable Date, we had 146 projects with total outstanding performance obligations of approximately RMB2,849.0 million to be recognised by 2028, of which approximately RMB115.7 million and RMB1,000.0 million are expected to be recognised for the period from the Latest Practicable Date to 31 December 2020 and the year ending 31 December 2021, respectively. This estimation is based on (i) in relation to construction works, the construction drawings made available to us as at the respective dates, which may not cover the entire scope of the project stipulated under the relevant project contract, and may be subject to subsequent changes, such as additions, reductions, modification and/or other changes; (ii) in relation to design works or other services such as survey and technical consultancy, the terms of the relevant contract; and (iii) our Directors' best knowledge and belief, having taken a relatively prudent estimation approach.

Our Directors estimate that our capital expenditure of our Group's backlog projects will be approximately RMB83.8 million and RMB757.4 million for the period from the Latest Practicable Date to 31 December 2020 and the year ending 31 December 2021, respectively. Our Group intends to finance such requirements with its internal resources and bank loans.

OUR QUALIFICATIONS AND CERTIFICATES

As at the Latest Practicable Date, we possessed the following major qualifications and certificates:

Qualification	Grade	Issuing authority	Holder	Qualification type	Issue date	Expiry Date	Authorised scope[(1)]	Major requirements
1. Landscape Engineering Design Specialty (風景園林工程設計專項)	First-Grade	MOHURD	Zonbong Landscape	Design	26 December 2018	17 June 2021	Undertaking design works for all types and scales of landscape projects in the PRC	Registered capital not less than RMB3.0 million Not less than 16 key professional and technical staff [(2)]
2. Professional Contractor for Environmental Engineering (環保工程專業承包)	First-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Landscape	Construction company	9 November 2020	31 December 2021	Undertaking construction works for all types and scales of environmental engineering projects in the PRC	Net assets not less than RMB20.0 million Not less than five Class A constructors and not less than 20 staff with qualifications of intermediate and associate engineer or above
3. Professional Engineering Design in Municipal Industry for Water-supply Engineering (工程設計市政行業給水工程專業)	First-Grade	MOHURD	Zonbong Shanshui	Design	26 December 2018	31 January 2023	Undertaking professional water-supply engineering design works for all types and scales of municipal construction projects	Registered capital not less than RMB3.0 million Not less than 19 key professional and technical staff[(2)]

Qualification	Grade	Issuing authority	Holder	Qualification type	Issue date	Expiry Date	Authorised scope[(1)]	Major requirements
4. Professional Engineering Design in Municipal Industry for Road Engineering (工程設計市政行業道路工程專業)	First-Grade	MOHURD	Zonbong Shanshui	Design	26 December 2018	31 January 2023	Undertaking professional road engineering design works for all types and scales of municipal construction projects	Registered capital not less than RMB3.0 million Not less than 16 key professional and technical staff[(2)]
5. Professional Engineering Design in Municipal Industry for Drainage Engineering (工程設計市政行業排水工程專業)	First-Grade	MOHURD	Zonbong Shanshui	Design	26 December 2018	31 January 2023	Undertaking professional drainage engineering design works for all types and scales of municipal construction projects	Registered capital not less than RMB3.0 million Not less than 26 key professional and technical staff[(2)]
6. Professional Engineering Design in Municipal Industry for Bridge Engineering (工程設計市政行業橋樑工程專業)	First-Grade	MOHURD	Zonbong Shanshui	Design	26 December 2018	31 January 2023	Undertaking professional bridge engineering design works for all types and scales of municipal construction projects	Registered capital not less than RMB3.0 million Not less tthan 15 key professional and technical staff[(2)]
7. Professional Engineering for Hydrogeological Investigation (工程勘察水文地質勘察專業)	First-Grade	MOHURD	Zonbong Shanshui	Investigation	19 May 2020	19 May 2025	Undertaking professional hydrogeological investigation for all types and scales of construction projects	Paid-up capital not less than RMB3.0 million Not less than nine key professional and technical staff[(2)]
8. Professional Engineering for Geotechnical Investigation (工程勘察專業類岩土工程勘察)	First-Grade	MOHURD	Zonbong Shanshui	Investigation	19 May 2020	19 May 2025	Undertaking professional geotechnical investigation for all types and scales of construction projects	Paid-up capital not less than RMB3.0 million Not less than 12 key professional and technical staff[(2)]

Qualification	Grade	Issuing authority	Holder	Qualification type	Issue date	Expiry Date	Authorised scope[(1)]	Major requirements
9. Main Contractor for Municipal Public Works (市政公用工程施工總承包)	Second-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Landscape	Construction company	9 November 2020	31 December 2021	Undertaking limited scope of municipal construction works:	Net assets not less than RMB40.0 million Not less than 12 registered constructors and not less than 15 staff with qualifications of intermediate and associate engineer or above
10. Professional Engineering Design for Municipal Industry (工程設計市政行業)	Second-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Shanshui	Design	25 December 2018	31 December 2021	Undertaking professional engineering design for small and medium construction projects and their ancillary engineering in municipal industry	Registered capital not less than RMB3.0 million Not less than 29 key professional and technical staff[(2)]
11. Professional Engineering Design for Agriculture Comprehensive Development Eco-engineering in Agricultural Industry (工程設計農林行業農業綜合開發生態工程專業)	Second-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Shanshui	Design	25 December 2018	31 December 2021	Undertaking professional engineering design for small and medium agricultural development eco-engineering projects and their ancillary engineering in agricultural industry	Registered capital not less than RMB1.0 million Not less than seven key professional and technical staff[(2)]
12. Landscape Engineering Design Specialty (風景園林工程設計專項)	Second-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Shanshui	Design	25 December 2018	31 December 2021	Undertaking design works for landscape engineering projects of medium size or under large-scale landscape engineering with total investment under RMB20.0 million	Registered capital not less than RMB1.0 million Not less than 12 key professional and technical staff[(2)]

Qualification	Grade	Issuing authority	Holder	Qualification type	Issue date	Expiry Date	Authorised scope[(1)]	Major requirements
13. Professional Engineering Investigation for Geotechnical Engineering (工程勘察岩土工程專業)	Second-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Shanshui	Investigation	25 December 2018	31 December 2021	Undertaking geotechnical engineering investigation for construction projects of second-grade or under	Paid-up capital not less than RMB1.5 million Not less than six key professional and technical staff[(2)]
14. Professional Engineering Investigation for Engineering Survey (工程勘察工程測量專業)	Second-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Shanshui	Investigation	25 December 2018	31 December 2021	Undertaking survey engineering for construction projects of second-grade or under	Paid-up capital not less than RMB1.5 million Not less than six key professional and technical staff[(2)]
15. Professional Contractor for Historical Building Projects (古建築工程專業承包)	Second-Grade	Committee of Urban-Rural Construction of Changchun City (長春市城鄉建設委員會)	Zonbong Landscape	Construction company	9 November 2020	31 December 2021	Undertaking construction work for period architecture projects with area under 400 square metres and renovation of provincial level historical buildings with area under 100 square metres	Net asset not less than RMB4.0 million Not less than two registered constructor and not less than three staff with qualifications of intermediate and associate engineer or above
16. Engineering Design for Water Conservancy Industry (工程設計水利行業)	Third-Grade	Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)	Zonbong Shanshui	Design	25 December 2018	31 December 2021	Undertaking professional engineering design for small projects in water conservancy industry	Registered capital not less than RMB10.0 million Not less than 17 key professional and technical staff[(2)]

Notes:

1. Please refer to the paragraph headed "Regulatory Overview — Regulations in relation to engineering survey, design and construction" for further details about the authorised scope for each of the qualifications listed in the above table.

2. (Key) Professional and technical staff refers to staff holding qualifications of registered constructor, registered architect, registered engineer and/or professional engineer.

SALES AND MAJOR CUSTOMERS

Tender success rate

Our Directors are of the view that the submission of tenders allows us to keep our presence in the market and keep us abreast of latest market requirements, which benefits us in preparing for similar tenders in the future. For FY2017, FY2018, FY2019 and 6M2020, we submitted 76, 59, 91 and 79 tenders, respectively, and during the same period, we recorded tender success rate of approximately 48.7%, 28.8%, 24.2% and 27.8%, respectively. In the future, to increase our tender success rate, we intend to continue to enhance our competitiveness through enhancing our technical competency and cooperation with local governments as detailed in the paragraph headed "— Business strategies" in this section.

Pricing policy

Our contracts for construction projects under the traditional model are typically awarded and carried out on a fixed-price basis and timetable for project completion. For projects that we obtain through tendering process, we are required to provide quoted price in our bidding documents. We generally determine our tender price based on the estimated project cost calculated by our cost department with reference to among others, the quantities of work, cost of materials and subcontracting cost. Profit margins are estimated by our cost department and approved by responsible personnel of relevant departments, including operation department, engineering department and finance department, who will consider factors including, among others, tender price in similar tenders, our strategies to enter into a new market and our estimate of tender price of our competitors.

While our traditional construction projects are generally carried out on a fixed-price basis, for projects under both EPC and PPP models, we may experience discrepancies between the contract sum and the total settlement amount confirmed by the Settlement Audit as a result of the fluctuation of prices with reference to the issued bills of quantities and based on the prices of materials confirmed by the relevant local governments.

Payment terms and credit management

Our contracts normally state that customers shall make progress payments to us. Progress payments are partial payments covering the amount of work completed by us during the period as confirmed in the progress completion report. In respect of our design and survey works for construction projects, we are paid by way of progress payments based on our completion of each milestone stipulated in project contracts, such as the approval of completed schematic design, preliminary design, and construction drawings. For our construction works, a customer may be required to make an upfront payment of 10% of the total contract sum in certain cases prior to commencement of construction work. Upon reaching an agreed point of time during the construction phase, we are entitled to claim progress payments upon receiving a progress report certifying our completed construction work measured on a regular basis, which represents a certain percentage of the certified value of the completed construction work stipulated under the contract. The remaining amount of the certified value of the completed construction work which we are yet to become unconditionally entitled for billing under the terms of the contracts will be accounted as contract assets. Upon completion of the entire construction work, the total amount paid and/or payable by the customer (on an accumulative basis) generally represents more than 90% of the total certified value of the entire completed construction work. The customer is obliged to pay the remaining certified value of the entire completed construction work (usually representing less than 10% of the total certified value) to us upon expiry of the maintenance period.

We generally do not receive payments from our customers, apart from prepayments made by customers, if any, until the inspection of the relevant progress of the of completed work. As our customers are mainly public sector entities which have complex internal settlement procedure, there may exist a long gap between the due date of payment by our customers and the date of our submission of progress claims. In addition, the amount payable as confirmed in the progress completion report may not be paid in full and our customers may further extend their payment period without any penalties or interests. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — Our business operations, working capital and cash flow position may be adversely affected by the delay in processing payment or fail to settle our bills by our customers which are mostly public sector entities (including governments and their affiliated entities) that generally take a relatively long time for billing and settlement, and our overdue receivables collection management system may not be able to mitigate all our risks" in this prospectus for further details. In order to improve our ability to collect our trade receivables, we have implemented several credit control policies and measures which are detailed in paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" in this prospectus.

According to the CIC Report, approximately 67.9% of the 81 companies listed in the PRC in the landscaping industry and ecological restoration industry have trade receivables turnover days between 90 days to 360 days in 2019. In addition, approximately 43.1% of total trade receivables owned by the companies in these two industries aged over one year in 2018. Our trade receivables (including current and non-current trade receivables) amounted to approximately RMB479.6 million, RMB589.0 million, RMB586.0 million and RMB635.4 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our average trade receivables turnover days were approximately 252.5 days, 248.2 days, 249.3 days and 328.9 days for FY2017, FY2018, FY2019 and 6M2020, respectively. We recorded higher trade receivable turnover days for 6M2020 as there is usually a lower level of construction activities during the first quarter of the year due to seasonality factor. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Trade receivables" in this prospectus for further details.

Major customers

Our customers include public sector entities and private sector entities in the PRC. During the Track Record Period, a majority of our customers were public sector entities. We generally do not have credit terms with our customers and payments are generally made to us by inter-bank remittance.

We set forth below the breakdown of our revenue and gross profit margin recognised by sector for the periods indicated herein:

	For the year ended 31 December									For the six months ended 30 June					
	2017			2018			2019			2019			2020		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%* (unaudited)	*%*	*RMB'000*	*%*	*%*
Public sector projects	642,471	98.0	24.5	802,318	99.1	24.4	798,515	89.0	25.5	287,561	97.5	24.0	299,680	83.7	26.1
Private sector projects	13,025	2.0	20.1	7,126	0.9	7.5	98,971	11.0	29.9	7,247	2.5	45.5	58,205	16.3	16.2
Total	**655,496**	**100.0**	**24.5**	**809,444**	**100.0**	**24.3**	**897,486**	**100.0**	**26.0**	**294,809**	**100.0**	**24.5**	**357,885**	**100.0**	**24.5**

The increase in the percentage of revenue contributed by the private sector projects from FY2018 to FY2019 was mainly due to the commencement and substantial completion of construction works in FY2019 for the ancillary project of the Meihekou Project. Notwithstanding that the Meihekou Project was a project under the PPP model and a public sector project, the ancillary project of the Meihekou Project was categorised as a private sector project as ZCLLC was the customer. The gross profit margin of our private sector projects decreased from approximately 45.5% for 6M2019 to approximately 16.2% for 6M2020 primarily due to the higher gross profit margin of design and technical consultancy projects undertaken during 6M2019 and the relatively low gross profit margin of a landscaping project undertaken during 6M2020 due to higher cost incurred for customised facilities.

In FY2017, FY2018, FY2019 and 6M2020, approximately 32.1%, 30.0%, 13.2% and 15.2%, respectively, of our revenue was attributed to our largest customer in the respective year/period. For the same periods, approximately 66.4%, 77.6%, 59.1% and 54.1%, respectively, of our revenue was attributed to our five largest customers in the respective year/period. The composition of our five largest customers during the Track Record Period varied from period-to-period for the reason that we obtained contracts from major customers mainly through tenders on a one-off basis. Our five largest customers during the Track Record Period were all public sector entities (save for ZCLLC which is a private sector entity for FY2019, and Customer G which is an independent Third Party, for 6M2020).

The table below sets out the background information of our five largest customers during the periods indicated:

Customer	Category	Amount of revenue recognised for the relevant year	Percentage of total revenue recognised for the relevant year	Nature of services provided	Relationship with us	Years of relationship with us	Number of relevant projects contributed to the recognised revenue for the respective year
		(RMB'000)					
FY2017							
Customer A[(1)]	Public sector entities	210,537	32.1%	Ecological restoration	Project company	3	1
Customer B[(2)]	Public sector entities	77,159	11.8%	Ecological restoration	Independent Third Party	4	9
Customer C[(3)]	Public sector entities	64,621	9.9%	Landscaping	Project company	3	1
Customer D[(4)]	Public sector entities	48,213	7.4%	Landscaping	Independent Third Party	3	1
Customer E[(5)]	Public sector entities	33,837	5.2%	Landscaping	Project company	3	1
FY2018							
Customer E[(5)]	Public sector entities	242,605	30.0%	Landscaping	Project company	3	1
Customer B[(2)]	Public sector entities	203,564	25.1%	Ecological restoration	Independent Third Party	4	9
Customer A[(1)]	Public sector entities	91,029	11.2%	Ecological restoration	Project company	3	1
Customer C[(3)]	Public sector entities	46,523	5.7%	Landscaping	Project company	3	1
Customer D[(4)]	Public sector entities	45,302	5.6%	Landscaping	Independent Third Party	3	1
FY2019							
Customer B[(2)]	Public sector entities	118,894	13.2%	Ecological restoration	Independent Third Party	4	14
Customer F[(6)]	Public sector entities	116,763	13.0%	Ecological restoration and landscaping	Independent Third Party	1	4
Customer A[(1)]	Public sector entities	111,305	12.4%	Ecological restoration	Project company	3	2
Customer E[(5)]	Public sector entities	95,658	10.7%	Landscaping	Project company	3	1
ZCLLC	Private sector entities	88,206	9.8%	Landscaping	Connected person of our Company	7	13

Customer	Category	Amount of revenue recognised for the relevant year	Percentage of total revenue recognised for the relevant year	Nature of services provided	Relationship with us	Years of relationship with us	Number of relevant projects contributed to the recognised revenue for the respective year
		(RMB'000)					
6M2020							
Customer G[7]	Private sector entities	54,398	15.2%	Landscaping	Independent Third Party[8]	2	4
Customer F	Public sector entities	44,456	12.4%	Ecological restoration and landscaping	Independent Third Party	1	3
Customer B	Public sector entities	42,131	11.8%	Ecological restoration	Independent Third Party	4	11
Customer A	Public sector entities	32,010	8.9%	Ecological restoration and landscaping	Project company	3	4
Customer H[9]	Public sector entities	20,855	5.8%	Ecological restoration and landscaping	Independent Third Party	1	2

Notes:

1. Customer A is the project company for our Shenjunshan Project, namely Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) (formerly known as Ulanhot Shenjunshan Tourism Investment Development Limited (烏蘭浩特市神駿山旅遊投資開發有限公司) and Ulanhot Tianjunshan Tourism Investment Development Limited (烏蘭浩特市天駿山旅遊投資開發有限公司)), which is established in the PRC with registered capital of approximately RMB177.8 million. It is owned as to (i) 69.30% by Green Investment; (ii) 25% by the local government; (iii) 5.62% by Zonbong Landscape; and (iv) 0.08% by Zonbong Wenlv, an indirect wholly-owned subsidiary of our Company.

2. Customer B is a state-invested enterprise established in the PRC with limited liability and registered capital of RMB5,100.0 million, which is owned by the local government and mainly carries out business of infrastructure construction in Changchun City, Jilin Province.

3. Customer C is the project company for our EDZ Project, namely Changchun Xianbang Municipal and Landscape Limited (長春市現邦市政園林有限責任公司), which is established in the RPC with registered capital of approximately RMB99.3 million. It is owned as to (i) 50% by Zonbong Landscape; and (ii) 50% by Jilin Modern Transportation Construction Co., Ltd (吉林省現代交通建設有限公司), which is wholly owned by Mr. Xia Yanhui (夏豔輝) (an Independent Third Party).

4. Customer D is a state-invested enterprise established in the PRC with limited liability and registered capital of approximately RMB6,529.3 million, which is controlled by the local government and principally carries out business of development of urbanisation construction projects in Changchun City, Jilin Province.

5. Customer E is the project company for our Meihekou Project, namely Meihekou Qingfeng Construction Project Management Co., Ltd. (梅河口市慶豐建設項目管理有限公司), which is established in the PRC with registered capital of approximately RMB136.0 million. It is owned as to (i) 86.67% by Jilin Zonqing Taifeng Investment Center (Limited Partnership) (吉林省中慶泰豐投資中心(有限合夥)) which is owned as to 98% by ZCLLC and 2% by Jilin Province Huaxin Fund Management Co., Ltd (吉林省華信基金管理有限公司), a wholly-owned subsidiary of ZIHG; (ii) 5% by ZCLLC; (iii) 5% by the local government; and (iv) 3.33% by Zonbong Landscape. Accordingly, it is an associate of our Controlling Shareholders and hence a connected person of our Company.

6. Customer F is a bureau of local government in charge of urban and rural construction in Meihekou City, Jilin Province.

7. Customer G is a private sector entity established in the PRC with limited liability and registered capital of RMB22.0 million, which is controlled by Independent Third Parties and principally carries out business of investment for cultural tourism projects and construction of ancillary facilities in tourist attractions.

8. Customer G is a subsidiary of ZIHG before January 2020, and a company managed by a key management personnel of ZIHG after January 2020.

9. Customer H is a bureau of local government in charge of supervision and administration of local forestry and grassland in Ulanhot City, Inner Mongolia.

Save as disclosed above, to the best knowledge and belief of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the Directors or their respective close associates or any shareholders holding more than 5% of our issued and outstanding shares hold more than 5% of the shares in our top five customers.

PROCUREMENT FROM SUPPLIERS

We procure raw materials from suppliers in the PRC according to the annual/monthly demand schedules and/or project demand schedules prepared by the procurement department based on the needs of our projects. Our raw materials primarily include, plants and construction materials (such as cements, steels, timbers, stones and sands). We normally procure raw materials from certain suppliers with which we have stable business relationships under short-term supply agreements with an aim to bargaining for lower prices for raw materials from suppliers, and distribute raw materials to each project according to their respective demands. We also aim to keep our inventory levels of raw materials low based on our previous experience. We did not experience any material delay or shortage in the supply of raw materials required by us and we do not anticipate significant difficulties in obtaining alternative sources of supply in the future. In addition, we did not experience any material fluctuation of prices of raw materials that we required during the Track Record Period. Our Directors believe we are able to pass on any increase in direct costs to our customers for PPP and EPC projects as our completed construction works are audited based on the current prices published by relevant authorities and effective at the time of the Settlement Audit.

We also require certain equipment and machineries to carry out our construction works. Different projects may require different types of equipment and machinery. The demands for the types and quantity of equipment may vary from project to project, as the size and construction period of projects vary. During the Track Record Period, we leased most of the major equipment and machineries provided by our suppliers.

Credit terms given by our suppliers vary from full or part prepayment, pro-rata payment based on the quantities of materials supplied to us on a monthly basis to cash payment on delivery, depending on the relevant supply arrangement. Credit period is generally not stipulated in the contracts entered into between our suppliers and us.

During the Track Record Period, our cost of materials consumed were approximately RMB161.6 million, RMB208.2 million, RMB203.2 million and RMB101.0 million and accounted for approximately 32.6%, 34.0%, 30.6% and 37.3% of our total cost of sales for FY2017, FY2018, FY2019 and 6M2020, respectively. We have a diverse base of suppliers. In FY2017, FY2018, FY2019 and 6M2020, approximately 5.2%, 1.4%, 1.3% and 1.9%, respectively, of our cost of sales were attributed to purchases from our largest supplier in the respective year, while approximately 12.6%, 5.2%, 4.5% and 8.3%, respectively, of our cost of sales were attributed to purchases from our five largest suppliers in the respective year.

The table below sets out the background information of our five largest suppliers in terms of cost of materials purchased attributable to the relevant year:

Supplier	Amount of cost of materials purchased for the relevant year	Percentage of total costs of sales for the relevant year	Principal material supplied	Relationship with us	Years of business relationship
	RMB'000				
FY2017					
Supplier A	25,761	5.2%	Aluminium products	Independent Third Party	3
Supplier B	13,348	2.7%	Commercial concrete	Independent Third Party	3
Supplier C	12,410	2.5%	Steel	Independent Third Party	4
Supplier D	7,006	1.4%	Plants and saplings	Independent Third Party	5
Supplier E	4,118	0.8%	Plants and saplings	Independent Third Party	3
FY2018					
Supplier F	8,491	1.4%	Commercial concrete	Independent Third Party	3
Supplier G	6,104	1.0%	Plants and saplings	Independent Third Party	6
Supplier H	5,858	1.0%	Plants and saplings	Independent Third Party	2
Supplier I	5,809	0.9%	Plants and saplings	Independent Third Party	3
Supplier J	5,618	0.9%	Plants and saplings	Independent Third Party	4
FY2019					
Supplier K	8,745	1.3%	Plants and saplings	Independent Third Party	2
Supplier I	5,837	0.9%	Plants and saplings	Independent Third Party	3
Supplier F	5,609	0.8%	Commercial concrete	Independent Third Party	3
Supplier L	5,185	0.8%	Bamboo flooring	Independent Third Party	3
Supplier M	4,821	0.7%	Plants and saplings	Independent Third Party	4
6M2020					
Supplier N	5,251	1.9%	Marbles and Stone	Independent Third Party	3
Supplier O	4,773	1.8%	Marbles and Stone	Independent Third Party	2
Supplier P	4,486	1.7%	Environmental protection equipment	Independent Third Party	0.5
Supplier Q	4,145	1.5%	Lease of mechanical equipment	Independent Third Party	2
Supplier R	3,657	1.4%	Marbles and Stone	Independent Third Party	3

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any Shareholder who owned more than 5% of our Company's issued and outstanding share capital as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

Selection of suppliers

We select the suppliers for each project from our established list of qualified suppliers. The suppliers qualified for the list are those who satisfy our criteria for quality and quantity of raw materials and machineries as well as cost efficiency. As at the Latest Practicable Date, there were 610 suppliers in our qualified suppliers list.

We normally employ various means, such as market visits, E-commerce platforms and referrals to select our suppliers. In the process of identifying qualified suppliers, short-listed candidates of suppliers are further subject to onsite inspection and qualification appraisals. Such criteria include but not limited to pricing, quality of products, productivity, lead time, track records and market reputation. Upon passing the appraisal, they can be included in our qualified suppliers list. We reassess our suppliers list annually and remove those suppliers who fail to pass the assessment from our qualified suppliers list from time to time.

SUBCONTRACTING

We regularly engage third party subcontractors in our projects to provide extra workforce or for professional speciality services. According to the CIC Report, it is an industry norm for market participants to outsource works of landscaping and ecological restoration projects upon identifying the need after considering factors including but not limited to capacity, urgency of work, nature and specification of work and cost effectiveness. Subcontractors are selected from our list of subcontractors for labour services and professional speciality services which is reviewed and updated annually. Our criteria on selecting subcontractors include the following:

- qualified as independent legal entity(ies);
- possessing required qualifications and certifications for relevant construction works;
- track record of relevant experience with quality in the recent three years and no major safety and quality incidents occurred;
- possessing sufficient quantity of skilled workforce and equipment to meet special requirements of projects;
- financial strength to cover their own costs incurred during the project period; and
- no past records of defaulting on wage payment to construction labour forces.

We have implemented a quality control policy over the performance of our subcontractors that requires the manager of our technical department to organise regular inspection on the quality of the performance of the subcontractors at least monthly. The relevant personnel in our technical department conducting inspection will fulfil quality inspection form onsite and prepare a rectification notice based on the quality defects identified onsite, which will be distributed to the project manager who is responsible for communicating with the subcontractors to rectify the quality defects. In the event that major quality defects are identified, the manager of our technical department will issue the notice of suspension and rectification on the work of the subcontractors.

The following table sets forth the background information of our five largest subcontractors in terms of subcontracting costs recognised for the relevant year:

Subcontractor	Amount of subcontracting costs recognised for the relevant year	Percentage of total costs of sales for the relevant year	Nature of services supplied	Relationship with us	Years of business relationship with us
	RMB'000				
FY2017					
Subcontractor A	26,582	5.4%	Labour subcontracting	Independent Third Party	7
Subcontractor B	24,039	4.9%	Labour subcontracting	Independent Third Party	4
Subcontractor C	15,138	3.1%	Labour subcontracting	Independent Third Party	5
Subcontractor D	12,287	2.5%	Labour subcontracting	Independent Third Party	4
Subcontractor E	7,470	1.5%	Professional subcontracting	Independent Third Party	3
FY2018					
Subcontractor A	27,394	4.5%	Labour subcontracting	Independent Third Party	7
Subcontractor D	24,779	4.0%	Labour subcontracting	Independent Third Party	4
Subcontractor F	14,244	2.3%	Labour subcontracting	Independent Third Party	2
Subcontractor B	14,198	2.3%	Labour subcontracting	Independent Third Party	4
Subcontractor C	13,388	2.2%	Labour subcontracting	Independent Third Party	5
FY2019					
Subcontractor G	50,340	7.6%	Professional subcontracting	Independent Third Party	2
Subcontractor A	24,239	3.7%	Labour subcontracting	Independent Third Party	7
Subcontractor D	23,368	3.5%	Labour subcontracting	Independent Third Party	4
Subcontractor F	19,343	2.9%	Labour subcontracting	Independent Third Party	2
Subcontractor H	18,752	2.8%	Labour subcontracting	Independent Third Party	2
6M2020					
Subcontractor B	13,242	4.9%	Labour subcontracting	Independent Third Party	4
Subcontractor D	13,159	4.9%	Labour subcontracting	Independent Third Party	4
Subcontractor I	12,583	4.7%	Professional subcontracting	Independent Third Party	1
Subcontractor A	11,893	4.4%	Labour subcontracting	Independent Third Party	7
Subcontractor H	10,533	3.9%	Labour subcontracting	Independent Third Party	2

Save as disclosed above, to the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or their close associates or any Shareholder who owned more than 5% of our Company's issued and outstanding share capital as at the Latest Practicable Date had any interest in any of the five largest subcontractors of our Group during the Track Record Period.

Labour subcontracting

Landscaping and ecological restoration projects are labour intensive and require skilled labour force. The number and skill sets of construction workforce may vary upon types of projects. Since we generally undertake different projects under the same period of time, significant costs are required for maintaining a large pool of labourers. We engage labour subcontractors to conduct manual works for construction projects, which is relatively cost-effective and in line with industry practices.

We normally select labour subcontractors through a bidding process or request for quotation and our engineering department is responsible for setting up a subcontracting selection criteria and relevant standards. The shortlisted labour subcontractors selected from our list of qualified labour subcontractors will receive our tendering documents. To the best knowledge and belief of our Directors after reasonable enquiries, all of our labour subcontractors are Independent Third Parties. As at the Latest Practicable Date, we had 75 subcontractors for construction project labours on our list of subcontractors. We engage labour subcontractors on a project-by-project basis pursuant to specific requirements of the project and our project department will propose a tailor-made subcontracting plan for each project, which takes into account the conditions of the relevant project such as the timetable, scope and nature of work. During the Track Record Period, expenditures associated with engagement of labour subcontractors amounted to approximately RMB119.2 million, RMB139.5 million, RMB156.2 million and RMB77.4 million and accounted for approximately 24.1%, 22.8%, 23.5% and 28.6% of our total cost of sales for FY2017, FY2018, FY2019 and 6M2020, respectively.

The general terms of our labour subcontracting agreements including: (i) the subcontracting prices; (ii) the general responsibilities and the scope of services to be provided by the labour subcontractors; (iii) the responsibility for establishing safety protection measures and purchasing insurance for the subcontracted labour against accidents that may arise from the subcontracted work; (iv) our rights to claim for damages for delay and breach of contract by our labour subcontracts; and (v) the payment is calculated based on the unit price for each type of works, quantities of works recognised by us and related expenses incurred by the labour subcontractors.

According to our labour subcontracting contracts, we usually make progress payments to our labour subcontractors on a regular basis (usually monthly) and/or upon reaching agreed milestones. Credit period is generally not stipulated in our labour subcontracting contracts.

We have put in place a quality control system, which enables us to manage and monitor the performance of our labour subcontractors in terms of both quality and delivery time of their services and conduct on-site review with the labour subcontractors based on our own standards.

As advised by our PRC Legal Adviser, we are not required to make contributions to social insurance and housing provident fund for workers who are employed or recruited by any labour subcontractor. In addition, as advised by our PRC Legal Adviser, given that there is no employment relationship between our Group and workers of the labour subcontractor(s), unless we are at fault, the relevant labour subcontractor(s), being the employer(s) of such workers, are responsible for any claim made by their workers in respect of (i) work-related personal injuries; (ii) outstanding wage payments; and (iii) outstanding social security or housing provident fund contributions.

Professional subcontracting

As a contractor of construction projects, we may subcontract certain parts of ancillary construction works to qualified professional subcontractors as stipulated in our contracts of projects with customers or as permitted by our customers. Such ancillary construction works include works other than those for the main structure of projects, such as establishment of steel structure, building pavilions, corridors, garden bridges, sculptures and fountains. We engage third party professional subcontractors to provide the aforementioned services for the purpose of utilising the technical skills and materials of professional subcontractors and for cost efficiency.

Our selection criteria and quality control system for professional subcontractors are generally the same for labour subcontractors, except that we require professional subcontractors to hold relevant professional qualifications to conduct certain construction works. As at the Latest Practicable Date, we had 252 professional subcontractors in our list of qualified professional subcontractors. During the Track Record Period, expenditures associated with the engagement of professional subcontractors amounted to approximately RMB48.7 million, RMB98.6 million, RMB179.1 million and RMB51.4 million and accounted for approximately 9.8%, 16.1%, 27.0% and 19.0% of our total cost of sales for FY2017, FY2018, FY2019 and 6M2020, respectively. The increase in our professional subcontracting cost from FY2017 to FY2018 was primarily due to the commencement of construction for certain PPP and EPC projects, namely, the Shenjunshan Project and Nanxi Project in FY2017 requiring construction for certain parts of the projects that we did not have the capacity for, such as the ancillary facilities construction, installation engineering and telecommunication engineering. The increase in our professional subcontracting cost for FY2019 was mainly due to the commencement of construction for the Meihekou Ecological Restoration Project in FY2019, where more professional subcontractors were engaged to speed up the progress of the project as required by the customer.

According to our professional subcontracting contracts, we usually make progress payments to our professional subcontractors (i) on a pro-rata basis with reference to the progress payments made by customers to us or (ii) on a regular basis (usually monthly) and/or upon reaching agreed milestones. As advised by our PRC legal adviser, such contractual provisions in relation to payment arrangement with subcontractors under the professional subcontracting agreements are in compliance with the applicable laws and regulations in the PRC. Credit period is generally not stipulated in our professional subcontracting contracts.

The general terms of professional subcontracting agreements:

Terms	Description
Scope of work	The professional subcontracting agreements define the scope of the subcontracted work, including description of the project, location, details of the works, and obligations and restrictions applicable to the professional subcontractors. Such agreements usually forbid the professional subcontractors from delegating their obligations to third parties.
Project period	Deadline for professional subcontractors to finish the works is specified. Should subcontractors fail to meet the schedule of construction works, we have the right to demand subcontractors to arrange additional workforce and machineries, and to work overtime without raising their price. If professional subcontractors fail to satisfy the aforementioned demand, we have the right to engage third parties to perform the works so as to ensure the project be completed within the required period, and additional costs incurred by us from engaging third party subcontractors shall be borne by the professional subcontractors.
Payment terms	The professional subcontracting agreements usually set forth the initial contract sum, subject to modifications according to the actual completed construction works. Professional subcontractors will be paid by instalments on a regular basis or pro rata to the works completed by them.

Terms	Description
Acceptance	We conduct an inspection on the completed works of the professional subcontractors. If the quality specifications as stipulated in the professional subcontracts are satisfied, we will sign and issue the acceptance certificate.
Maintenance	Professional subcontractors are usually required to provide maintenance and repair services during the maintenance period of generally one or two years, for any quality issues caused by defects of materials, equipment or other defects found in the construction works. Maintenance fees will be settled by us upon expiry of the maintenance period and with our confirmation that there is no quality issue identified.

As at the Latest Practicable Date, we had three ongoing projects in which we had professional subcontractors engaged for construction works in progress and we have obtained written consent from customers for all of such aforementioned ongoing projects where such consent is required. We have adopted an internal control policy to (i) check the specific requirements for project subcontracting stipulated in the project contracts entered into between customers and us; and (ii) obtain written consent from the customers prior to our engagement of professional subcontractors. Please refer to paragraph headed "— Internal control and risk management" in this section for further details.

QUALITY CONTROL

Stringent internal quality control procedures

We have employed PM2 as our project and internal administration management system. It allows us to integrate our administrative management with project management which satisfies our demand for comprehensive management of various aspects of a project, such as procurement, equipment leasing, subcontracting and labourers.

We have complied with ISO 9001: 2015 quality management standards with detailed internal control procedures for all aspects of our business operations, including sourcing of businesses, management of contract, project procurement, inspection, subcontracting and accountability of responsible personnel.

Our control manual for quality assurance is executed in conjunction with the various quality regulations or guidelines made by regulators or customers. The management manual stipulates quality standards throughout the operational stages of projects, the responsibilities of each department, detailed measures, evaluation of quality control results and correlated improvement mechanisms. Our quality control team consists of our engineering department, technical department and project department. Our engineering department is responsible for the development and execution of quality control policies and our technical department is responsible for setting up quality and safety standards. Work quality and progress are monitored by our project managers who ensure that the works are completed according to the schedule and quality assurance standards. Regular meetings are held for discussing any potential or identified issues to ensure the efficient execution of our projects. We have also adopted training systems designed for our staff to define their respective responsibilities, cooperative relationships with other departments and ensure that they are competent for their respective responsibilities.

As at the Latest Practicable Date, we did not have any material non-compliance incidents reported during the provision of our services nor have we received any claims from our clients under the professional indemnity insurance and other applicable indemnity clauses. Our Directors believe that it was largely attributable to our on-the-job training and seminars provided to our new recruits and staff and our stringent internal quality control system.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Our operations may generate air or water pollution, noise, hazardous material and solid wastes, and we must abide by the relevant rules and regulations on occupational health, safety and environmental protection, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the law of the People's Republic of China Concerning Environmental Protection (《中華人民共和國環境保護法》). Please refer to the section headed "Regulatory Overview" in this prospectus for more details.

We believe health and safety of our staff are of paramount importance. Our administrative and human resources team is responsible for dealing with issues relevant to our employees' occupational health and safety. We have implemented a health, safety and environmental management system pursuant to ISO 19001:2015, ISO 24001:2015, and OHSAS 18001:2007. Our technical department is responsible for implementing the health, safety and environmental protection measures with the responsibilities of: (i) supervising and examining our safety and quality control measures; (ii) regulating occupational health, hygiene and safety conditions; and (iii) monitoring compliance with environmental protection regulations relating to air, water, noise and solid wastes pollution. Our internal manuals are generally documented in writing and supplemented with instructions to ensure compliance with our occupational health and safety guideline. In case we engage staff or workforce from subcontractors in a project, both our staff and those engaged from the labour subcontractors are required to follow the manuals.

We have imposed safety and anti-pollution measures, as well as conducted regular safety and environmental inspections at all stages of our operations in order to prevent work accidents and injuries. We also monitor our subcontractors' compliance with safety and environmental regulations and procedures. We have conducted regular safety training sessions for our employees and promoted safe working practices. We have trained our safety personnel and assisted them in acquiring the requisite expertise and certifications to handle safety matters.

Our Directors confirm that our Group did not incur any material administrative penalties for violations of environmental protection laws and regulations during the Track Record Period. We have not experienced any review or suspension of business operation ordered by any PRC local authorities due to the violation of any safety production permits.

INSURANCE

We maintain insurance policies for our employees that are mandatory under the PRC laws and regulations, including endowment insurance, employment injury insurance, medical insurance, unemployment insurance and maternity insurance during the Track Record Period, except as disclosed in the paragraph headed "— Legal proceedings and compliance" in this section. We did not carry any business interruption or litigation insurance policies, that are not mandatory under the law and regulations of the PRC, which we believe is in line with the customary industry standard adopted by other companies in the landscaping and ecological restoration industries in the PRC.

During the Track Record Period and up to the Latest Practicable Date, we have not received any material complaints from our customers or third parties nor incurred penalties from the relevant authorities in relation to the insurance coverage for our projects.

SEASONALITY

We experience seasonality in our landscaping and ecological restoration business. We typically record higher revenue in the second half of a year relative to revenue from the first half, and our revenue from the first quarter is typically lower than other quarters. This seasonality is largely due to decreased construction activities in the northern regions of the PRC in the winter and that some of our projects are halted for the Lunar Chinese New Year holiday. Therefore, potential investors should be aware that our interim results of operations are not necessarily indicative of our annual results of operations.

RESEARCH AND DEVELOPMENT

We believe that our research and development capabilities have enhanced our ability to design and provide landscaping and ecological restoration construction services. Our capabilities also enable us to cater to the demands of our customers by adapting existing technologies. As at the Latest Practicable Date, we had 33 research and development employees in our design department, among which, 32 held bachelor's degrees or above.

For FY2017, FY2018, FY2019 and 6M2020, our research expenses from administrative expenses were approximately RMB0.5 million, RMB0.7 million, RMB0.2 million and RMB1.6 million, respectively, accounting for approximately 1.1%, 1.5%, 0.3% and 5.4% of our administrative expenses, respectively.

As a result of our research and development efforts, we have three registered inventions, 10 utility models, one design and 38 software copyrights registered as at the Latest Practicable Date. Zonbong Shanshui and Zonbong Landscape, both our wholly owned subsidiaries, obtained the certificate of High-tech Enterprise (高新技術企業) in September 2019 and 2020, respectively.

We have developed a number of software systems for sewage treatment, including, among others, (i) an analysis system on source of pollution based on GIS; (ii) a data analysis software system for surface water pollution load in Northeast China; (iii) a real-time regulator and digital management system on water environment; and (iv) a calculation software on the amount of water storage of sponge cities in Northeast China.

COMPETITION

According to the CIC Report, the landscaping and ecological restoration markets in the PRC are highly fragmented and most municipal-level or provincial-level landscaping projects are dominated by local suppliers. Our Directors believe that we will continue to face intense competition with entities carrying on business similar to us in terms of qualifications, service scope, pricing and geographical coverage of operations. As more detailed disclosed in the paragraph headed "— Competitive strengths" in this section, we believe that our competitive strengths, proven track record in landscaping and ecological restoration projects and our market position have allowed us to compete effectively and have laid down for us a solid foundation to expand into other regions in the PRC. We believe that our competitive strengths allow us to continue to distinguish ourselves from our competitors.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we held five registered trademarks, three registered inventions, 10 utility models, one design and 38 software copyrights relating to landscaping and ecological restoration. Our Directors believe that intellectual property rights are essential for sustaining our future business development. We rely on a combination of patents, trademarks, domain names and software copyrights to protect our intellectual property. For detailed information about our intellectual property rights, please refer to "Appendix IV — Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group" in this prospectus.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, we have not received any claims against us for infringement of any trademarks nor are we aware of any pending or threatened claims in relation to any actual or potential infringement. As at the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us that would constitute material adverse impact to our operations.

EMPLOYEES

As at the Latest Practicable Date, we had 468 employees in total, who were all based in the PRC. The following table sets forth a breakdown of our employees by functions as at the same date:

Functions/departments	Number of employees (1)
Board Office	11
Marketing and Sales Department	36
Auditing and Finance Department	21
Operation Department	6
Human Resource and Administration	15
Construction and Engineering (2)	254
Design (3)	125
Total	**468**

Notes:

1. The number of employees in the above table include employees in all the operational subsidiaries of our Group.

2. Departments involved in the function of construction and engineering include engineering department, cost department, procurement department, technical department, project management teams and maintenance department.

3. Departments involved in the function of design include business department, chief engineering office, design management department, municipal department, landscaping departments, ecological departments and survey department.

To enlarge our talent pool and to strengthen our technical capabilities, we have been focusing on the continuous professional development of our employees. The professional qualifications possessed by our employees as at the Latest Practicable Date are set forth as below:

Qualification	Number of qualification holders(5)
Registered constructor(1)	
Class A	18
Class B	50
Registered architect(2)	
Class A	1
Class B	2
Professional engineer(3)	
Professorate senior	13
Associate senior	63
Intermediate and associate	178
Registered engineer(4)	
Class A	6
Class B	2
Registered	32
	365

Notes:

1. Registered constructor refers to the registered practitioners who are in key positions, such as project manager of main contracting projects to manage construction projects in the PRC, which is divided into two classes, namely Class A contractor and Class B contractor. Please refer to the paragraph headed "Regulatory Overview — Qualification requirements of registered constructor — Qualification requirements of registered constructors" for further details.

2. Registered architect refers to the registered practitioners who are engaged in the architectural design unit in the construction industry in the PRC. There is no restriction as to the practice of Class A architects, whereas Class B architects can only engage in the architectural design for a limited range of construction projects. Please refer to the paragraph headed "Regulatory Overview — Qualification requirements of registered constructor — Qualification requirements of registered architects" for further details.

3. Professional engineer is a recognition of practitioners' expertise in the PRC and is certified based on the evaluation of the applicants' professional practice background, such as years of experience as a registered engineer, projects undertaken and professional achievements. Please refer to the paragraph headed "Regulatory Overview — Qualification requirements of registered constructor — Qualification requirements of professional engineer" for further details.

4. Registered engineer refers to the professional and technical personnel who have passed the national unified examination and obtained the certificate as registered engineer in the PRC and who are engaged in engineering design and related professional practices in the construction industry. Please refer to the paragraph headed "Regulatory Overview — Qualification requirements of registered constructor — Qualification requirements of registered engineer" for further details.

5. One employee may hold more than one qualification.

The reliance of our Group on technology-related staff and their qualifications mainly lies in (i) the procuring of projects through tenders which may require qualified contractors to have certain amount of staff holding qualifications of registered constructor, professional engineer or registered engineer, and (ii) the obtaining of qualifications in order to undertake survey, design and construction projects of permitted size. Please refer to "— Our qualifications and certificates" in this section for details. Our Directors are of the view that the current number of qualifications held by our staff are sufficient to meet the requirements of the tenders in general and it is not difficult for our Group to recruit additional staff with the relevant qualifications.

Employee training and recruitment policies

To enrich our talent pool and to strengthen our technical capabilities, we have been focusing on the continuous professional development of our employees. We provide on-the-job training to our employees by holding courses and seminars to enhance our employees' professional knowledge and to inspire them to explore the latest trends and techniques in the areas related to landscaping architecture and construction. Our courses and seminars cover professional knowledge, technical skills, operational skills, operations and management and other areas. We also provide training courses tailor-made for employees in different departments with different responsibilities. An orientation and training course is also provided to all of our new recruits to enhance their understanding of the industry, the company and the job.

We have a set of established recruitment criteria, policies and regular annual recruitment plans. We manage our recruitment systematically in accordance with the annual plan. When there is unforeseeable demand for extra workforce, we rely on other reliable channels such as subcontractors to resolve the issue. Our human resource department, other functional departments and our subsidiaries' functional departments are responsible for recruitment. Candidates sourced from various channels such as on-campus recruitment and online recruitment website are required to meet our requirements through interviews and possess professional-related qualifications and experience.

We have entered into employment contracts with our employees in accordance with the relevant laws. We consider that the capability and loyalty of our employees are vital to the sustainable development of our business. To better utilise their capabilities and to promote loyalty of our employees, we offer incentives to our employees, in addition to the basic salary.

We may impose a probation period on our new recruits. At the end of their probation period, they will become full-time employees if their respective supervisors are satisfied with their performance during the probation period. We have made contributions to all statutory social insurance and provided housing provident funds for our employees in accordance with labour laws and regulations in the PRC.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, some of our employees have joined our Group's labour unions, which had been formed for our employees, but no material administrative penalty has been imposed against us due to any default in such payments nor there is any violation of related labour protection laws and regulations, and we have not experienced any material labour dispute that has interfered materially with our operations.

AWARDS AND RECOGNITIONS

We have received a number of awards and certificates throughout the past years of our operation. The table below lists out some of our major awards in respect of our projects:

Award/Certification	Grantor	Award-winning project	Recipient	Grant year
2013 IDEA-KING, Annual Top Ten Landscape Design Award in the Third International Landscape Architecture Design Competition (2013艾景獎 第三屆國際園林景觀規劃設計大賽 年度十佳景觀設計獎)	International Landscape Design Industry Association (國際園林景觀規劃設計行業協會)	Environmental Protection Ecological Park of Sandao Waste Dump in Changchun City (長春市三道垃圾場環保生態公園)	Zonbong Landscape	2013
Best Design Award of Exhibition Garden of the Third China Greening Exposition in 2015 (2015 第三屆中國綠化博覽會展園 • 最佳設計獎)	Organising Committee of the Third China Greening Exposition (第三屆中國綠化博覽會組委會)	Jilin Exhibition Garden Construction Project of the Third China Greening Exposition (中國(第三屆)綠化博覽會吉林展園建設工程)	Zonbong Landscape	2015

Award/Certification	Grantor	Award-winning project	Recipient	Grant year
Excellent Landscape Greening Construction Project for 2016 in the PRC (2016年度中國園林綠化優秀施工項目)	China Engineering Construction Industry Association (中國工程建設行業協會)	Landscaping and Greening Construction Project of Songhua River Bridge South and North Roundabout (South Roundabout) as part of Greening Project of Songyuan Municipality in 2015 (松原市2015年園林綠化工程 — 松花江大橋南北環島(南環島)景觀綠化工程)	Zonbong Landscape	2017
Excellent Landscape Greening Construction Project for 2017 (2017年度中國園林綠化優秀施工項目)	China Engineering Construction Industry Association (中國工程建設行業協會)	Enhancing Landscaping and Greening Scenery Project of Changping Highway Siping Entrance and Exit (長平高速四平出入口景觀綠化提升工程)	Zonbong Landscape	2018
Excellent Landscape Greening Construction Project for 2018 in the PRC (2018年度中國園林綠化優秀施工項目)	China Engineering Construction Industry Association (中國工程建設行業協會)	Beihu Project	Zonbong Landscape	2019
National Quality Engineering Award (國家優質工程獎)	China Association of Construction Enterprise Management (中國施工企業管理協會)	Nanxi Project	Zonbong Landscape	2020

The following table highlights our major industry recognitions during the Track Record Period:

Award/Certification	Grantor	Recipient	Grant year
Excellent Enterprise in Chinese Landscape and Greening Industry in 2013 (2013年度中國園林綠化行業優秀企業)	China Engineering Construction Industry Association (中國工程建設行業協會)	Zonbong Landscape	2014
National Advanced Landscape Construction Enterprise in 2019 (2019全國園林綠化先進施工企業)	China Garden Industry Association (中國園林行業協會)	Zonbong Landscape	2019
The Fifth President Unit of Jilin Landscape Architecture Association in 2019 (2019吉林省風景園林協會第五屆理事長單位)	Jilin Landscape Architecture Association (吉林省風景園林協會)	Zonbong Landscape	2019
Landscaping Enterprise with Credit Grade AAA in the PRC for eight consecutive years (連續八年中國園林綠化AAA級信用企業)	China Engineering Construction Industry Association (中國工程建設行業協會) and Beijing Guoyan Credit Service Co., Ltd (北京國研征信有限公司)	Zonbong Landscape	2020
High-tech Enterprise (高新技術企業)	Department of Science and Technology of Jilin Province (吉林省科學技術廳), Department of Finance of Jilin Province (吉林省財政廳) and Jilin Provincial Tax Service, State Taxation Administration (國家税務總局吉林省税務局)	Zonbong Landscape	2020

PROPERTIES

Leased properties

As at the Latest Practicable Date, we rented a total of 57 properties for use as office in various locations in the PRC with a gross floor area of approximately 14,065.4 m^2. As at the Latest Practicable Date, we had not registered the lease agreements for 57 of our leased properties with the local housing administration authorities as required under the PRC law, primarily due to (i) lack of cooperation from our landlords in registering the relevant lease agreements and (ii) the fact that title certificates and proofs of ownership were not obtained by our landlords for certain of our leased properties. Both (i) and (ii) were factors beyond our control. Our PRC Legal Adviser has advised us that we might be ordered to rectify this failure to register by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed as a result. The estimated total amount of potential penalty for our failure to register our lease agreements is RMB57,000 to RMB570,000. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above. Our PRC Legal Adviser have also advised us that the failure to register the lease would not affect the validity of the lease agreement. Our Directors are of the view that such non-registration would not have a material adviser effect on our business operations or constitute a material legal obstacle for the Listing. In the event that we are required by competent authorities to rectify the non-compliance with lease registration requirement and we are not able to rectify due to lack of cooperation from landlords, we intend to terminate the non-compliant leases, find alternative locations nearby and relocate without causing any material disruption to our operations.

Among the 57 premises leased to us, the following premises have been and will continue to be leased to our Group by ZCLLC pursuant to lease agreements entered into with ZCLLC by Zonbong Landscape and Zonbong Shanshui, respectively (the "**Connected Leases**").

Leased Premises	Tenants	Gross Floor Area	Use of the property
3/F, 5888 Fuzhi Road, Changchun, Jilin	Zonbong Landscape	1,605.12 m^2	Office
4/F, 5888 Fuzhi Road, Changchun, Jilin	Zonbong Shanshui	1,358 m^2	Office

Leased Premises	Tenants	Gross Floor Area	Use of the property
Eastern District 12-1, 2-201-2, Konggan Business Park, Tianjin	Zonbong Landscape	300 m^2	Office
16-7, 196 Beibin 1st Road, Jiangbei District, Chongqing	Zonbong Shanshui	60.67 m^2	Office

ZCLLC is a wholly-owned subsidiary of ZIHG, which in turn is owned as to 35% by Ms. Zhao Hongyu, a Controlling Shareholder and the spouse of Mr. Sun. As ZCLLC is a controlled entity of Ms. Zhao Hongyu, it will become a connected person of our Company, and the Connected Leases will accordingly become connected transactions of our Group, upon the Listing. To comply with the requirements of the Listing Rules, we entered into a property leasing framework agreement with ZIHG on 14 December 2020, pursuant to which we agreed to lease properties from the ZIHG Group for office use from the Listing Date to 31 December 2022. The aggregate rent payable by our Group to the ZIHG Group under the property leasing framework agreement for the three years ended 31 December 2022 shall not exceed RMB8,800,000. Please refer to the section headed “Connected Transactions” in this prospectus for further details.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

During the Track Record Period and up to the Latest Practicable Date, none of our Company or any of our subsidiaries had been involved in any litigation or arbitration of material importance that would have a material adverse effect on our business, financial position or results of operations, and to the best knowledge of our Directors, we are not aware of any pending or threatened litigation, arbitration or claim of material importance against us or any of our subsidiaries or any of our Directors, which could have a material adverse effect on our Group’s business, financial position or results of operations.

Non-compliance matters

Our Directors and our PRC Legal Adviser confirmed that, save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with all relevant and applicable PRC laws and regulations.

We set out below a summary of our material and/or systemic non-compliance matters during the Track Record Period and up to the Latest Practicable Date:

No.	Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
1	During the Track Record Period and as at the Latest Practicable Date, (i) we failed to make adequate social insurance and housing provident fund contribution as required by relevant PRC laws and regulations; and (ii) certain of our PRC subsidiaries and branch offices failed to open housing provident fund accounts (the "**Social Welfare related Non-compliance**"). We estimated the total underpayment of social insurance and housing provident fund contributions for FY2017, FY2018, FY2019 and 6M2020 were approximately RMB4.8 million, RMB4.1 million, RMB2.4 million and nil, respectively.	(i) The non-compliance was primarily caused by inadvertent oversight of the relevant PRC laws and regulations. Our staffs who were formerly in charge of this matter did not fully understand the different regulatory requirements in cities where we operated. Certain of our subsidiaries and branch offices did not hire any employees so that they did not open housing provident fund account. (ii) Our human resource staff in charge of the matters relating to social insurance and housing provident funds were involved in the non-compliance incident.	With respect to the failure to make adequate social insurance, the amount of the unpaid portion of social insurance for FY2017, FY2018, FY2019 and 6M2020 were approximately RMB3.9 million, RMB3.3 million, RMB1.9 million and nil, respectively. Our PRC Legal Adviser advised us that for the outstanding social insurance contribution that accumulated during and after the Track Record Period, the late payment fee equals to 0.05% of the outstanding amount calculated daily starting from the date the relevant insurance funds became payable. If we fail to make such payments within a stipulated period, we may be liable to a fine of one to three times the outstanding contribution. Based on the estimation of our Directors, the maximum penalties (including the associated late payment fee and fines) that our Group may be exposed to in respect of the insufficient payment of social insurance during the Track Record Period amount to approximately RMB13.1 million, RMB10.7 million, RMB5.7 million and nil for FY2017, FY2018, FY2019 and 6M2020, respectively. With respect to the failure to make adequate housing provident fund contribution, the amount of the unpaid portion of housing provident fund for FY2017, FY2018, FY2019 and 6M2020 were approximately RMB0.9 million, RMB0.8 million, RMB0.5 million and nil, respectively. Our PRC Legal Adviser advised us that the housing provident fund management centre shall order the company that is overdue in the payment and deposit of, or underpays the housing provident fund, to make the payment and deposit within a prescribed time limit, failing which the housing provident fund management centre may ask the court to take enforcement measures against such company to collect the outstanding housing provident fund.	We made provisions in the total amount of approximately RMB7.3 million, RMB8.2 million, RMB7.6 million and 6.4 million, respectively, on the Historical Financial Information in respect of such potential liabilities as at 31 December 2017, 2018 and 2019 and 30 June 2020.

No.	Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
			With respect to the failure to open housing provident fund accounts, our PRC Legal Adviser advised that, pursuant to the relevant PRC laws and regulations, our subsidiaries and branch offices may be ordered to rectify the non-compliance within a prescribed time limit. We may be ordered to pay a penalty between RMB110,000 and RMB550,000 if they fail to open housing provident fund accounts within a prescribed time limit.	To prevent recurrence of the Social Welfare related Non-compliance, we have established an internal control policy that requires full compliance with the relevant laws and regulations and designated responsible personnel in human resource department to enforce the policy. We will review our social insurance and housing provident fund contributions on a regular basis. Going forward, our PRC subsidiaries will adjust the salary basis on which to make social insurance and housing provident plan contributions in accordance with applicable legal requirements. As at the Latest Practicable Date, we had adjusted such salary basis for our existing employees of our PRC subsidiaries and branch offices. Moreover, our Controlling Shareholders have given an indemnity to each member of our Group against, among others, all claims, actions, losses, damages, costs or expenses suffered or incurred by any of the members of our Group in connection with the social insurance and housing provident fund contributions required to be made by the relevant laws and regulations in the PRC, which any member of our Group has failed to make in accordance with such laws and regulations from their respective date of establishment to the Listing Date.

No.	Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
				As at the Latest Practicable Date, we had not received any demand from the relevant government authorities requiring us to pay the unpaid social insurance and housing provident fund contributions and we had not been penalised for the Social Welfare related Non-compliance. Our Directors are of the opinion that this incident will not have a material adverse impact on our business or results of operations for the following reasons: (i) we have made provisions in connection with this non-compliance for relevant periods; (ii) we have established an internal control policy as disclosed above to ensure our ongoing compliance with the relevant laws and regulations on social insurance and housing provident fund contributions; and (iii) our Controlling Shareholders have undertaken to, pursuant to the terms and condition of the Deed of Indemnity, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules or regulations concerning social insurance and housing provident fund contributions, to the extent that such amount of contribution has not been reflected from the provision made in the Historical Financial Information of our Group as detailed in "Appendix I — Accountants' Report" to this prospectus.

No.	Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
2	We commenced construction works for two public sector projects namely, the Baishan Project (Phase II) and the Reconstruction Project of Yilelite Town (義勒力特鎮改造建設項目) (“**Yilelite Project**”), for which the customers have not obtained the construction work commencement permits as the project owners have not held tendering process for the two public sector projects. Our PRC Legal Adviser advised us that according to the relevant PRC laws, (i) a tendering process shall be held for construction projects undertaken in the PRC wholly or partly utilising state-owned capital or state funds; and (ii) construction work commencement permit shall not be granted for projects without going through a tendering process when it is mandatory under the relevant PRC laws. As at the Latest Practicable Date, the tendering process had yet to be held by the customers for the two public sector projects and both of the two public sector projects were at the maintenance phase subsequent to the completion of the construction works. During the Track Record Period, for the Baishan Project (Phase II), we recognised revenue in the amount of approximately RMB2.5 million, RMB0.6 million, RMB3.5 million and RMB2.1 million, generated gross profit in the amount of approximately RMB1.4 million, RMB0.2 million, RMB1.7 million and negative RMB9,510 and generated nil operating cash flow for FY2017, FY2018, FY2019 and 6M2020, respectively. During the Track Record Period, for the Yilelite Project, we recognised nil revenue and gross profit and generated nil operating cash flow.	(i) We commenced the relevant construction work at the instruction of the local governments, which sought to expedite the construction of the two public sector projects. The relevant project owners are responsible for obtaining the construction work permits. (ii) None of our Directors or senior management was involved in the non-compliance incidents at the relevant time.	With respect to our construction works carried out without a construction work commencement permit for the two public sector projects, our PRC Legal Adviser advised us that a construction entity commencing the project without obtaining the construction work commencement permit or approvals for its construction commencement report, shall be ordered to halt the construction work, carry out remedial actions within a prescribed time limit and may be imposed of a fine of less than RMB30,000 for such non-compliance incidents. Our PRC Legal Adviser is of the view that we are at the risk of being imposed of administrative penalties due to the lack of the construction work commencement permits.	Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify us against any losses or expenses which may be payable by us as a result of such non-compliance incidents. We have adopted enhanced internal control measures and required our legal specialists in our auditing and finance department to review and ascertain whether we have met the relevant legal requirements prior to our commencement of constructions works. Please refer to the paragraph headed “— Internal control and risk management” in this section for further details. Our Directors are of the opinion that this incident will not have a material adverse impact on our business or results of operations for the following reasons: (i) the amount of the maximum penalty (i.e. RMB30,000) for each of the non-compliance incidents is relatively small; (ii) our Controlling Shareholders have undertaken to, pursuant to the terms and condition of the Deed of Indemnity, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules or regulations concerning our commencement of construction works for projects which failed to obtain the construction work commencement permit; and (iii) we have adopted enhanced internal control measures to ensure our ongoing compliance with the relevant laws and regulations.

INTERNAL CONTROL AND RISK MANAGEMENT

Risk management

During the Track Record Period, we assessed and managed risks arising from our operations based on the experience of our Group's management and our professional and technical staff. Key risks relating to our business are set out in the section headed "Risk Factors" in this prospectus.

In addition, we also face various financial risks including, among others, credit risk, liquidity risk, currency risk and interest risk that arise in the ordinary course of our business. Please refer to the paragraph headed "Financial Information — Financial risks" in this prospectus for more details.

In order to manage our risks, we have established the following measures and procedures to manage our risk:

- We have implemented various quality control measures and inspection over our subcontractors. For further details, please refer to the paragraph headed "— Quality control" above in this section;

- Our senior management is responsible for the risk monitoring of our Group and for the supervision of different aspect of our business operations on a daily basis as well as the supervision and approval of any material business decision of our Group. We have established detailed procedures and policies setting out clear reporting lines and responsibilities with a view to facilitating efficient communications among different departments;

- We regularly monitor our liquidity status and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term;

- We will provide continuous on-job training to our employees in order to enhance their knowledge of our corporate culture, with a view to maintaining integrity and reliability to manage our operational and market risks; and

- Our Board shall formulate and incorporate new risk management measures into our internal control procedures when appropriate.

Internal control measures to improve corporate governance and prevent recurrence of non-compliance

We have engaged an independent internal control consultant (the "**Internal Control Consultant**") in May 2019 to review our internal control system, including but not limited to our tendering practice, risk management, contract management and corporate governance compliance, and provide recommendations for improving our internal control system, including suggested measures to address the non-compliance matters set out in the paragraph headed "— Legal proceedings and compliance — Non-compliance matters" in this section. The Internal Control Consultant conducted a first-round on-site review in May 2019 and a follow-up review in September 2019.

In order to avoid recurrence of non-compliance in the future and to ensure the ongoing compliance with the relevant regulatory requirements after Listing, we have adopted or implemented the following measures including the major recommendations of our Internal Control Consultant to strengthen our control environment at both working and monitoring level:

1. We have established an audit committee which comprises three independent non-executive Directors, to oversee the internal control procedures and accounting and financial reporting matters of our Group. The audit committee has also adopted its terms of references which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to discuss the implementation of internal control measures with our management and review any arrangement which possible improprieties in financial reporting, internal control or other matters may arise;

2. Our Directors and senior management attended a training session on applicable Hong Kong laws and regulations, including the Listing Rules, provided by our legal adviser as to Hong Kong law prior to the Listing. We will continue to arrange various trainings to be provided by the Hong Kong legal adviser engaged by us from time to time and/or any appropriate accredited institution to update the knowledge of our Directors, senior management and relevant employees on the relevant Hong Kong laws and regulations;

3. In relation to our non-compliance with the legal requirements relating to social insurance and housing provident fund contributions, we have adopted an internal policy to require our human resources department to keep track of the latest changes in the laws and regulations for social insurance and housing provident fund contributions, to update our internal procedures for making such payments and to monitor our ongoing compliance with the requirements under such laws and regulations;

4. In relation to our non-compliance with the legal requirements relating to the tendering process, we have adopted an internal policy to require our legal specialists in auditing and finance department of our Group to review and ascertain whether we have met the relevant legal requirements prior to our commencement of construction works and we shall not carry out construction works without the confirmation from our legal specialists as to the compliance conditions of the project;

5. We have engaged China Tonghai Capital Limited as our compliance adviser to advise our Group on compliance matters pursuant to Rule 3A.19 of the Listing Rules;

6. We have adopted the relevant procedures to ensure strict compliance with the prohibitive requirements of subcontracting stipulated in main contracts. Our project team will check, and our legal department will review, whether there are specific requirements for subcontracting in the main contracts prior to the formulation of our subcontracting plans and obtain written consent from customers on the subcontracting matters prior to our engagement of subcontractors; and

7. We will strengthen the staff training in compliance by way of conducting training sessions for our management staff on an annual basis and other staff when deemed necessary, with a view to establishing the corporate compliance culture and enhancing the compliance awareness and sense of responsibilities of employees.

In light of the foregoing, our Directors are of the view, which our Sole Sponsor concurs, that the internal control measures adopted by us can strengthen our internal control framework, and therefore, are adequate and effective to significantly reduce our risk of future non-compliance with the relevant legal and regulatory requirements.

Save as disclosed above, our Directors were not aware of any historical and material non-compliance incidents relating to the business operations of our Group under the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Anti-corruption and anti-bribery measures

In order to comply with the applicable laws and regulations in relation to anti-corruption and anti-bribery, we have implemented an anti-corruption and anti-bribery policy, which mainly include the following measures:

1. we have established an anti-fraud working mechanism, which involves the coordination, guidance and supervision by the Board of Directors of the Company, the risk assessment and implementation of fraud prevention procedures by the management and the

implementation of detailed anti-fraud work by the auditing department such as receiving fraud reports, organising investigation of suspicious fraud cases, proposing resolutions to the management and Board of Directors and carrying out anti-fraud promotion activities;

2. we conduct internal training and effective communications to our employees by distributing employee handbooks and announcing company regulations in relation to the policies and procedures for anti-corruption and anti-bribery so as to ensure that the employees could understand the relevant principles of conduct and recognise unethical and illegal behaviours;

3. we inform the relevant stakeholders that have business relationship with our Group (such as customers, suppliers and regulatory institutions) of our anti-fraud working system in order to pass on relevant information and requirements of our anti-fraud work to them;

4. we have a whistle-blowing and complaint handling system, pursuant to which employee and relevant stakeholder may notify our auditing department through designated hotline and email of certain unethical behaviour or suspicious activities, which will be investigated directly by our auditing department or reported to our audit committee for further investigation if senior management personnel is involved;

5. subsequent to the investigation of anti-fraud cases, our auditing department will propose handling or accountability opinions to the general manager regarding the misconduct of employees and Board of Directors regarding the misconduct of senior management personnel, respectively. In the event that the misconduct causes economic losses to our Group, we will ask the responsible personnel for compensation. We will also take remedial measures upon identification of fraud cases and assess and improve the internal risk control of the affected departments. We may report to relevant regulatory authorities as appropriate if the applicable laws and regulations are violated; and

6. we strictly protect the interest of whistleblowers by forbidding their personal information or any documents involving their personal information (such as letter of accusation) to be disclosed to the department or personnel under investigation. In the event that the whistleblower receives retaliation for reporting a fraud case, the whistleblower may complain to the audit department to accuse relevant responsibilities.

Our Directors confirm and upon performing public search, our PRC Legal Adviser is of the view that, during the Track Record Period and up to the Latest Practicable Date, no violation of the PRC laws and regulations in relation to anti-corruption and anti-bribery was found for our Group.

Anti-money laundering measures

In order to comply with the applicable laws and regulations in relation to anti-money laundering (the "**AML**"), we have implemented an AML policy, which mainly include the following measures:

1. we have set up an identification and risk classification management system, pursuant to which we only establish business relationship with customers carrying out legal business activities with good reputation. During the due diligence, our departments and subsidiaries shall report to our auditing department when customers refuse to provide valid identity certificate and has other abnormal behaviours without reasonable reason or there is a reasonable reason to suspect that the customer or transaction involves illegal and criminal activities;

2. our departments and subsidiaries are required to keep relevant documents (such as the identity information of customers, AML files and large-amount and suspicious transactions reports) in a proper, safe, accurate, complete and confidential manner and take necessary measures to prevent the loss and damage of the identity data and transaction records of customers for the purpose of facilitating the investigation and supervision of AML activities;

3. we report large-amount and suspicious transactions in RMB and foreign currencies to China Anti-Money Laundering Monitoring & Analysis Center (中國反洗錢檢測分析中心) in accordance with the provisions of PBOC on the management of large-amount and suspicious transactions. Our employees are required to be alert to the behaviours and trading activities of customers in their daily work and report immediately to relevant department when suspicious acts and transactions in relation to money laundering are identified;

4. we carry out a comprehensive self-assessment of money laundering risk at least once a year which involves evaluating the effectiveness of the risk prevention and control mechanism to identify risk loopholes and weak links and implementing associated measures;

5. we require our auditing department to maintain communication and liaison with the AML regulatory authorities, actively cooperate with the investigation, visit, training, work exchange and other forms of on-site and off-stie supervision and exchange activities of AML, and master the latest regulatory policies and requirements in a timely manner. In addition, our departments and subsidiaries shall actively cooperate with PBOC and other regulatory authorities in respect of investigating and combating money laundering activities; and

6. we regularly conduct AML training and announcements for the purpose of enhancing the AML awareness and ability of our employees.

Our Directors confirm and upon performing public search, our PRC Legal Adviser is of the view that, during the Track Record Period and up to the Latest Practicable Date, no violation of the PRC laws and regulations in relation to AML was found for our Group.

Given that (i) our Group had not been subject to any penalty or adverse record from relevant regulatory authorities for violating the PRC anti-corruption, anti-bribery or AML laws and regulations during the Track Record Period; (ii) as advised by our PRC Legal Advisers, there were no specific AML regulations regarding the construction and landscaping industries in the PRC; and (iii) the anti-corruption, anti-bribery or AML measures have been adopted after discussions with our internal control consultant, our Directors are of the view that our internal control measures are sufficient and effective to prevent non-compliance with the applicable anti-corruption, anti-bribery and AML laws and regulations in the PRC. The Sole Sponsor is satisfied that to the best knowledge of the Sole Sponsor and after considering the factors disclosed above, the foregoing assessment by our Directors on the sufficiency and effectiveness of our internal control measures to prevent non-compliance with the applicable anti-corruption, anti-bribery and AML laws and regulations in the PRC has been made after due and careful enquiries.

You should read the following discussion and analysis of our Group's financial information in conjunction with our Historical Financial Information as at and for each of the years ended 31 December 2017, 2018 and 2019, together with the accompanying notes, as set forth in "Appendix I — Accountants' Report" to this prospectus. The Historical Financial Information has been prepared in accordance with IFRS issued by the IASB. Any discrepancies in any table or elsewhere in this prospectus between the totals shown and the sums of amounts are due to rounding adjustments.

The following discussion and analysis contain certain forward-looking statements that reflect the current view with respect to future events and financial performance. The statements are based on assumption and analysis made by our Group in light of our Group's experience in perception of historical trends, current conditions and expected future developments, as well as others factors our Group believes are appropriate. Our actual results could differ materially from those suggested in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are an established service provider for landscaping and ecological restoration projects in the Three Northeast Provinces in the PRC with footprints covering 13 provincial-level regions encompassing, among others, Jilin, Beijing, Tianjin, Inner Mongolia and Xinjiang. According to the CIC Report, we ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry in the Three Northeast Provinces, with market shares of approximately 6.7% and 1.3%, respectively, in terms of revenues generated from projects located in the Three Northeast Provinces in 2019. According to the CIC Report, our market shares in the landscaping and ecological restoration industries in the PRC were approximately 0.08% and 0.58%, respectively, in terms of revenue generated in 2019. Leveraging our reputation, professional qualifications and project experiences which accumulated over a decade, we offer a variety of services for landscaping and ecological restoration projects.

Founded in 2008, we initially focused on landscaping and have placed increasing effort in developing our ecological restoration segment since 2016. As at the Latest Practicable Date, our business segments include (i) landscaping; (ii) ecological restoration; and (iii) others including investigation, survey, design and technical consultancy for municipal construction projects.

During the Track Record Period, we were principally engaged in projects under the (i) traditional model; (ii) EPC model; and (iii) PPP model. Please refer to the paragraph headed "Business — Our business model and operational workflow — Project models" in this prospectus for more details. Our customers primarily comprise public sector entities.

We recorded revenues of approximately RMB655.5 million, RMB809.4 million and RMB897.5 million for FY2017, FY2018 and FY2019, respectively, or a growth of approximately 23.5% and 10.9% from FY2017 to FY2018 and further to FY2019, respectively. Out of our total revenue for FY2017, FY2018 and FY2019, approximately 49.7%, 57.4% and 49.0% were derived from our landscaping segment and approximately 45.4%, 35.4% and 44.9% were derived from our ecological restoration segment, respectively. During the same periods, our gross profit amounted to approximately RMB160.3 million, RMB196.4 million and RMB233.4 million for each of the aforementioned periods, representing gross profit margins of approximately 24.5%, 24.3% and 26.0%, respectively.

We recorded revenues of approximately RMB294.8 million and RMB357.9 million for 6M2019 and 6M2020 respectively, representing an increase of approximately 21.4% over the same period. Out of our total revenue for 6M2019 and 6M2020, approximately 52.4% and 52.1% were derived from our landscaping segment and approximately 37.3% and 40.5% were derived from our ecological restoration segment, respectively. During the same periods, our gross profit amounted to approximately RMB72.3 million and RMB87.5 million, representing a growth of approximately 21.0% for 6M2020 and gross profit margins of approximately 24.5% and 24.5% for each of the aforementioned periods, respectively.

BASIS OF PRESENTATION

Our financial information for the Track Record Period has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") which collective terms includes all individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and complies with applicable disclosure requirements of the Listing Rules.

The financial information includes the consolidated financial statements of our Group. In preparation for the Global Offering, we underwent the Reorganisation, which is detailed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus. As part of the Reorganisation, our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act on 8 March 2019, and became the holding company of all the subsidiaries currently as members in our Group. Our Group, structured with the

Company holding the subsidiaries as resulting from the Reorganisation, is regarded as a continuing entity, our financial information for the Track Record Period hence has been prepared as a continuation of the existing group using the principles of merger basis of accounting.

The consolidated statements of profits or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current structure of our Group had been in existence during the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2017, for the period from the date of incorporation/establishment to 30 June 2020). Our consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020 present the assets and liabilities of the companies now comprising our Group as if the current structure of our Group had been in existence as at the respective dates, taking into account the respective dates of incorporation and establishment, when applicable.

Intra-group balances, transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the financial information.

The adoption of IFRS 9, IFRS 15 and IFRS 16 does not have a significant impact on the Group's financial position and performance (including the key financial ratios disclosed in the section headed "Financial Information — Key financial ratios" in the Prospectus) throughout the Track Record Period when compared to those that would have been presented under IAS 39, *Financial Instruments: Recognition and Measurement*, IAS 18, *Revenue* and IAS 17, *Leases*.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been, and are expected to continue to be, affected by a number of factors, many of which are beyond our control, including those set out in the section headed "Risk Factors" in this prospectus and those discussed below:

Overall economic conditions in the PRC

The general economy in the PRC, such as the growth rate of the economy and the construction industries, which correlate with factors including GDP growth rate, urbanisation and government expenditure on environmental conservation and urban development in the PRC, have been affecting and may continue to affect our business and results of operation. According to the CIC Report, the PRC's economy has experienced a significant growth over the past years, with its nominal GDP growing from approximately RMB69.9 trillion to approximately RMB95.5 trillion from 2015 to 2019 and the PRC's nominal GDP is expected to grow and reach approximately RMB136.1 trillion by 2024.

During the Track Record Period, a majority of our revenue was derived from our services for landscaping and ecological restoration projects. According to the CIC Report, the market size of landscaping industry in the PRC increased from approximately RMB506.7 billion in 2015 to approximately RMB517.6 billion in 2019, and the growing momentum of urbanisation in the PRC is expected to continue and the market size will reach approximately RMB596.9 billion in 2024, representing a CAGR of approximately 2.9% from 2019 to 2024.

According to the CIC Report, the market size of ecological restoration industry in the PRC increased from approximately RMB31.9 billion in 2015 to approximately RMB69.3 billion in 2019. Driven by the government efforts on the ecological civilisation and environmental protection, its market size will reach approximately RMB114.2 billion in 2024, representing a CAGR of approximately 10.5% from 2019 to 2024.

In addition, our revenue recognised from public sector projects accounted for approximately 98.0%, 99.1%, 89.0% and 83.7% for FY2017, FY2018, FY2019 and 6M2020 respectively.

Public sector entities at various levels in the PRC have been the main investors and the driving force of our booming business. If for any reason their financial position significantly deteriorates, or the demand for landscaping services in their cities or regions reduces, they may reduce the number and/or scale of new projects, thereby reducing business opportunities available to us which would adversely affect our financial performance.

Competition and pricing

Our business performance mainly hinges on our ability to secure projects through winning tenders. During the Track Record Period, our tender success rates were approximately 48.7%, 28.8%, 24.2% and 27.8% for FY2017, FY2018, FY2019 and 6M2020, respectively. Since 2016, we have placed increasing effort in developing our ecological restoration business, we have focused on securing sizable ecological restoration projects such as the Shenjunshan Project. Please refer to the paragraph headed "Business — Sales and major customers — Tender success rate" in this prospectus for more details.

Pricing is a vital factor when competing with our competitors in the tendering process. We generally determine our tender price based on the estimated project cost calculated by our cost department with reference to among others, the quantities of work, cost of materials and subcontracting cost. Tender prices which are higher than our competitors may reduce our competitiveness in securing projects. According to the CIC Report, market competition in projects of landscaping and ecological restoration has been intensive, which is expected to continue to have a significant impact on our business and financial performance.

Revenue recognition and operating cash flow in relation to our construction projects

According to our Group's accounting policy for revenue recognition, when control over a product or service is transferred to the customer, revenue from the contract is recognised. When the outcome of the contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered. As our projects usually take months or years to complete, the scale of contracts and progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognised from period to period.

The general schedule of our billing progress and recognition of revenue for our major construction projects during the Track Record Period are set forth as below:

Stage of project	Our billing progress	Recognition of revenue
Upon signing of contract and prior to the commencement of construction works	An upfront payment (usually 10% of the total contract sum) may be required to be paid by our customers	No revenue is recognised during this stage and any upfront payment paid by the customers will be accounted as contract liabilities
During the construction phase	We are entitled to claim progress payments upon receiving a progress completion report certifying our completed construction work measured on a regular basis, which normally represents a percentage of the certified value of completed construction work	Revenue is recognised during this stage based on the proportion of actual costs incurred relative to the estimated total costs. The portion of the revenue we have billed will be accounted as trade receivables and the balance of the portion of the revenue we have yet to bill according to the contract terms will be accounted as contract assets

Stage of project	Our billing progress	Recognition of revenue
Upon completion of the entire construction work and the Settlement Audit	Total amount paid and/or payable by the customers (on an accumulative basis) generally more than 90% of the total certified value of the entire completed construction work	Revenue is recognised during this stage based on the proportion of actual costs incurred relative to the estimated total costs. The 90% or more of the total certified value we have billed will be accounted as trade receivable and the remaining balance which we are not entitled to bill will be accounted as not overdue contract assets
Upon expiry of the maintenance period	Customers are obliged to pay the remaining certified value of the entire completed construction and maintenance work (usually representing less than 10% of the total certified value) upon expiry of the maintenance period	Revenue is recognised during this stage based on the proportion of actual costs incurred relative to the estimated total costs. The remaining certified value will be billed and accounted as trade receivables

For PPP projects undertaken by us during the Track Record Period, the billing process of the project companies under PPP contracts is that the bills shall be issued by the project companies to the public sector entities according to the government payment schedule set forth in the PPP contracts.

Our construction projects are capital intensive and may take months or years to complete. The number of construction projects we undertake during a specific accounting period may be limited by the substantial capital required at early stage of the project. Furthermore, delays in construction progress caused by weather conditions, regulatory approval and other factors can adversely affect our revenue recognition and operating cash flow.

We may be required to incur expenditures during the construction process before we are paid by customers. Any delay in the progress of construction and/or payment by customers may adversely affect our operating cash flow and subsequent results of operations for the following year.

Cost of financing

Interest-bearing bank and other loans are one of the sources of funding for our business in addition to the cash inflow generated from operating activities. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our bank and other loans amounted to approximately RMB462.5 million, RMB515.5 million, RMB495.0 million and RMB529.1 million, respectively. Our bank and other loans bore effective interest at rates ranging from approximately 3.8% to approximately 9.0% per annum during the Track Record Period. Interest rates may fluctuate subject to various factors beyond our control. Any fluctuation in any of these interest rates will affect our interest expenses and cost of financing and may have an impact on our financial performance. Our access to capital, the balance of our borrowings and the total amount of capital we are able to raise through third party financing are vital to the sustainability of our business operation.

Cost of materials consumed and labour and professional subcontracting

Raw materials and labour and professional subcontracting are the main components of our cost of sales. During the Track Record Period, our cost of materials consumed amounted to approximately RMB161.6 million, RMB208.2 million, RMB203.2 million and RMB101.0 million for FY2017, FY2018, FY2019 and 6M2020, respectively, which accounted for approximately 32.6%, 34.0%, 30.6% and 37.3% of our total cost of sales for the same periods. Cost of materials consumed is largely driven by factors such as price and availability of materials and market conditions.

Our costs of subcontracting, including labour subcontracting and professional subcontracting, amounted to approximately RMB167.9 million, RMB238.0 million, RMB335.3 million and RMB128.8 million for FY2017, FY2018, FY2019 and 6M2020, respectively, which accounted for approximately 33.9%, 38.8%, 50.5% and 47.7% of our total cost of sales for the same periods. The increase in our labour subcontracting fees from FY2017 to FY2019 was generally in line with the increasing trend of our revenue recognised. The increase in professional subcontracting cost was primarily due to (i) the commencement of construction for certain PPP and EPC projects, namely the Shenjunshan Project and Nanxi Project, in FY2017 requiring construction for certain parts of the projects that we did not have the capacity for, such as the ancillary facilities construction, installation engineering and telecommunication engineering; and (ii) the commencement of construction for the Meihekou Ecological Restoration Project in FY2019, where more professional subcontractors were engaged to speed up the progress of the project as required by the customer.

Our ability to control and manage our subcontracting costs and cost of materials consumed will enhance our profitability. There is no assurance that the subcontractors and suppliers will continue to provide services or materials to our Group at fees acceptable to us or that our relationship with them could be maintained in the future.

Seasonality

We experience seasonality in our landscaping and ecological restoration businesses. We typically record higher revenue in the second half of a year relative to revenue from the first half, and our revenue from the first quarter is typically lower than other quarters. This seasonality is largely due to decreased construction activities in the northern regions of the PRC in the winter and to the effect of the Lunar Chinese New Year, during which some of our projects are halted for the holiday. Therefore, potential investors should be aware that our interim results of operations are not necessarily indicative of our annual results of operations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our Group's financial information. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial conditions and results of operations, are set forth in note 2 and note 3 in the " Appendix I — Accountants' Report" to this prospectus. Some of our accounting policies involve subjective assumptions and estimates as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial information, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe involved critical estimates and judgments used in the preparation of our financial information.

Selection of critical accounting policies

Revenue recognition for construction contracts

Revenue is recognised when control over a product or service is transferred to the customer, or when the lessee has the right to use the asset at the agreed amount of consideration to which our Group is expected to be entitled to, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

A contract with a customer is classified by our Group as a construction contract when the contract relates to work on landscaping or ecological restoration projects under the control of the customer and therefore our Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(t)(ii) in the " Appendix I — Accountants' Report" to this prospectus.

Accounting treatment associated with PPP projects

During the Track Record Period, we had investment in three project companies for three PPP projects we participated in, namely the EDZ Project, Shenjunshan Project and Meihekou Project. The accounting treatment of our investment in the PPP project companies are set forth below:

	EDZ Project	**Shenjunshan Project**	**Meihekou Project**
Project company	Changchun Xianbang Municipal and Landscape Limited (長春市現邦市政園林有限責任公司) ("**Changchun Xianbang**")	Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) (formerly known as Ulanhot Shenjunshan Tourism Investment Development Limited (烏蘭浩特市神駿山旅遊投資開發有限公司) and Ulanhot Tianjunshan Tourism Investment Development Limited (烏蘭浩特市天駿山旅遊投資開發有限公司)) ("**Tianjun Tourism**")	Meihekou Qingfeng Construction Project Management Co., Ltd. (梅河口市慶豐建設項目管理有限公司) ("**Meihekou Qingfeng**")
Accounting treatment for our investment in the project company	Interest in an associate	Interest in a joint venture	Other equity investments

	EDZ Project	Shenjunshan Project	Meihekou Project
Accounting criteria for our investment in the project company(Note)	According to the articles of association of Changchun Xianbang, the resolutions in relation to material financial and operating decisions have to be passed by more than half of directors. As our Group only has rights to appoint two out of five directors of Changchun Xianbang, our Group only has significant influence (but not control or joint control) over the financial and operating activities of Changchun Xianbang, we classified Changchun Xianbang as an associate of our Group	According to the articles of association of Tianjun Tourism, the resolutions in relation to significant financial and operating decisions have to be approved by all shareholders. Our Group does not have power to control the financial and operating policies of Tianjun Tourism, and thus Tianjun Tourism was considered as a joint venture of our Group	Our Group held 3.33% of the equity interests of Meihekou Qingfeng and did not appoint any of the directors of Meihekou Qingfeng. Our Directors consider our Group does not have significant influence over the management of Meihekou Qingfeng, and classified its investment in Meihekou Qingfeng as other equity investment
Accounting treatment for the project assets, income and expenses from our role as contractor of the project	In accordance with IFRS15	In accordance with IFRS15	In accordance with IFRS15
Accounting treatment for the project from the perspective of the project company	BOT arrangement under IFRIC 12	BOT arrangement under IFRIC 12	BOT arrangement under IFRIC 12

Note: An associate is an entity in which our Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. In comparison, a joint venture is an arrangement whereby our Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

(i) Accounting treatment for our investment in the project companies

Our Group acts as an investor of the aforementioned three PPP projects. The accounting policies for investment in associates, joint ventures and other equity investments are set out in notes 2(e) and 2(f) in the "Appendix I — Accountants' Report" to this prospectus. The project assets from our role as investor are reflected as "Interest in an associate"/"Interest in a joint venture"/"Other equity investments" in the consolidated statements of financial position of our Group, and the income and expenses from our role as an investor in these project companies are reflected as "Share of profits of an associate"/"Share of profits of a joint venture"/"Dividend income from other equity investments" in the consolidated statements of profit and loss of our Group.

The three PPP project companies we have invested in during the Track Record Period entered into Build-Operate-Transfer arrangements ("**BOT arrangements**") with the local government authorities. A BOT arrangement (also often known as a public-to-private service concession arrangement) is a project model in which an entity is authorised by the public sector entity under the contract to finance, design, construct and operate an infrastructure for a definite period of time, and to transfer the infrastructure to the public sector entity at the end of the contract period, at which point the obligation of the entity to operate the designed and constructed infrastructure terminates.

IFRIC 12 *Service Concession Arrangements* ("**IFRIC 12**") gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 applies to public-to-private service concession arrangements if (i) the public sector entity, as the grantor of the service arrangement, controls or regulates what services the private sector entity as the operator must provide with the infrastructure, to whom it must provide them, and at what price; and (ii) the grantor (i.e. the public sector entity) controls any significant residual interest in the infrastructure at the end of the term of the arrangement (through ownership, beneficial entitlement or otherwise). IFRIC 12 is applicable to the financial statements of these three PPP project companies as these are the entities which entered into the BOT arrangements with the local government authorities. However, IFRIC 12 is not applicable to the financial statements of our Group during the Track Record Period as the accounts of the three PPP project companies (which are not subsidiaries of our Company) were not consolidated in the accounts of our Group. Our Group acts as an investor of these three PPP project companies rather than a party to these BOT arrangements.

(ii) Accounting treatment for our project assets, income and expenses from our role as contractor of the projects

Pursuant to the construction contracts entered into between our Group and the project companies of the PPP projects, our Group also acts as the contractor of the aforementioned three PPP projects. Our Group's role as the contractor in these PPP projects is similar to those projects that our Group acts under the EPC model.

Our Group accounts for the project assets, income and expenses from our role as contractor of these three PPP projects in accordance with IFRS 15, *Revenue from contracts with customers*. The relevant accounting policies adopted by our Group for the preparation of the historical financial information in relation to the revenue, contract assets and contract liabilities and trade receivables are set out in notes 2(u), 2(m) and 2(n) in the "Appendix I — Accountants' Report" to this prospectus.

(iii) Accounting treatment for the project companies from the perspective of the project companies

The project companies of the EDZ Project and the Meihekou Project (the "**Two Projects**") are under BOT arrangements with the public sector entities. According to the PPP contracts entered between the project companies and the public sector entities, in addition to the construction work, the project companies are also required to operate and maintain the infrastructure for seven years for the EDZ Project and 14 years for the Meihekou Project, respectively. According to the PPP contract of the EDZ Project, the project company is responsible for maintenance of facilities (such as flood prevention work, pipeline dredging, routine inspections, monitoring the water quality and water-carrying capacity of sewage pipe network and taking immediate actions to deal with emergency), management of urban park (such as daily cleaning and maintenance of park facilities, management of shops and hawkers in the park) and maintenance of landscape (such as management of plants through supplemental planning and adjustments, regular and seasonal pruning, plant pest control and fertilisation as well as management of green space in respect of water, sanitation, facilities, decorative flowers and minor construction works) during the aforementioned seven years period. According to the PPP contract of the Meihekou Project, the project company is responsible for management of the facilities of an urban park (such as water storage management, flood prevention work, monitoring the water-carrying capacity, routine inspections on lighting facilities and maintenance of landscape and bridge) during the aforementioned 14 years period. Such responsibilities are considered as operation and maintenance service obligations under IFRIC 12. Under IFRIC 12, a common feature of BOT arrangements is that the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor. Public sector entities would pay the project companies a relatively fixed amount (subject to quality assessment) annually during the operation and maintenance period for the operation and maintenance services. The operation and maintenance work of the Two Projects is regarded as "operating the infrastructure" as the project company used the infrastructure to provide services to the public under which the operator (i.e. the project company) undertook management work to operate the infrastructure (such as the urban park) for the benefit of the public (i.e. the infrastructure was still under the possession of the project company after the construction period until its transfer to the public sector entity). At the end of the operation and maintenance period, the infrastructure will be transferred to the public sector entities. The Two Projects, from the perspective of the project companies, are thus regarded as BOT arrangements under IFRIC12.

The project company of the Shenjunshan Project is operating under BOT arrangements with the public sector entities. According to the PPP contracts entered between the project company and the public sector entity, in addition to the construction work, the project company is also required to operate and maintain the infrastructure for 22 years, and transfer the infrastructure to the public sector entity at the end of the operation and maintenance period. The project company has both a right to charge users of the public service and a contractual right to receive guaranteed minimum amount of cash from the grantor for the services. In this arrangement, it is necessary to divide the operator's contract asset during the construction phase into two components — a financial asset component based on the guaranteed amount and an intangible asset for the remainder. The contracts grant the exclusive right to the project company to operate the infrastructure during the operation and maintenance period. The operation and maintenance work for the Shenjunshan Project includes landscape maintenance, road and bridge maintenance and park operation, which carries a management element. The total consideration during the construction and operation and maintenance period is allocated to the performance obligations based on the relative stand-alone selling prices of the construction services and operation services, taking into account the significant financing component. Project company of the Shenjunshan Project is under BOT arrangements and IFRIC12 is applicable to the project company.

Accounting treatment of Songyuan Urban Greening Project

According to the contract of Songyuan Urban Greening Project entered between our Group and the public sector entity, our Group is required to carry out landscaping and greening work (the infrastructure) for the urban areas in Songyuan City and provide maintenance service to the public sector to maintain the infrastructure to a specified standard for eight years. According to the contract, after the completion of the construction work, our Group will hand the infrastructure over to the public sector entity immediately before commencement of maintenance period. The consideration for the construction work is payable during the course of the construction based on the construction progress. The infrastructure in the project was not owned by our Group and hence was not property, plant and equipment of our Group.

After the construction period, our Group is only required to provide simple maintenance service to the infrastructure, but not using the infrastructure to provide services to the public. In determining whether Songyuan Urban Greening Projects and the Two Projects constitute BOT arrangements, the key question is whether there is a management element in the scope of work performed under such projects. Under IFRIC 12, a common feature of BOT arrangements is that the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor. The maintenance work under the Songyuan Urban Greening Project only involved simple maintenance of landscape and greening work to a specific standard with no management or operation element. The simple landscape maintenance work of Songyuan Urban Greening Project is not considered as "operating the infrastructure". Further, the infrastructure was transferred to the public sector entity after completion of the construction and immediately before the commencement of the maintenance period (i.e. the possession of the infrastructure was only with our Group during the construction period). The Songyuan Urban Greening Project is therefore not considered as BOT arrangements under IFRIC 12.

With reference to Information Note 2 of IFRIC 12, for the Songyuan Urban Greening Project, our Group falls into the "service provider" category and provides maintenance work to the infrastructure only. Pursuant to the guidance in Information Note 2, the arrangement should be accounted for under IFRS 15, rather than IFRIC 12. IFRIC 12 is not applicable to Songyuan Urban Greening Project as explained above. Our Group follows IFRS 15 and identifies two performance obligations in Songyuan Urban Greening Project, a construction component and a maintenance service component. Our Group allocates the contract price based on the relative stand-alone price of construction work and maintenance service. A contract asset is recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract, and a trade receivable is recognised when our Group has an unconditional right to receive consideration.

Our Directors are satisfied with the accounting treatment of Songyuan Urban Greening Project, having considered the unqualified opinion on the Historical Financial Information of our Group as a whole issued by the Reporting Accountants included in Appendix I to this prospectus. The Reporting Accountant's opinion on the Historical Financial Information of our Group for the Track Record Period is set out in Appendix I to this prospectus.

Key sources of estimation uncertainty

Our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources, in the application of our accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period. Our Directors believe there were no material differences between our estimates and actual results over the Track Record Period. The underlying assumptions had not changed over the Track Record Period and are unlikely to change in the future.

Revenue recognition

As explained in policy note 2(u) in the "Appendix I — Accountants' Report" to this prospectus, revenue from construction contracts and certain service contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on the estimated total outcome of the contract, as well as the work done to date. Based on our Group's experience and the nature of construction and design works undertaken by our Group, our 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 our 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.

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 our Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and future general economic conditions. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

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 our Group and requires a significant level of judgment exercised by the management. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit or loss in future periods.

Fair value of other equity investment

Our Group has other equity investment during the Track Record Period as set out in note 17 in the "Appendix I — Accountants' Report" to this prospectus. We designated such other equity investment at fair value through other comprehensive income ("**FVOCI**") (non-recycling), as the investments are held for strategic purposes. The investments are classified as Level 3 fair value measurement.

The fair value of our Group's equity investments was determined by our Directors with reference to the valuation reports issued by an independent third party valuer adopting the market approach or income approach, details of which are disclosed in note 30(e) in the "Appendix I — Accountants' Report" to this prospectus. The work of the Reporting Accountants is performed in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on pages I-1 to I-4 in the "Appendix I — Accountants' Report" to this prospectus.

The management of our Group has conducted the following due diligence on the valuation of our equity investment: (i) assessed the qualifications, expertise and experience of the valuer and considered whether the scope of the valuer's mandate was appropriate; (ii) provided all relevant information to the valuer; and (iii) assessed the reasonableness of the valuation prepared by the valuer. Based on such due diligence conduced by the management of our Group, the management of our Group is not aware of any evidence suggesting that there is any material defect or issue in the valuation.

In relation to the valuation analysis performed by the valuer on our equity investments, the Sole Sponsor has conducted the following due diligence: (i) obtained and reviewed the qualification of the valuer and scope of mandate; and (ii) discussed with the valuer, the Company and the Reporting Accountants in respect of reasonable reliance on the valuation reports. Based on such due diligence conducted by the Sole Sponsor, the Sole Sponsor is not aware of any evidence suggesting that there is any material defect or issue in the valuation.

SELECTED FINANCIAL DATA OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets out our Group's consolidated statements of profit or loss during the Track Record Period, which is derived from the "Appendix I — Accountants' Report" to this prospectus.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	655,496	809,444	897,486	294,809	357,885
Cost of sales	(495,211)	(613,093)	(664,115)	(222,502)	(270,380)
Gross profit	**160,285**	**196,351**	**233,371**	**72,307**	**87,505**
Other net income	15,218	19,354	13,899	7,181	3,872
Selling expenses	(12,359)	(14,827)	(14,215)	(5,772)	(4,508)
Administrative expenses	(49,062)	(47,348)	(62,249)	(25,280)	(29,047)
Impairment losses on trade and other receivables and contract assets	(18,168)	(27,942)	(64,369)	(1,696)	(14,738)
Profit from operations	**95,914**	**125,588**	**106,437**	**46,740**	**43,084**
Finance costs	(24,671)	(36,991)	(41,135)	(20,729)	(18,933)
Share of profits of an associate	1,119	2,978	4,911	1,597	1,188
Share of profits of a joint venture	—	6,379	9,161	5,630	2,937
Profit before taxation	**72,362**	**97,954**	**79,374**	**33,238**	**28,276**
Income tax	(20,331)	(27,141)	(29,921)	(10,639)	(6,961)
Profit for the year/period	**52,031**	**70,813**	**49,453**	**22,599**	**21,315**
Profit for the year attributable to					
Equity shareholders of the Company	52,627	70,413	49,496	22,557	21,189
Non-controlling interests	(596)	400	(43)	42	126

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Revenue by business segments

Our Group's revenue was principally generated from (i) landscaping projects; (ii) ecological restoration projects; and (iii) other projects including design, investigation, survey and technical consultancy for municipal construction.

The following table sets forth a breakdown of our revenue recognised by business segments and the component as a percentage of total revenue during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Landscaping	325,912	49.7	464,577	57.4	439,784	49.0	154,478	52.4	186,502	52.1
Ecological restoration	297,801	45.4	286,629	35.4	402,578	44.9	110,070	37.3	144,791	40.5
Others	31,783	4.9	58,238	7.2	55,124	6.1	30,261	10.3	26,592	7.4
Total	655,496	100.0	809,444	100.0	897,486	100.0	294,809	100.0	357,885	100.0

(i) Landscaping

Our revenue from the landscaping segment was mainly derived from landscape design works and landscape construction projects. The fluctuation of our revenue from this segment during the Track Record Period was largely driven by the progress of the landscaping construction.

Our Group recorded an increase in our revenue from the landscaping segment by approximately RMB138.7 million or 42.5% from approximately RMB325.9 million for FY2017 to approximately RMB464.6 million for FY2018, which was primarily attributable to the significant increase in revenue generated from one of our PPP projects, the Meihekou Project in FY2018. We commenced construction works for this project since the last quarter of 2017 and completed a major portion of this project in FY2018.

Our Group recorded a slight decrease in our revenue from the landscaping segment for FY2019 compared to FY2018, which was primarily attributable to the fact that projects with a relatively large contract sum (namely, the Meihekou Project, the Songyuan Urban Greening Project, the EDZ Project and the Beihu Project) have been substantially completed in FY2018 whilst various large scale projects have been progressively building up.

Our Group recorded an increase in our revenue from the landscaping segment by approximately RMB32.0 million or 20.7% from approximately RMB154.5 million for 6M2019 to approximately RMB186.5 million for 6M2020, which was primarily attributable to revenue derived from six large-scale landscaping projects with contract sum ranging from over RMB20 million to over RMB100 million, which newly commenced construction in the second half year of FY2019 and 6M2020.

(ii) Ecological restoration

We have placed increasing effort in developing our ecological restoration segment since FY2016. Our revenue from ecological restoration segment was mainly derived from our provision of services for treatment of underground pipeline construction, design and construction of ecological facilities, greening construction and ecological construction.

Our Group experienced a slight decrease in revenue from the ecological restoration segment by approximately RMB11.2 million or 3.8% from approximately RMB297.8 million in FY2017 to approximately RMB286.6 million in FY2018, which was due to more work being undertaken for projects in progress in FY2017 compared to FY2018. In particular, our Group recorded a boost of revenue from the ecological restoration segment in FY2017 mainly as a result of (i) the implementation of a series of government policies and regulations in relation to the ecological industry in the PRC, such as Water Pollution Prevention Action Plan (Ten Rules of Water Resources) (水污染防治行動計劃(水十條)) issued by the State Council of the People's Republic of China in 2015, which promoted the boost of the ecological restoration projects in the PRC thus allowing us to secure more ecological restoration projects in FY2017; (ii) our increasing effort in developing our ecological restoration segment since 2016; and (iii) the recognised revenue of approximately RMB210.5 million for our construction works undertaken in FY2017 for one of our PPP projects in our ecological restoration segment, the Shenjunshan Project, which commenced construction in FY2017.

Our Group recorded an increase in revenue from the ecological restoration segment by approximately RMB116.0 million or 40.4% from approximately RMB286.6 million for FY2018 to approximately RMB402.6 million for FY2019, which was primarily attributable to the commencement of construction works in FY2019 for large-scale ecological restoration projects, namely the Meihekou Ecological Restoration Project and Ecological Restoration Project of Ulanhot City in 2019 (烏蘭浩特市2019年生態治理工程), as well as Zone C of the Shenjunshan Project.

Our Group recorded an increase in our revenue from the ecological restoration segment by approximately RMB34.7 million or 31.5% from approximately RMB110.1 million for 6M2019 to approximately RMB144.8 million for 6M2020, which was primarily attributable to the revenue of approximately RMB43.4 million generated from the Meihekou Ecological Restoration Project during 6M2020, for which the formal project contract was entered into in the second half year of FY2019 and thus no revenue was recognised for this project during 6M2019.

(iii) Others

Our revenue from this segment was mainly derived from investigation, survey, design and technical consultancy for municipal construction projects. Our revenue generated from this segment increased by 83.2% from approximately RMB31.8 million for FY2017 to RMB58.2 million in FY2018, which was mainly attributable to the larger proportion of work undertaken under two projects where we provided design services in FY2018, leading to an increase in revenue by approximately RMB22.7 million in aggregate. Our revenue derived in this segment remained relatively stable from FY2018 to FY2019.

Our Group recorded a decrease in our revenue from other segment by approximately RMB3.7 million or 12.1% from approximately RMB30.3 million for 6M2019 to approximately RMB26.6 million for 6M2020, which was primarily attributable to the increase in the proportion of newly commenced design, survey and technical consultancy projects in other segment for 6M2020 which would not generate revenue until their later stages as compared with 6M2019.

Revenue by sector

The following table sets out the breakdown of our revenue by type of customers during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Public sector entities	642,471	98.0	802,318	99.1	798,515	89.0	287,561	97.5	299,680	83.7
Private sector entities	13,025	2.0	7,126	0.9	98,971	11.0	7,248	2.5	58,205	16.3
Total	655,496	100.0	809,444	100.0	897,486	100.0	294,809	100.0	357,885	100.0

During the Track Record Period, a majority of our revenue was recognised from public sector entities, which were mainly awarded through tendering process or direct engagement.

Our Group recorded an increase in revenue recognised from public sector projects by approximately RMB159.8 million or 24.9% from approximately RMB642.5 million for FY2017 to approximately RMB802.3 million for FY2018, mainly due to the increase in revenue recognised from the Meihekou Project. Our revenue recognised from public sector projects remained relatively stable from FY2018 to FY2019 and from 6M2019 to 6M2020.

Our Group recorded a decrease in revenue recognised from private sector projects by approximately RMB5.9 million or 45.3% from approximately RMB13.0 million for FY2017 to RMB7.1 million for FY2018, followed by an increase of approximately RMB91.8 million or

1,288.9% to approximately RMB99.0 million for FY2019. The increase in revenue recognised from private sector entities for FY2019 was mainly due to the completion of a substantial proportion of construction works in FY2019 for the ancillary project of the Meihekou Project, which was categorised as a private sector project as ZCLLC was our customer for this ancillary project contract, and the commencement and completion of a substantial proportion of work for two other private sector projects, both with contract sums under RMB50.0 million respectively.

Our Group recorded an increase in revenue recognised from private sector projects by approximately RMB51.0 million or 703.0% from approximately RMB7.2 million for 6M2019 to RMB58.2 million for 6M2020, mainly attributable to the commencement of construction for a landscaping project, namely the Construction Project of Core Scenic Spot of Shenlufeng Tourism Resort (神鹿峰旅遊度假區核心景區建設項目) in late FY2019 which generated revenue of approximately RMB48.9 million for 6M2020.

Cost of sales

Our cost of sales was approximately RMB495.2 million, RMB613.1 million, RMB664.1 million and RMB270.4 million for FY2017, FY2018, FY2019 and 6M2020, respectively, accounting for approximately 75.5%, 75.7%, 74.0% and 75.5% of our total revenue respectively.

The following table sets out a breakdown of our cost of sales by segments for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Landscaping	246,170	49.7	345,483	56.4	329,647	49.6	116,182	52.2	151,503	56.0
Ecological restoration	230,185	46.5	230,727	37.6	300,375	45.2	86,563	38.9	110,345	40.8
Others	18,856	3.8	36,883	6.0	34,093	5.2	19,757	8.9	8,532	3.2
	495,211	100.0	613,093	100.0	664,115	100.0	222,502	100.0	270,380	100.0

Our cost of sales consists of cost of materials consumed, labour subcontracting cost, professional subcontracting cost, labour cost, machinery usage cost, commissioned design fees and consulting fees, depreciation cost and other direct cost.

The following table sets out a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Cost of materials consumed	161,568	32.6	208,197	34.0	203,167	30.6	80,265	36.1	100,982	37.3
Labour subcontracting cost	119,195	24.1	139,479	22.8	156,187	23.5	61,963	27.8	77,445	28.6
Professional subcontracting cost	48,724	9.8	98,554	16.1	179,079	27.0	36,814	16.5	51,393	19.0
Labour cost	50,821	10.3	45,834	7.5	46,656	7.0	14,870	6.7	14,692	5.4
Machinery usage cost	51,177	10.3	55,687	9.1	32,806	4.9	12,411	5.6	10,592	3.9
Commissioned design fees and consulting fees	38,751	7.8	45,301	7.4	21,155	3.2	8,278	3.7	4,397	1.6
Depreciation cost	2,631	0.5	2,636	0.4	2,056	0.3	869	0.4	900	0.3
Other direct cost	22,344	4.6	17,405	2.7	23,009	3.5	7,032	3.2	9,979	3.9
Total	495,211	100.0	613,093	100.0	664,115	100.0	222,502	100.0	270,380	100.0

Cost of materials consumed

Our cost of materials consumed mainly comprise plants and saplings, concrete, steels, sandstones, stones, cement, timbers and other materials. Our cost of materials consumed increased by approximately RMB46.6 million or 28.9% from approximately RMB161.6 million for FY2017 to approximately RMB208.2 million for FY2018, which was mainly attributable to the increase in the cost of plants and saplings by approximately RMB31.9 million, which was in line with the increase in revenue generated from landscaping and ecological restoration projects for FY2018 that required more plants and saplings during the construction phase.

Our cost of materials consumed decreased by approximately RMB5.0 million or 2.4% from approximately RMB208.2 million for FY2018 to approximately RMB203.2 million for FY2019, which was mainly attributable to the increase in proportion of material costs in relation to the subcontracted work borne by the professional subcontractors engaged in FY2019.

Our cost of materials consumed increased by approximately RMB20.7 million or 25.8% from approximately RMB80.3 million for 6M2019 to approximately RMB101.0 million for 6M2020, which was generally in line with the increase in revenue generated by our Group, and the costs incurred for acquiring customised facilities for our newly commenced construction projects also contributed to such increase in 6M2020.

The following analysis illustrates the impact of hypothetical fluctuations in our cost of materials on our Group's profit during the Track Record Period. The hypothetical fluctuation rates are assumed to be 10% and 20% for the purpose of this sensitivity analysis. The income tax used in the calculation is calculated by using the respective effective tax rate for the Track Record Period. And it is assumed that all income and expenses other than cost of materials and income tax expenses, remain unchanged.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
If cost of materials had been 10% higher/lower					
Decrease/increase in gross profit	16,157	20,820	20,317	8,027	10,098
Percentage decrease/increase in gross profit	10.1%	10.6%	8.7%	11.1%	11.5%
Decrease/increase in net profit	11,617	15,051	12,658	5,457	7,612
Percentage decrease/increase in net profit	22.3%	21.3%	25.6%	24.1%	35.7%
If cost of materials had been 20% higher/lower					
Decrease/increase in gross profit	32,314	41,639	40,633	16,053	20,196
Percentage decrease/increase in gross profit	20.2%	21.2%	17.4%	22.2%	23.1%
Decrease/increase in net profit	23,235	30,102	25,316	10,915	15,224
Percentage decrease/increase in net profit	44.7%	42.5%	51.2%	48.3%	71.4%

Labour subcontracting cost

We engage labour subcontractors to conduct manual works for construction projects, which are labour intensive and require skilled labour force. Our labour subcontracting cost amounted to approximately RMB119.2 million, RMB139.5 million, RMB156.2 million and RMB77.4 million for FY2017, FY2018, FY2019 and 6M2020, respectively. For further details about our labour subcontracting, please refer to the paragraph headed "Business — Subcontracting — Labour subcontracting" in this prospectus. Our Group recorded an increase in labour subcontracting cost by approximately RMB20.3 million or 17.0% from FY2017 to FY2018 and approximately RMB16.7 million or 12.0% from FY2018 to FY2019, which in line with the increasing trend of our total revenue generated for the same periods. Our Group recorded an increase in labour subcontracting cost by approximately RMB15.4 million or 25.0% from approximately RMB62.0 million for 6M2019 to approximately RMB77.4 million for 6M2020, which was generally in line with the increase in revenue generated by our Group during the same periods.

The following analysis illustrates the impact of hypothetical fluctuations in our labour subcontracting cost on our Group's profit during the Track Record Period. The hypothetical fluctuation rates are assumed to be 10% and 20% for the purpose of this sensitivity analysis. The income tax used in the calculation is calculated by using the respective effective tax rate for the Track Record Period. And it is assumed that all income and expenses other than labour subcontracting cost and income tax expenses, remain unchanged.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
If labour subcontracting cost had been 10% higher/lower					
Decrease/increase in gross profit	11,920	13,948	15,619	6,196	7,745
Percentage decrease/increase in gross profit	7.4%	7.1%	6.7%	8.6%	8.9%
Decrease/increase in net profit	8,571	10,083	9,731	4,213	5,838
Percentage decrease/increase in net profit	16.5%	14.2%	19.7%	18.6%	27.4%
If labour subcontracting cost had been 20% higher/lower					
Decrease/increase in gross profit	23,839	27,896	31,237	12,393	15,489
Percentage decrease/increase in gross profit	14.9%	14.2%	13.4%	17.1%	17.7%
Decrease/increase in net profit	17,141	20,166	19,462	8,426	11,676
Percentage decrease/increase in net profit	32.9%	28.5%	39.4%	37.3%	54.8%

Professional subcontracting cost

Our professional subcontracting cost amounted to approximately RMB48.7 million, RMB98.6 million and RMB179.1 million for FY2017, FY2018 and FY2019, respectively, representing an increase of approximately 102.3% and 81.7% for FY2018 and FY2019, respectively. The increase in our professional subcontracting cost from FY2017 to FY2018 was primarily due to the commencement of construction for certain PPP and EPC projects, namely, the Shenjunshan Project and Nanxi Project in FY2017 requiring construction for certain parts of the projects that we did not have the capacity for, such as the ancillary facilities construction, installation engineering and telecommunication engineering. The increase in our professional subcontracting cost for FY2019 was mainly due to the commencement of construction for the Meihekou Ecological Restoration Project in FY2019, where more professional subcontractors were engaged to speed up the progress of the project as required by the customer.

Our Group recorded an increase in professional subcontracting cost by approximately RMB14.6 million or 39.6% for 6M2020 as compared with 6M2019, which was generally in line with the increase in revenue generated by our Group during the same periods. In particular, a relatively large amount of professional subcontracting fees incurred of approximately RMB7.9 million was for an ecological restoration project located in Shandong Province, for which local professional subcontractors were required to conduct planting of aquatic plants so as to ensure the survival rate and quality of construction works.

Machinery usage cost

Our machinery usage cost mainly consisted of the costs for the usage of machineries for our construction projects for a period of less than 12 months. Our machinery usage cost remained stable from approximately RMB51.2 million for FY2017 to approximately RMB55.7 million for FY2018. Our machinery usage cost decreased by approximately RMB22.9 million or 41.1% to approximately RMB32.8 million for FY2019, and decreased by approximately RMB1.8 million or 14.7% from approximately RMB12.4 million for 6M2019 to approximately RMB10.6 million for 6M2020, which was mainly attributable to the decrease in machinery usage for the Dongxinkai River Project and Meihekou Project at their later stage during FY2019 and 6M2020.

Labour cost

Our labour cost amounted to approximately RMB50.8 million, RMB45.8 million, RMB46.7 million and RMB14.7 million for FY2017, FY2018, FY2019 and 6M2020, respectively. Our labour cost consisted of remuneration and benefits provided to our Group's project management staff. The labour cost incurred for a particular contract varied from project to project, and is mainly driven by factors such as the number of project management staff required based on the size of the projects undertaken. We experienced a decrease in the labour cost by approximately RMB5.0 million or 9.8% for FY2018 which was primarily due to the decrease in welfare and subsidy we paid to our project management staffs during FY2018. Our labour cost remained relatively stable from FY2018 to FY2019, and 6M2020 as compared with the previous year/period.

Commissioned design fees and consulting fees

Our commissioned design fees and consulting fees amounted to approximately RMB38.8 million, RMB45.3 million and RMB21.2 million for FY2017, FY2018 and FY2019, respectively. We recorded an increase in the commissioned design fees and consulting fees by approximately RMB6.5 million or 16.9% for FY2018, which was primarily attributable to the outsource of more design work for water treatment projects to third party designer(s). We experienced a decrease in the commissioned design fees and consulting fees by approximately RMB24.1 million or 53.3% for FY2019, which was mainly due to more commissioned design fees incurred for certain of our ecological restoration projects in FY2018 as compared with FY2019. For further details regarding the disposal, please refer to the paragraph headed "— Description of major components of our consolidated statements of profit or loss — Other net income" in this section.

Our commissioned design fees and consulting fees decreased by approximately RMB3.9 million or 46.9% from approximately RMB8.3 million for 6M2019 to approximately RMB4.4 million for 6M2020, which was mainly because we determined that our staff training had enabled our design staff to undertake more design work, thereby reducing our need for outsourcing design works to external parties.

Other direct cost

Our other direct cost mainly comprises miscellaneous expenses, such as vehicle usage fees, housing rental, bidding fees and guarantee fees for performance bonds. Our other direct cost decreased by approximately RMB4.9 million or 22.1% for FY2018, which was mainly attributable to the decrease in guarantee fees by approximately RMB2.8 million as a result of the one-off guarantee fees we incurred for FY2017 for a performance bond as required by the customer. Our other direct cost increased by approximately RMB5.6 million or 32.2% for FY2019, which was mainly attributable to the increase in rental expenses incurred in FY2019 by the project department for projects on-site temporary facilities used during construction.

Our other direct cost increased by approximately RMB3.0 million or 42.0% from approximately RMB7.0 million for 6M2019 to approximately RMB10.0 million for 6M2020, which was mainly due to the extra costs associated with improvement of on-site ancillary facilities, such as implementing safety protection measures and purchasing inspection instruments for construction projects, which are expected to be included in the Settlement Audit.

Gross profit and gross profit margin

During the Track Record Period, we generated gross profits of approximately RMB160.3 million, RMB196.4 million, RMB233.4 million and RMB87.5 million for FY2017, FY2018, FY2019 and 6M2020, respectively, representing gross profit margins of approximately 24.5%, 24.3%, 26.0% and 24.5% respectively.

The following table sets forth a breakdown of gross profit and gross profit margin by segment for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Landscaping	79,742	24.5	119,094	25.6	110,137	25.0	38,291	24.8	34,999	18.8
Ecological restoration	67,616	22.7	55,902	19.5	102,203	25.4	23,523	21.4	34,446	23.8
Others	12,927	40.7	21,355	36.7	21,031	38.2	10,493	34.7	18,060	67.9
	160,285	24.5	196,351	24.3	233,371	26.0	72,307	24.5	87,505	24.5

We maintained relatively stable gross profit margins during the Track Record Period.

Landscaping

Our gross profit generated from landscaping segment increased by approximately RMB39.4 million or 49.3% from FY2017 to FY2018 which was mainly attributable to the increase of revenue generated from a large scale PPP project, namely the Meihekou Project, resulting in an increase in gross profit for FY2018. Our gross profit margin for landscaping segment remained relatively stable from FY2018 to FY2019.

Our gross profit generated from landscaping segment decreased by approximately RMB3.3 million or 8.6% from 6M2019 to 6M2020 and our gross profit margin for landscaping projects decreased from approximately 24.8% for 6M2019 to approximately 18.8% for 6M2020, which was mainly attributable to the relatively lower gross profit margins generated from certain of our projects newly commenced construction in late FY2019 and 6M2020 as a substantial portion of construction works for such projects involved construction of landscape facilities and buildings that required purchase of customised facilities and engagement of professional subcontractors, which led to higher cost of sales and lower gross profit margins for such projects.

Ecological restoration

Our gross profit generated from ecological restoration segment decreased by approximately RMB11.7 million or 17.3% from FY2017 to FY2018 and increased by approximately RMB46.3 million or 82.8% from FY2018 to FY2019. For FY2017 and FY2018, our gross profit generated from ecological restoration segment increased by approximately RMB10.9 million or 46.4% from 6M2019 to 6M2020. Our gross profit margins generated from ecological restoration segment were approximately 22.7%, 19.5% and 25.4% for FY2017, FY2018 and FY2019, and approximately 21.4% and 23.8% for 6M2019 and 6M2020, respectively. The gross profit margin in this segment was comparatively lower than other segments, primarily attributable to the increase of subcontracting costs, given that the scope of work involved in this segment was wider than other segments. The fluctuations of gross profit margin in this segment during the Track Record Period were mainly attributable to the gross profit margins of large-scale ecological restoration projects we undertook during the same periods. The increase in gross profit margin in FY2019 was mainly due to the commencement of construction works for two large-scale ecological restoration projects, namely the Meihekou Ecological Restoration Project and Ecological Restoration Project of Ulanhot City in 2019, under which a large proportion of work was completed during FY2019, contributing to an increase in revenue and gross profit in FY2019. The gross profit margin in this segment for 6M2019 and 6M2020 remained relatively stable.

Others

Our gross profit generated from this segment increased by approximately RMB8.4 million or 65.2% from FY2017 to FY2018 and decreased by approximately RMB0.3 million or 1.5% from FY2018 to FY2019. Such decrease of gross profit margin for FY2019 was generally in line with the size of projects to which we provided design services.

Our gross profit generated from this segment increased by approximately RMB7.5 million or 72.3% from 6M2019 to 6M2020 and gross profit margin in this segment increased from approximately 34.7% for 6M2019 to approximately 67.9% for 6M2020, which was mainly due to the decrease in commissioned design fees our Group incurred during 6M2020 as we determined that our staff training had enabled our design staff to undertake more design work, thereby reducing our need for outsourcing design works to external parties.

Other net income

Our other net income primarily comprised (i) interest income on trade and other receivables; (ii) interest income on bank deposits; (iii) government grants; (iv) investment income on short-term investments; (v) net foreign exchange gain/(loss); (vi) net gain on disposal of a subsidiary; (vii) net gain/(loss) on disposal of non-current assets; and (viii) income from financial guarantees issued. For FY2017, FY2018, FY2019 and 6M2020, our other net income was approximately RMB15.2 million, RMB19.4 million, RMB13.9 million and RMB3.9 million, respectively.

The following table sets forth details of our other net income during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income on trade and other receivables	14,880	14,768	11,243	6,537	2,191
Interest income on bank deposits	134	589	385	208	223
Government grants	117	80	178	120	274
Investment income on short-term investments	237	22	—	—	—
Net foreign exchange (loss)/gain	—	(520)	685	200	65
Net gain on disposal of a subsidiary	—	2,035	—	—	—
Net (loss)/gain on disposal of non-current assets	(151)	1,979	80	20	(56)
Income from financial guarantees issued	—	—	1,231	—	1,605
COVID-19-related rent concessions	—	—	—	—	220
Donations for COVID-19 pandemic	—	—	—	—	(881)
Others	1	401	97	96	231
	15,218	19,354	13,899	7,181	3,872

Our other net income increased by approximately RMB4.1 million or 27.2% from FY2017 to FY2018, mainly attributable to the one-off gains for the purpose of streamlining the operation of Zonbong Shanshui, as a result of (i) the one-off gains of approximately RMB2.0 million for the disposal of its subsidiary, namely Jilin Zhonghe Construction Drawing Examination Limited (吉林省眾合建築施工圖審查有限公司) ("**Jilin Zhonghe**"), which principally engaged in the provision of review services for construction drawings which was considered to be the non-core business of our Group; and (ii) the one-off gains of approximately RMB1.9 million for the disposal of non-current assets, which comprised several office units of Zonbong Shanshui. Such gains were partially offset by the net foreign exchange loss of approximately RMB0.5 million of our bank loan borrowed in FY2018 due to the appreciation of USD to RMB currency.

We experienced a decrease in other net income of approximately RMB5.5 million for FY2019 as compared with FY2018, primarily attributable to (i) the decrease in net gain on disposal of non-current assets as a result of the aforementioned one-off gain on disposal of non-current assets of approximately RMB2.0 million during FY2018; and (ii) the decrease in interest income on trade and other receivables from FY2018 to FY2019, in the amount of approximately RMB2.0 million for Baishan Project (Phase I) and RMB3.5 million for Baishan Project (Phase II). Pursuant to the termination agreements for Baishan Project (Phase I) entered in December 2018 and for Baishan Project (Phase II) entered in October 2018, the applicable interest rates on trade receivables of approximately 6.4% for the two projects for the period since their commencement was reduced to approximately 4.8% from June 2018 onwards. Accordingly, a lower interest rate was applied to the trade receivables for these two projects since June 2018, contributing to the decrease in interest income on trade receivables recognised. Further, we entered into supplemental agreements with the customer of Baishan Project (Phase I) in October 2019 and the Baishan Project (Phase II) in November 2019 as a credit risk and working capital management measure to collect such receivables for construction fees by a mutually agreed repayment timeframe for a full settlement of the remaining balance by 2021. As a result, in FY2019, our Group only recognised interest income on trade and other receivables up to October 2019 for Baishan Project (Phase I) and up to November 2019 for Baishan Project (Phase II). Pursuant to the aforementioned supplemental agreements, the parties also agreed that the customer would not be responsible for paying any interest on the respective trade receivables. Accordingly, our Group recorded a higher interest income from the trade receivables from such projects in FY2018 than in FY2019. Such write-off of interest income on long-term trade receivables was non-recurring in nature. Please refer to paragraph headed "— Description of major components of our consolidated statements of profit or loss — Impairment losses on trade and other receivables and contract assets" in this section for further details.

Our other net income decreased by approximately RMB3.3 million or 46.1% from 6M2019 to 6M2020, mainly attributable to (i) the decrease in interest income on trade and other receivables in the amount of approximately RMB3.6 million for the Baishan Project (Phase I) and Baishan Project (Phase II), as nil interest income on trade and other receivables was recognised for the two projects subsequent to the abovementioned supplemental agreements; and (ii) our donations for COVID-19 pandemic of approximately RMB1.0 million during 6M2020.

Selling expenses

Our selling expenses primarily comprised staff costs, professional fees, travel expenses and others. Staff costs under selling expenses mainly represented salary and staff benefits to our salespersons.

The following table sets forth details of our selling expenses during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Staff costs	7,550	61.1	9,735	65.7	10,011	70.4	3,965	68.7	3,260	72.3
Professional fees	394	3.2	656	4.4	662	4.7	446	7.7	26	0.6
Travel expenses	1,356	11.0	1,786	12.0	1,294	9.1	498	8.6	347	7.7
Others	3,059	24.7	2,650	17.9	2,248	15.8	863	15.0	875	19.4
	12,359	100.0	14,827	100.0	14,215	100.0	5,772	100.0	4,508	100.0

For FY2017, FY2018 and FY2019, our selling expenses were approximately RMB12.4 million, RMB14.8 million and RMB14.2 million, respectively. The increase in our selling expenses for FY2018 of approximately RMB2.5 million or 20.0% from FY2017, which was mainly attributable to the increase in staff costs. Our selling expenses remained relatively stable for FY2019.

Our selling expenses decreased by approximately RMB1.3 million or 21.9% from 6M2019 to 6M2020, which was mainly due to the decrease in staff costs as a result of the policy released by the local government in Changchun City in March 2020 to reduce or exempt social insurance obligations of local enterprises with a view to promoting the resumption of work of enterprises and projects.

Administrative expenses

Our administrative expenses primarily comprised staff costs recognised in administrative expenses (including directors' remuneration), depreciation and amortisation, professional fees, taxation expenses, rental expenses, entertainment expenses, office expenses and others incurred in relation to the general operation of our Group.

The following table sets forth details of our administrative expenses during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Staff costs	21,764	44.4	25,542	53.9	25,551	41.0	10,457	41.4	10,541	36.3
Depreciation and amortisation	4,747	9.7	5,604	11.8	4,862	7.8	2,444	9.7	1,976	6.8
Professional fees	3,471	7.1	3,907	8.3	17,339	27.9	5,808	23.0	8,741	30.1
Taxation expenses	2,527	5.2	2,474	5.2	4,776	7.7	2,095	8.3	2,285	7.9
Rental expense	3,478	7.1	3,800	8.0	1,419	2.3	682	2.7	1,306	4.5
Entertainment expenses	2,522	5.1	1,567	3.3	2,323	3.7	998	3.9	364	1.3
Travel expenses	1,097	2.2	1,421	3.0	2,339	3.8	1,157	4.6	259	0.9
Others	9,456	19.2	3,033	6.5	3,640	5.8	1,639	6.4	3,575	12.2
	49,062	100.0	47,348	100.0	62,249	100.0	25,280	100.0	29,047	100.0

Our administrative expenses amounted to approximately RMB49.1 million, RMB47.3 million, RMB62.2 million and RMB29.0 million for FY2017, FY2018, FY2019 and 6M2020, respectively. Our administrative expenses remained stable from FY2017 to FY2018. We recorded an increase in administrative expenses by approximately RMB14.9 million or 31.5% from FY2018 to FY2019, which was mainly attributable to the increase in professional fees by approximately RMB13.4 million as a result of the listing expenses we incurred for FY2019.

Our administrative expenses increased by approximately RMB3.8 million or 14.9% from 6M2019 to 6M2020, which was mainly attributable to the increase in professional fees by approximately RMB2.9 million for 6M2020 due to additional professional works undertaken for the Listing.

Impairment losses on trade and other receivables and contract assets

The following table sets forth details of our impairment losses on trade and other receivables and contract assets during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Impairment/(reversal of impairment) losses on trade receivables	1,468	8.1	11,100	39.7	38,484	59.8	(628)	(37.0)	13,437	91.2
Impairment losses on contract assets	16,534	91.0	16,969	60.7	26,540	41.2	2,281	134.5	2,183	14.8
Impairment/(reversal of impairment) losses on prepayments, deposits and other receivables	166	0.9	(127)	(0.4)	(655)	(1.0)	43	2.5	(882)	(6.0)
Total	18,168	100.0	27,942	100.0	64,369	100.0	1,696	100.0	14,738	100.0

Our Group maintains a loss allowance for receivables and contract assets for estimated losses resulting from the default on contractual obligation by the customers and other debtors. Please refer to note 30(a) of "Appendix I — Accountants' Report" for further details of our Group's assessment of the credit risk.

In measuring the expected loss rates, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecast of future economic conditions.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected loss rates which are losses that are expected to result from all possible default events over the expected lives of the items to which the expected loss rates model applies. Expected loss rates on these financial assets are estimated using a provision matrix based on our 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 at the reporting date.

For FY2017, FY2018, FY2019 and 6M2020, our impairment losses were approximately RMB18.2 million, RMB27.9 million, RMB64.4 million and RMB14.7 million, respectively. The increase of impairment losses incurred for FY2018 as compared with FY2017 was mainly attributable to the increase in impairment losses for trade receivables originated from the increase in the ageing and balances of trade receivables recorded for FY2018. The impairment losses further increased by approximately RMB36.4 million or 130.4% for FY2019, which was mainly due to (i) the increase in impairment loss on contract assets for the Baishan Project (Phase II) by approximately RMB9.3 million considering the ageing of the contract assets as at 31 December 2019 (mostly over three years); and (ii) the increase in impairment loss on trade receivables as at 31 December 2019 mainly due to the trade receivables write-off as a result of the supplemental agreements entered into between our Group and the customer of the Baishan Project (Phase I) and the Baishan Project (Phase II) in October and November 2019 in relation to the termination of the construction contract for Baishan Project (Phase I) in December 2018 and the termination of the framework agreement for Baishan Project (Phase II) in October 2018, respectively. As no formal project contract was entered into between our Group and the customer, the amount of completed construction work for the Baishan Project (Phase II) has not been certified by the customer, and thus were recorded as contract assets. As the outstanding construction fees are certified by the customer through Settlement Audit pursuant to the supplemental agreement for such project, contract assets in respect of such fees will be converted into trade receivables upon completion of the Settlement Audit, and the difference between the impairment loss made on contract asset and impairment loss made on trade receivables for the Baishan Project (Phase II) will be adjusted in profit or loss. Pursuant to such supplemental agreements, (i) the customer would not be responsible for paying our Group in respect of interest on trade receivables in the amount of RMB24.6 million for the Baishan Project (Phase I) and RMB6.2 million for the Baishan Project (Phase II), respectively, and thus such trade receivables were written off in FY2019 and (ii) apart from the interest which were written off, the customer is required to settle the outstanding construction fees for the Baishan Project (Phase I) and Baishan Project (Phase II) in accordance with the repayment timeframe as set out in the supplemental agreements for such projects. Such write-off of long-term trade receivables in respect of interest on trade receivables was non-recurring in nature. Save for the write-off relating to Baishan Project (Phase I) and Baishan Project (Phase II) as disclosed above, our Directors confirmed that there was no other write-off of interest accrued on trade receivables during the Track Record Period.

The customer of the Baishan Project (Phase I) and the Baishan Project (Phase II) is a state-invested enterprise established by an entity wholly-owned by the local government in Baishan City, Jilin Province, which, to the best knowledge, information and belief of our Directors, did not have any past or present relationship (business, family, employment, financing or otherwise) with our Group, the Controlling Shareholders, our Directors, senior management or any of their respective associates.

As far as our Directors are aware, the Baishan Project (Phase I) and Baishan Project (Phase II) were originally undertaken by way of "government's purchase of services" (政府購買服務) in 2015 and 2016, respectively. Subsequent to the release of a policy by the PRC government in 2017 prohibiting local governments to undertake construction projects by way of "government's purchase of services", the customer of the Baishan Project (Phase I) and Baishan Project (Phase II) entered into termination agreements with our Group in compliance with the policy. Our Directors agreed to the terms of the supplemental agreements entered into between our Group and the customer of the Baishan Project (Phase I) and Baishan Project (Phase II) considering that it would be in the best interest of our Group in reaching as soon as possible a project settlement agreement setting out a concrete payment timeframe of the outstanding construction fees under the projects.

We entered into aforementioned supplemental agreements as a credit risk and working capital management measure to collect such receivables for construction fees by a mutually agreed repayment timeframe for a full settlement of the remaining balance by 2021 for the Baishan Project (Phase I) and upon completion of Settlement Audit and final audit on the project for the Baishan Project (Phase II).

The impairment losses on trade and other receivables and contract assets our Group incurred for 6M2020 increased by approximately RMB13.0 million or 769.0% from 6M2019, which was mainly due to the increase in expected loss rates on trade receivables as at 30 June 2020 as compared with that as at 30 June 2019, taking into account the potential adverse effect of the pandemic situation of COVID-19 on the future overall global and China economic conditions which may impact the ability of our customers to settle their payables to us in the future.

Finance costs

Our finance costs mainly represent interest expense on bank loans. For FY2017, FY2018, FY2019 and 6M2020, our finance costs were approximately RMB24.7 million, RMB37.0 million, RMB41.1 million and RMB18.9 million, respectively. Our finance costs increased by approximately RMB12.3 million for FY2018 as compared to FY2017 mainly attributable to the increase in the balance of our bank loans in FY2018. Our finance costs further increased by approximately RMB4.1 million for FY2019, which was mainly attributable to (i) the increase in interest rates for certain bank loans in FY2019 as compared with FY2018; and (ii) the bank loans for FY2018 were mainly borrowed by the Group during the second-half of the year, which resulted in less interest incurred during FY2018 as compared with FY2019.

Our finance costs decreased by approximately RMB1.8 million or 9.1% from 6M2019 to 6M2020, which was mainly due to the decrease in interest expense on bank loans for 6M2020 as the balance of our bank loans was decreased for the same period.

Share of profits of an associate

Our share of profits of an associate represented profits shared from our associate, namely Changchun Xianbang, which was incorporated in Changchun, the PRC, in 2017 as a project company responsible for financing, developing, operating and maintaining our PPP project, the EDZ Project, which commenced in FY2017. Our Group has holding 50.0% equity interest in Changchun Xianbang since its incorporation and it was accounted as our associate given that our Group did not have the power to control its financial and operating policies.

For FY2017, FY2018 and FY2019, our share of profits of this associate was approximately RMB1.1 million, RMB3.0 million, RMB4.9 million respectively. For 6M2019 and 6M2020, our share of profits of this associate was approximately RMB1.6 million and RMB1.2 million. The fluctuation was in general in line with the trend of profit and total comprehensive income for the year for Changchun Xianbang during the Track Record Period.

Share of profits of a joint venture

Our share of profits of a joint venture represents profits shared from our jointly controlled project company, namely Tianjun Tourism, which was registered in Inner Mongolia, the PRC, as a project company responsible for financing, developing, operating and maintaining our PPP project, the Shenjunshan Project, which commenced in FY2017. Our Group has holding 75.0% equity interest in Tianjun Tourism since its incorporation and it was accounted as our joint venture given that the power to control its financial and operating policies was jointly held by our Group and another shareholder. For FY2018 and FY2019, our share of profits of Tianjun Tourism was approximately RMB6.4 million, RMB9.2 million, respectively. For 6M2019 and 6M2020, our share of profits of Tianjun Tourism was approximately RMB5.6 million and RMB2.9 million. The fluctuation was generally in line with the trend of profit and total comprehensive income for the year for Tianjun Tourism during the Track Record Period.

Income tax

We are subject to taxation on profit earning in or derived from the tax jurisdictions where our subsidiaries are domiciled and operated in the PRC. The subsidiaries of our Group established in the PRC are subject to corporate income tax in the PRC at 25% during the Track Record Period 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).

Our income tax expenses principally consisted of current and deferred income tax expenses derived from our profit generated from our business operation in the PRC during the Track Record Period. For FY2017, FY2018, FY2019 and 6M2020, our income tax expenses were approximately RMB20.3 million, RMB27.1 million, RMB29.9 million and RMB7.0 million, respectively, and our effective tax rates, representing income tax divided by profit before tax, were approximately 28.1%, 27.7%, 37.7% and 24.6%, respectively, which were generally higher than the unified 25% company income tax rate in the PRC mainly due to tax effect of non-deductible expenses during the Track Record Period. Our Group recorded a relatively higher effective tax rate for FY2019, which was mainly attributable to (i) that the listing expenses of approximately RMB16.9 million incurred during FY2019 were recorded in the account of our Company (which was not tax deductible in the assessment of income tax and therefore did not reduce our taxable income in the PRC), which led to the lower amount of profit before tax for FY2019; and (ii) the deferred tax liabilities of approximately RMB3.9 million as at 31 December 2019 in relation to the (estimated) dividend distribution from Jilin Zonbong, our indirect wholly-owned subsidiary, to our Hong Kong subsidiaries for FY2019 and the year ending 31 December 2020, which led to the higher amount of tax expenses for FY2019.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Company and subsidiaries of our Group incorporated in the Cayman Islands and the British Virgin Islands, are not subject to any income tax. Our subsidiaries of our Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% during the Track Record Period. No provision for Hong Kong Profits Tax has been made as our subsidiaries of our Group incorporated in Hong Kong did not have assessable profits subject to Hong Kong Profits Tax during the Track Record Period.

Other than the PRC, our Group did not operate in other tax jurisdictions and hence was not subject to any other income tax during the Track Record Period. As at the Latest Practicable Date and during the Track Record Period, to the best knowledge of our Directors, we have paid or provided for all relevant taxes that our Group was subject to and we are not aware of any disputes/unresolved tax issues with any tax authorities.

SELECTED FINANCIAL DATA OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets out our Group's consolidated statements of financial position during the Track Record Period, which is derived from "Appendix I — Accountants' Report" to this prospectus.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	19,419	14,161	10,716	9,983
Intangible assets	2,928	2,560	2,192	2,008
Right-of-use assets	8,200	4,860	8,682	1,040
Interest in an associate	21,419	40,293	71,321	75,201
Interest in a joint venture	—	81,379	152,424	163,911
Other equity investments	7,087	7,637	14,148	14,586
Deferred tax assets	20,947	32,973	35,998	43,318
Non-current portion of contract assets	17,423	5,344	—	2,390
Non-current portion of trade receivables	196,700	149,582	97,418	94,963
	294,123	338,789	392,899	407,400
Current assets				
Inventories and other contract costs	38,848	63,110	21,368	43,320
Contract assets	409,092	530,639	631,139	691,981
Trade receivables	282,894	439,369	488,596	540,484
Prepayments, deposits and other receivables	33,344	39,747	76,895	38,925
Derivative financial instrument	—	3,066	—	—
Restricted bank deposits	201	18,158	15,601	602
Cash and cash equivalents	118,635	55,230	73,615	36,941
	883,014	1,149,319	1,307,214	1,352,253

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Trade and bills payables	331,700	461,108	502,713	531,063
Accrued expenses and other payables	53,081	50,503	199,955	173,468
Contract liabilities	42,934	90,522	66,552	79,693
Bank loans	302,000	415,542	420,000	454,136
Lease liabilities	2,659	1,949	3,945	503
Income tax payable	10,113	25,506	12,663	5,996
	742,487	1,045,130	1,205,828	1,244,859
Net current assets	140,527	104,189	101,386	107,394
Total assets less current liabilities	434,650	442,978	494,285	514,794
Non-current liabilities				
Bank loans	160,500	100,000	75,000	75,000
Lease liabilities	3,094	2,071	4,172	262
Deferred tax liabilities	143	1,476	7,684	6,505
	163,737	103,547	86,856	81,767
NET ASSETS	270,913	339,431	407,429	433,027
Total equity attributable to non-controlling interests	(596)	1,489	5,133	9,259

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly comprised our motor vehicles and other equipment for construction use during the Track Record Period. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our property, plant and equipment were approximately RMB19.4 million, RMB14.2 million, RMB10.7 million and RMB10.0 million, respectively. The fluctuation during the Track Record Period was primarily the combined effect of the purchase and upgrade of construction equipment and depreciation.

Intangible assets

As at 31 December 2017, 2018 and 2019 and 30 June 2020, our intangible assets amounted to approximately RMB2.9 million, RMB2.6 million, RMB2.2 million and RMB2.0 million, respectively. Intangible assets acquired by our Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. During the Track Record Period, our intangible assets mainly included a patent for the First-Grade Engineering Survey Professional Qualification Certificate (工程勘察專業甲級) obtained by our Group through a business combination in 2015. At the time of obtaining such qualification certificate, our Directors estimated that the qualification certificate would have a useful life of 10 years as our Directors considered that we would able to comply with the relevant standards and this certificate could be renewed for at least five more years upon its expiry in June 2020. Accordingly, the intangible assets recorded for such qualification certificate were amortised over the estimated useful life of 10 years. As at the Latest Practicable Date, the qualification certificate has been successfully renewed for a period of five years after June 2020.

Interest in an associate and a joint venture

Our interest in an associate and joint venture represented investment cost and respective share of result. Our interest in an associate amounted to approximately RMB21.4 million, RMB40.3 million, RMB71.3 million and RMB75.2 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

On the other hand, our interest in a joint venture amounted to nil, approximately RMB81.4 million, RMB152.4 million and RMB163.9 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

The increase in balances during the Track Record Period was mainly due to the increase in net assets of the associate and the joint venture. For details of our interest in an associate and a joint venture, please refer to notes 15 and 16 in "Appendix I — Accountants' Report" to this prospectus.

Our Group is exposed to the liquidity risk associated with our interest in an associate and joint venture which is not as liquid as other investment products as there is no cash flow until dividends are received even if profits are reported under equity accounting.

The Reporting Accountants have advised us that as part of their work on the Historical Financial Information, they have considered the results of audit procedures performed in connection with the audit of the Historical Financial Information of our Group, which included, without limitation (i) comparing the cost of investment in the joint venture and associate to investment agreements; (ii) comparing the accounting policies adopted by our Group with that adopted by the joint venture and associate and understanding adjustments made to conform the amount reported by the joint venture and associate with our Group's accounting policies, if any; (iii) reconciling the share of profit or loss of associate and joint venture to net profit/loss of the associate and joint venture; and (iv) reconciling the carrying amount of investment in associate and investment in joint venture to the net assets of the associate and joint venture. Details of the interest in an associate and interest in a joint venture are disclosed in notes 15 and 16 in "Appendix I-Accountants' Report" to this prospectus. The work of the Reporting Accountants is performed in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record period as a whole is set out on pages I-1 to I-4 of Appendix I to this prospectus.

Our treasury management and investment policies in relation to equity investment

We have implemented an equity investment management scheme which stipulates the following in respect of the treasury management of equity investment:

- The finance department of our Group shall maintain complete accounting records for the equity investment activities of our Group and set up detailed account books for each investment project;

- The finance department of our Group shall be in charge of the treasury management of equity investment and obtain financial statements of the investee, if necessary, for analysis and management purposes and to safeguard the rights and interests of our Group;

- The management personnel of our Group shall report to the Board of Directors of the Company in respect of the progress of the investment on a regular basis. In case of significant changes in the investment conditions that may affect the investment efficiency, the management personnel of our Group shall propose suggestions on suspension or adjustment of the investment and report to the Board of Directors of the Company or the general meeting of Shareholders for deliberation in accordance with the approval procedures;

- For major investment projects, experts or professional agencies may be hired separately for feasibility analysis of the investment;

- The relevant departments shall designate responsible personnel to carry out daily management of equity investment and other responsibilities including monitoring the operation and financial status of the investee, reporting the status of the investee to the head of the relevant department on a timely manner and supervising the profit distribution and dividend payment of the investee; and

- Our Group will conduct a comprehensive inspection of its short-term investment at the end of each reporting period and make provision for impairment, if necessary, based on its reasonable estimation of the expected losses of investment.

The investment policies in relation to equity investment involve the following:

- The investment must be compliant with the Listing Rule and other relevant laws and regulations;

- The investment must be in line with the development strategy of our Group and conductive to the expansion of the business and market share of our Group; and

- The investment must be moderate in scale and made within the capacity of our Group such that it would not affect the sustainability and daily operation of our Group.

Inventories and other contract costs

The following table sets out a breakdown of our inventories and other contract costs as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction materials	9,544	17,220	11,006	20,048
Other contract costs	29,304	45,890	10,362	23,272
Total	**38,848**	**63,110**	**21,368**	**43,320**

Our inventories principally consisted of construction materials and other contract costs including costs that our Group incurs in relation to fulfilling a contract or an identifiable anticipated contract. Such costs may include direct labour costs, direct material costs and subcontracting fees. Our inventories and other contract costs amounted to approximately RMB38.8 million, RMB63.1 million, RMB21.4 million and RMB43.3 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The increase of inventories and other contract costs from 31 December 2017 to 31 December 2018 was mainly as a result of the increase in costs we incurred directly for projects that we have yet to enter into formal project contracts with customers such as direct labour, direct material and selling and administration expenses. We recorded a lower balance of inventories and other contract costs as at 31 December 2019, mainly due to the decrease in other contract costs as a result of approximately RMB38.3 million of the contract costs were recognised as part of "cost of sales" in FY2019 for several projects where our Group has entered into formal project contracts with customers, or has received receipt of progress completion report when the customer obtained control of the design works. The higher balance of inventories and contract costs as at 30 June 2020 as compared with 31 December 2019 was mainly due to the increase in our contract costs as a result of a number of projects which we obtained through tendering that commenced construction during 6M2020 but for which our Group has not entered into formal contract as at 30 June 2020.

Inventories

The following table sets forth the amount of inventories recognised as an expense and included in the consolidated statements of profit or loss:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories used in construction contracts	161,568	208,197	203,167	80,265	100,982

The carrying amount of inventories as at 30 June 2020 used in construction contracts during the period from 1 July 2020 to the Latest Practicable Date amounted to approximately RMB20.0 million.

The following table sets out our average inventory turnover days as at the dates indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
				(unaudited)	
Average inventory turnover days — construction materials[(1)]	5.0	8.0	7.8	17.1	10.5

Note:

(1) Calculated using the average of opening and closing balance of inventories for a year divided by the cost of sales of the year and multiplied by the number of days in the year.

During the Track Record Period, our average inventory turnover days remained relatively stable.

Other contract costs

Other contract costs are mainly the costs to fulfil a contract with a customer. Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because our Group entered into the contract (for example, payments to subcontractors). Contract costs are recognised as part of "cost of sales" in the consolidated statements of profit or loss in the period in which revenue from the related sales is recognised. The capitalised costs recognised in the consolidated statements of profit or loss for FY2017, FY2018, FY2019 and 6M2020 and up to the Latest Practicable Date were approximately RMB0.7 million, RMB0.9 million, RMB38.3 million, RMB6.0 million and RMB17.4 million, respectively.

The capitalised contract costs expected to be recovered after more than one year as at 31 December 2017, 2018 and 2019 and 30 June 2020 were approximately RMB28.4 million, RMB2.7 million, RMB6.7 million and RMB2.6 million, respectively, which were mainly due to that the revenue of certain design and survey services provided by us shall be recognised according to the milestones stipulated in the contracts spanning over a long term. Such capitalised contract costs are expected to be recovered after more than one year based on the expected time of the formal contracts for the relevant projects to be entered into and may vary from the actual capitalised amount after more than one year as the actual formal contracts may be entered into earlier than expected. The decrease in capitalised contract costs expected to be recovered after more than one year from 31 December 2017 to 31 December 2019 and to 30 June 2020 was mainly due to that more costs incurred for projects we commenced works before formal project contracts were entered into are expected to be recovered within one year.

Contract assets

Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms as set out in the contract (such as upon completion of Settlement Audit or transfer of completed construction works). Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

Our Group maintains a loss allowance for contract assets for estimated losses resulting from the default on contractual obligation by the customers, which are measured at an amount equal to lifetime expected loss rates and are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date. Our Directors are of the view that sufficient and appropriate loss allowance has been made for the expected credit loss on contract assets during the Track Record Period based on that (i) the estimation of expected loss rates were made in accordance with our historical credit loss experience; and (ii) notwithstanding that the outbreak of COVID-19 and China economic conditions did not lead to the increase of our contract assets turnover days for 6M2020 as compared with that for 6M2019, we added a risk premium of approximately 20%, for the sake of prudence, on the expected loss rates as at 30 June 2020 to reflect the uncertainty that the outbreak of COVID-19 may bring to the future overall global and China economic conditions which may impact the ability of our customers to settle their payable to our Group in the future. In arriving the risk premium, our Directors has considered, among other factors, the expected GDP growth of China estimated by the International Monetary Fund. According to the CIC Report, the International Monetary Fund estimated the GDP growth rate of China to be approximately 1.9% and 8.2% for 2020 and 2021 respectively, representing a CAGR of approximately 5.0% which is approximately 18.0% lower than the GDP growth rate of approximately 6.1% in 2019.

Contract assets of our Group comprise:

(i) work performed by us recognised as revenue, but not yet submitted to the customers for certification;

(ii) work performed by us recognised as revenue which have been submitted to the customers for certification, but the customers' certifications have not yet been granted; and

(iii) customers' certified work performed by us which are yet to become unconditionally entitled for billing under the payment terms of the contracts.

Items (i) and (ii) above are classified as "overdue" whilst item (iii) above is classified as "not overdue".

The following table sets forth a breakdown of our current and non-current contract assets as at the dates indicated:

Contract Assets	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation to the consolidated statements of financial position:				
Non-current	17,423	5,344	—	2,390
Current	409,092	530,639	631,139	691,981
	426,515	535,983	631,139	694,371

Our contract assets increased by approximately RMB109.5 million or 25.7% from approximately RMB426.5 million as at 31 December 2017 to approximately RMB536.0 million as at 31 December 2018, and further increased by approximately RMB95.1 million or 17.8% to approximately RMB631.1 million as at 31 December 2019. The increase was mainly attributable to the increase in the quantity of work required for projects undertaken by us which had yet to be certified by customers upon the issuance of a completion progress report.

Our contract assets increased by approximately RMB63.2 million or 10.0% from approximately RMB631.1 million as at 31 December 2019 to approximately RMB694.4 million as at 30 June 2020, which was mainly attributable to the increase in balances of contract assets overdue within one year from 31 December 2019 to 30 June 2020 by approximately RMB96.9 million primarily as a result of the construction works we conducted for projects newly commenced in the second half year of FY2019 and 6M2020 which has yet to be certified by the customers as at 30 June 2020.

The following table sets forth a breakdown of our contract assets by customers relationship with our Group as at the dates indicated:

	As at 31 December									As at 30 June		
	2017			2018			2019			2020		
Contract assets	Balance	Amount converted to trade receivables up to the Latest Practicable Date	Subsequent settlement up to the Latest Practicable Date	Balance	Amount converted to trade receivables up to the Latest Practicable Date	Subsequent settlement up to the Latest Practicable Date	Balance	Amount converted to trade receivables up to the Latest Practicable Date	Subsequent settlement up to the Latest Practicable Date	Balance	Amount converted to trade receivables up to the Latest Practicable Date	Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
— due from ZIHG and its subsidiaries, joint ventures and associates												
Not overdue	—	—	—	43,377	43,377	43,377	61,215	—	—	61,133	—	—
Within 1 year	31,672	31,672	31,231	6,579	6,579	6,526	17,938	12,953	7,659	23,071	269	—
1 to 2 years	—	—	—	—	—	—	59	59	51	27	—	—
2 to 3 years	—	—	—	—	—	—	—	—	—	—	—	—
	31,672	31,672	31,231	49,956	49,956	49,903	79,212	13,012	7,710	84,231	269	—
— due from a joint venture												
Not overdue	—	—	—	97,988	97,988	97,988	23,950	23,950	23,950	33,122	33,122	33,122
Within 1 year	—	—	—	—	—	—	22,737	—	—	37,363	2,875	2,875
1 to 2 years	—	—	—	—	—	—	—	—	—	—	—	—
2 to 3 years	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	97,988	97,988	97,988	46,687	23,950	23,950	70,485	35,997	35,997
— due from an associate												
Not overdue	9,816	9,816	9,816	29,072	29,072	29,072	42,374	42,374	17,835	15,783	15,783	—
Within 1 year	31,277	31,277	31,277	—	—	—	—	—	—	—	—	—
1 to 2 years	—	—	—	—	—	—	—	—	—	—	—	—
2 to 3 years	—	—	—	—	—	—	—	—	—	—	—	—
	41,093	41,093	41,093	29,072	29,072	29,072	42,374	42,374	17,835	15,783	15,783	—
— due from a company managed by a key management personnel of ZIHG												
Not overdue	—	—	—	—	—	—	—	—	—	—	—	—
Within 1 year	—	—	—	—	—	—	—	—	—	33,498	29,226	25,304
1 to 2 years	—	—	—	—	—	—	—	—	—	—	—	—
2 to 3 years	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	33,498	29,226	25,304
— due from third parties												
Not overdue	177,902	120,530	109,571	170,587	81,368	55,864	250,580	47,296	29,369	256,799	29,059	5,974
Within 1 year	132,501	118,229	106,879	142,589	131,746	99,126	174,235	127,088	46,070	217,915	92,375	50,242
1 to 2 years	37,816	23,984	19,276	30,352	17,936	13,858	27,633	19,597	3,310	9,784	2,965	1,505
2 to 3 years	5,531	5,385	79	15,439	4,243	2,975	10,418	3,839	2,449	5,876	1,196	45
	353,750	268,198	235,805	358,967	235,293	171,823	462,866	197,820	81,198	490,374	125,595	57,766
	426,515	340,963	308,129	535,983	412,309	348,786	631,139	277,156	130,693	694,371	206,870	119,067

Note: The "amount converted to trade receivables up to the Latest Practicable Date" disclosed above are provided for illustrative purpose only and shall not be taken into account in the calculation of the balance of our contract assets as at the end of a particular financial year from the relevant balance as at the previous financial year end. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Contract assets" for the details of the relationship between contract assets and trade receivables.

The following table sets forth a breakdown of our contract assts by type of customers as at the dates indicated:

	As at 31 December									As at 30 June		
	2017			2018			2019			2020		
Contract assets	**Balance**	**Amount converted to trade receivables up to the Latest Practicable Date**	**Subsequent settlement up to the Latest Practicable Date**	**Balance**	**Amount converted to trade receivables up to the Latest Practicable Date**	**Subsequent settlement up to the Latest Practicable Date**	**Balance**	**Amount converted to trade receivables up to the Latest Practicable Date**	**Subsequent settlement up to the Latest Practicable Date**	**Balance**	**Amount converted to trade receivables up to the Latest Practicable Date**	**Subsequent settlement up to the Latest Practicable Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Public sector entities												
Not overdue	187,718	130,346	119,386	341,024	251,805	226,301	375,786	113,620	71,154	364,511	77,964	39,096
Within 1 year	195,449	181,247	169,386	148,477	137,634	105,053	204,073	130,936	47,280	276,061	95,249	53,116
1 to 2 years	37,816	23,984	19,276	30,352	17,936	13,858	27,602	19,567	3,310	9,784	2,965	1,505
2 to 3 years	5,531	5,385	79	15,439	4,243	2,975	10,418	3,839	2,449	5,876	1,196	45
	426,514	**340,962**	**308,127**	**535,292**	**411,618**	**348,187**	**617,879**	**267,962**	**124,193**	**656,232**	**177,374**	**93,762**
Private sector entities												
Not overdue	—	—	—	—	—	—	2,333	—	—	2,326	—	—
Within 1 year	1	1	1	691	691	599	10,837	9,104	6,449	35,786	29,495	25,305
1 to 2 years	—	—	—	—	—	—	90	90	51	27	—	—
2 to 3 years	—	—	—	—	—	—	—	—	—	—	—	—
	1	**1**	**1**	**691**	**691**	**599**	**13,260**	**9,194**	**6,500**	**38,139**	**29,495**	**25,305**
	426,515	**340,963**	**308,128**	**535,983**	**412,309**	**348,786**	**631,139**	**277,156**	**130,693**	**694,371**	**206,870**	**119,067**

Note: The "amount converted to trade receivables up to the Latest Practicable Date" disclosed above are provided for illustrative purpose only and shall not be taken into account in the calculation of the balance of our contract assets as at the end of a particular financial year from the relevant balance as at the previous financial year end. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Contract assets" for the details of the relationship between contract assets and trade receivables.

The balances of contract assets recognised from our public sector projects accounted for approximately 100.0%, 99.9%, 97.9% and 94.5% of the total balances of contract assets as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which was generally in line with the proportion of revenue recognised from public sector entities for the respective year during the Track Record Period. In addition, among our revenue generated from private sector entities during the Track Record Period, a substantial portion were contributed by projects where our Group acted as a subcontractor or other related service provider to the ZIHG Group and a project newly commenced in the second half year of FY2019 where the customer is an Independent Third Party and managed by a key management personnel of ZIHG after January 2020. Out of the balances of contract assets recognised from our public sector projects as at 31 December 2017, 2018 and 2019 and 30 June 2020, (i) 79.9%, 76.9%, 43.4% and 27.0% has been converted into trade receivables as at the Latest Practicable Date; and (ii) among such trade receivables, 90.4%, 84.6%, 46.3% and 52.9% has been subsequently settled as at the Latest Practicable Date. The subsequent settlement as at the Latest Practicable Date for such trade receivables as at 30 June 2020 was mainly attributable to the payment of approximately RMB36.0 million from the project company for the Shenjunshan Project during July and August 2020 as the project company received a substantial amount of bank loans for the project in June and August 2020. As at the Latest Practicable Date, our Group has recorded a relatively high conversion and subsequent settlement percentage for balances of contract assets as at 31 December 2017 and 2018. For contract assets as at 31 December 2019 yet to be converted into trade receivables as at the Latest Practicable Date, over 70% of such balance were not overdue (i.e. contract assets which have been certified but are yet to become unconditionally entitled for billing). Our Group recorded lower conversion and subsequent settlement percentages for balances of contract assets as at 31 December 2019 and 30 June 2020 as less than one year has passed since 31 December 2019 and 30 June 2020 up to the Latest Practicable Date, respectively.

The following table sets forth an ageing analysis of our contract assets as at the dates indicated:

Contract assets	As at 31 December 2017 — Gross carrying amount	2017 — Loss allowance	2017 — Balance	2017 — Amount converted to trade receivables up to the Latest Practicable Date (Note 1)	2017 — Subsequent settlement up to the Latest Practicable Date	2017 — Subsequent loss allowance made up to 30 June 2020 (Note 2)	As at 31 December 2018 — Gross carrying amount	2018 — Loss allowance	2018 — Balance	2018 — Amount converted to trade receivables up to the Latest Practicable Date (Note 1)	2018 — Subsequent settlement up to the Latest Practicable Date	2018 — Subsequent loss allowance made up to 30 June 2020 (Note 2)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Not overdue	190,976	3,258	187,718	130,346	119,387	10,933	347,283	6,259	341,024	251,805	226,301	12,830
Within 1 year	211,829	16,379	195,450	181,248	169,387	10,045	159,773	10,605	149,168	138,325	105,652	2,651
1 to 2 years	55,215	17,399	37,816	23,984	19,276	13,773	40,793	10,441	30,352	17,936	13,858	8,134
2 to 3 years	16,346	10,815	5,531	5,385	79	146	36,098	20,659	15,439	4,243	2,975	11,171
Over 3 years	4,389	4,389	–	–	–	–	21,245	21,245	–	–	–	–
Total	**478,755**	**52,240**	**426,515**	**340,963**	**308,129**	**34,897**	**605,192**	**69,209**	**535,983**	**412,309**	**348,786**	**34,786**

Contract assets	As at 31 December 2019 — Gross carrying amount	2019 — Loss allowance	2019 — Balance	2019 — Amount converted to trade receivables up to the Latest Practicable Date (Note 1)	2019 — Subsequent settlement up to the Latest Practicable Date	2019 — Subsequent loss allowance made up to 30 June 2020 (Note 2)	As at 30 June 2020 — Gross carrying amount	2020 — Loss allowance	2020 — Balance	2020 — Amount converted to trade receivables up to the Latest Practicable Date	2020 — Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Not overdue	384,535	6,416	378,119	113,620	71,154	13,790	388,379	21,542	366,837	77,964	39,096
Within 1 year	230,440	15,530	214,910	140,041	53,729	2,060	339,289	27,442	311,847	124,745	78,421
1 to 2 years	38,285	10,593	27,692	19,656	3,361	253	14,688	4,877	9,811	2,965	1,505
2 to 3 years	26,278	15,860	10,418	3,839	2,449	2,281	21,218	15,342	5,876	1,196	45
Over 3 years	47,350	47,350	–	–	–	–	28,729	28,729	–	–	–
Total	**726,888**	**95,749**	**631,139**	**277,156**	**130,693**	**18,384**	**792,303**	**97,932**	**694,371**	**206,870**	**119,067**

Notes:

1. The "amount converted to trade receivables up to the Latest Practicable Date" disclosed above are provided for illustrative purpose only and shall not be taken into account in the calculation of the balance of our contract assets as at the end of a particular financial year from the relevant balance as at the previous financial year end. Please refer to the paragraph headed "Financial Information — Description of major components of our consolidated statements of financial position — Contract assets" for the details of the relationship between contract assets and trade receivables.

2. The subsequent loss allowance for impairment loss made up to 30 June 2020 for the contract assets yet to be converted to trade receivables up to the Latest Practicable Date as set out above represent (i) for the balance as at 31 December 2017, the loss allowance for impairment loss made during FY2018, FY2019 and 6M2020; (ii) for the balance as at 31 December 2018, the loss allowance for impairment loss made during FY2019 and FY2020; and (iii) for the balance as at 31 December 2019, the loss allowance for impairment loss made during 6M2020.

All the amounts of contract assets are expected to be billed within one year as at 31 December 2017, 2018 and 2019 and 30 June 2020, except for the amounts of approximately RMB175.7 million, RMB278.0 million, RMB346.7 million and RMB286.0 million, respectively, which are expected to be billed after more than one year based on the estimation of the management of our Group and subject to the period required for the completion of measurement of completed construction works, Settlement Audit and/or transfer of completed works to customers.

As at the Latest Practicable Date, approximately 20.1% and 23.1% of our contract assets (amounting to approximately RMB85.5 million and RMB123.7 million) as at 31 December 2017 and 2018 have not been converted into trade receivables, among which, approximately RMB74.7 million and RMB105.5 million (representing approximately 87.4% and 85.3% of the total outstanding balances) are expected to be converted into trade receivables by the end of 2021, respectively, and the remaining outstanding balances are expected to be converted into trade receivables by the end of 2023. Such estimation was made by our Directors primarily based on (i) the historical conversion records of the contract assets during the Track Record Period; (ii) the latest status and progress of our Group's existing projects; (iii) written confirmations from customers for certain large-scale projects; and (iv) our verbal communications with our customers for certain large-scale projects. To the best knowledge, information and belief of our Directors, such unconverted contract assets were mainly attributable to the following projects with a total contract sum of approximately RMB3,558.8 million:

(i) for five projects undertaken by us for customers controlled by a local government in Changchun City, work performed by us have been certified by the customers but are yet to become unconditionally entitled for billing under the payment terms of the contracts (i.e. not overdue contract assets), which amounted to approximately RMB55.2 million and RMB65.2 million, accounting for approximately 64.5% and 52.7% of the total amount of contract assets as at 31 December 2017 and 2018 yet to be converted to trade receivables up to the Latest Practicable Date, respectively. In accordance with the payment terms of the contracts, our Group would be unconditionally entitled to bill the customer for a portion of the customer's certified construction value when customer's certification is obtained while the remaining portion would only become unconditionally billable to the customer at a later time upon fulfillment of certain milestone(s). Certain portions of the certified construction works have not become unconditionally billable as the Settlement Audit (which is a payment milestone) has not been completed as at the Latest Practicable Date, and such certified works have thus been accounted for as not overdue contract assets, which will be reclassified to trade receivables at a later time when the milestone has been fulfilled. From the commencement of the aforementioned projects and up to the Latest Practicable Date, approximately RMB221.3 million were settled by the customer to our Group for the projects.

(ii) for four projects undertaken by our Group as part of an ecological restoration project in Changchun City (the "**ER Project**"):

(a) work performed by us have been certified by the customers but are yet to become unconditionally entitled for billing under the payment terms of the contracts (i.e. not overdue contract assets) for two projects as part of the ER Project, which amounted to nil and approximately RMB5.6 million, accounting for nil and approximately 4.6% of the total amount of contract assets as at 31 December 2017 and 2018 yet to be converted to trade receivables up to the Latest Practicable Date, respectively. In accordance with the payment terms of the contracts, our Group would be unconditionally entitled to bill the customer for a portion of the customer's certified construction value when customer's certification is obtained while the remaining portion would only become unconditionally billable to the customer at a later time upon fulfillment of certain milestone(s) (e.g. completion of Settlement Audit or completion of the maintenance period). As at the Latest Practicable Date, the four projects have not yet been completed and three of them are still at their early stages. The certified amount of contract assets for the four project is expected to be converted to trade receivables upon fulfillment of the aforementioned milestones.

(b) the customer required modifications of construction drawings and thus part of the completed construction works have yet to be certified (i.e. overdue contract assets) for two projects under the ER Project. This amounted to approximately RMB12.5 million and RMB18.6 million, accounting for approximately 14.7% and 15.0% of the total amount of our contract assets as at 31 December 2017 and 2018 not converted into trade receivables up to the Latest Practicable Date, respectively.

From the commencement of the aforementioned projects and up to the Latest Practicable Date, approximately RMB114.3 million were settled by the customer to our Group for the projects.

(iii) no formal contract has been entered into for the Baishan Project (Phase II) and Settlement Audit has yet to be performed by the customer, which amounted to approximately RMB15.1 million and RMB10.6 million, accounting for approximately 17.6% and 8.6% of the total amount of contract assets as at 31 December 2017 and 2018 yet to be converted to trade receivables up to the Latest Practicable Date, respectively. Please refer to paragraph headed "— Description of major components of our consolidated statements of profit or loss — Impairment losses on trade and other receivables and contract assets" in this section for further details. From the commencement of the Baishan Project (Phase II) and up to the Latest Practicable Date, the customer has yet to make any payments to our Group for the project.

Save for those attributable to the projects set out in (i) to (iii) above, as at the Latest Practicable Date, the remaining balance of our contract assets as at 31 December 2017 and 2018 yet to be converted into trade receivables amounted to approximately RMB2.7 million and RMB23.7 million, representing approximately 3.2% and 19.2% of the total unconverted contract assets, respectively.

Our Directors are not aware of any issue which will materially affect the conversion of the unconverted contracts assets disclosed above into trade receivables in the future, taking into consideration that (i) approximately 67.1% and 72.1% of such unconverted contract assets as 31 December 2017 and 2018 (amounting to approximately RMB57.4 million and RMB89.2 million), respectively, were not overdue (representing certified works which are yet to be unconditionally entitled for billing) and were works already certified by the customers, such portions of works were expected to be billed at a later point in time pursuant to the payment terms of the contract and were considered to have a relatively low risk of non-conversion; (ii) in respect of the aforementioned projects under the ER Project where the customers requested for modifications of construction drawings, works performed by us could not be certified until the relevant feasibility study report for the ER Project has been updated to reflect the modified construction drawings and as such the certification is expected to be completed in 2021. Our Directors expect that a majority of such contract assets should be converted into trade receivables by 2021. The Sole Sponsor is satisfied that to the best knowledge of the Sole Sponsor, the foregoing assessment of our Directors on the conversion of the aforementioned long outstanding contract assets of our Group into trade receivables has been made after due and careful enquiries.

As at the Latest Practicable Date, approximately RMB119.1 million or 17.1% of our contract assets as at 30 June 2020 was settled.

During the Track Record Period, to the best knowledge of our Directors, no material disputes or disagreements between the construction progress estimated by our Group and that certified by the respective customers.

The following table sets forth the number of turnover days for our contract assets during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
				(unaudited)	
Contract assets turnover days(1)	204.9	244.4	270.9	357.5	386.3

Note:

(1) Contract assets turnover days for a year equals the average of the opening and closing gross current and non-current contract assets divided by revenue for the same year and multiplied by the number of days in the year.

Our contract assets turnover days were approximately 204.9 days, 244.4 days and 270.9 days for FY2017, FY2018 and FY2019, respectively. Our contract assets turnover days increased by approximately 39.5 days from FY2017 to FY2018 and further increased by 26.5 days to FY2019, which was generally in line with the increase in balance of contract assets during the Track Record Period. We recorded higher turnover days for contract assets of approximately 357.5 days and 386.3 days for 6M2019 and 6M2020, respectively, as there was usually a lower level of construction activities during the first quarter of the year due to seasonality factor, which led to a lower level of revenue recognised during the first half of the year.

Contract liabilities

Contract liabilities are recognised when the customer pays consideration before our Group recognises the related revenue. Contract liabilities would also be recognised if our Group has an unconditional right to receive consideration before our Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

The following table sets forth a breakdown of contract liabilities as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
— due to ZIHG and its subsidiaries, joint ventures and associates. .	14,532	17,702	14,904	8,564
— due to an associate	—	2,671	12,874	4,518
— due to third parties	28,402	70,149	38,774	66,611
	42,934	90,522	66,552	79,693

Our Group's receipt of a deposit prior to the commencement of production activities will give rise to contract liabilities at the start of a contract, until the relevant revenue recognised on the project exceeds the amount of the deposit.

Our contract liabilities increased by approximately RMB47.6 million or 110.8% from approximately RMB42.9 million as at 31 December 2017 to RMB90.5 million as at 31 December 2018, decreased by approximately RMB24.0 million or 26.5% to approximately RMB66.6 million as at 31 December 2019 and increased by approximately RMB13.1 million or 19.7% to approximately RMB79.7 million as at 30 June 2020. Such fluctuation was mainly attributable to the difference between the amount of completed construction works certified by customers and the amount of revenue recognised for the completed construction works during the same periods.

Trade receivables

Our trade receivables comprised current trade receivables and non-current trade receivables, which may be interest-bearing based on the contract terms. Interest on trade receivables normally forms part of the payment obligation of the customers for public sector projects where the payment timeframe stipulated in the contract spans over a relatively long period (such as five years or more). Under the payment terms of contracts for such projects, the customers may be obliged to pay interest accrued on the value of certified completed works, which is calculated on a regular basis at a mutually agreed floating rate with reference to a benchmark lending rate or the actual lending rate for loans borrowed by our Group for the project. Such amount of interest will be recorded as trade receivables once certified by the customers and will typically be required to be settled by instalments on the payment dates stipulated in the contract. According to the CIC Report, it is a common practice in the landscaping and ecological restoration industries that trade receivables could be interest bearing based on contract terms. If collection for trade receivables is due in one year or less based on the contract terms, they are classified as current trade receivables. Otherwise, they are presented as non-current trade receivables.

Our Group maintains a loss allowance for trade receivables for estimated losses resulting from the default on contractual obligation by the customers, which are measured at an amount equal to lifetime expected loss rates and are estimated using a provision matrix based on our 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 at the reporting date. Our Directors are of the view that sufficient and appropriate loss allowance has been made for the expected credit loss on trade receivables during the Track Record Period based on that (i) the estimation of expected loss rates were made in accordance with our historical credit loss experience; and (ii) notwithstanding that the outbreak of COVID-19 and China economic conditions did not lead to the increase of our contract assets turnover days for 6M2020 as compared with that for 6M2019, we added a risk premium, for the sake of prudence, on the expected loss rates as at 30 June 2020 to reflect the uncertainty that the outbreak of COVID-19 may bring to the future overall global and China economic conditions which may impact the ability of our customers to settle their payable to our Group in the future.

The following table sets forth a breakdown of our current and non-current trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
Trade Receivables	**2017**	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation to the consolidated statements of financial position:				
Non-current	196,700	149,582	97,418	94,963
Current	282,894	439,369	488,596	540,484
	479,594	588,951	586,014	635,447

As at 31 December 2017, 2018 and 2019 and 30 June 2020, our trade receivables (including current and non-current trade receivables) amounted to approximately RMB479.6 million, RMB589.0 million, RMB586.0 million and RMB635.4 million, respectively. The steady increase was in line with the general increase in revenue recognised from our projects during the Track Record Period.

The following table sets forth a breakdown of our trade receivables by customers' relationship with our Group as at the dates indicated:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
Trade Receivables	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
— due from ZIHG and its subsidiaries, joint ventures and associates								
Within 1 year	9,286	9,286	21,630	11,604	142,841	62,334	84,173	15,000
1 to 2 years	—	—	6,055	6,055	9,418	—	46,399	20,000
2 to 3 years	—	—	—	—	280	280	38	—
3 to 4 years	—	—	—	—	—	—	—	—
4 to 5 years	—	—	—	—	—	—	—	—
	9,286	9,286	27,685	17,659	152,539	62,614	130,610	35,000
— due from a joint venture								
Within 1 year	—	—	52,578	52,578	1,905	1,905	1,841	786
1 to 2 years	—	—	—	—	—	—	—	—
2 to 3 years	—	—	—	—	—	—	—	—
3 to 4 years	—	—	—	—	—	—	—	—
4 to 5 years	—	—	—	—	—	—	—	—
	—	—	52,578	52,578	1,905	1,905	1,841	786
— due from an associate								
Within 1 year	3,089	3,089	51,248	51,248	7,344	7,344	19,972	10,150
1 to 2 years	—	—	—	—	—	—	—	—
2 to 3 years	—	—	—	—	—	—	—	—
3 to 4 years	—	—	—	—	—	—	—	—
4 to 5 years	—	—	—	—	—	—	—	—
	3,089	3,089	51,248	51,248	7,344	7,344	19,972	10,150
— due from third parties								
Within 1 year	196,056	122,371	183,813	87,426	162,833	73,444	210,676	31,246
1 to 2 years	256,753	127,893	78,317	17,257	87,179	10,315	91,015	9,492
2 to 3 years	12,780	10,429	189,669	80,741	59,441	7,668	45,985	7,333
3 to 4 years	1,323	498	4,722	2,858	112,858	476	102,160	200
4 to 5 years	307	150	919	237	1,915	451	33,188	—
	467,219	261,341	457,440	188,519	424,226	92,353	483,024	48,271
	479,594	273,716	588,951	310,004	586,014	164,217	635,447	94,207

The trade receivables due from ZIHG and its subsidiaries, joint ventures and associates of approximately RMB152.5 million and 130.6 million as at 31 December 2019 and 30 June 2020, respectively, comprised (i) the trade receivables from ZCLLC of approximately RMB75.4 million and RMB55.6 million in relation to the construction works completed by our Group for the ancillary project of the Meihekou Project and due to be paid in FY2019 and 6M2020, respectively, which, based on the estimation of our Directors, are expected to be settled by ZCLLC by the first quarter of 2021; and (ii) the trade receivables from Meihekou Qingfeng, the project company established for the Meihekou Project, of approximately RMB58.8 million and RMB56.0 million for the construction works completed by our Group for the Meihekou Project and due to be paid in FY2019 and 6M2020, respectively, which, based on the estimation of our Directors, are expected to be settled by Meihekou Qingfeng by the first quarter of 2021.

As at the Latest Practicable Date, approximately RMB94.2 million or 14.8% of our trade receivables as at 30 June 2020 was fully settled.

We do not receive payments from our customers until the inspection and issuance of certification for the completed work to which the payments are due in accordance to the relevant contract terms, provided that the approval procedures are completed by our customers. As our customers are mainly public sector entities who require complex internal settlement procedures, there may exist a long gap between the due date of payments by our customers and the date of our submission of progress claims.

The following table sets forth a breakdown of our trade receivables by type of customers as at the dates indicated and the respective amount of subsequent settlement as at the Latest Practicable Date:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
Trade receivables	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Public sector entities								
Within 1 year	201,384	128,180	305,454	199,982	230,924	102,689	256,810	42,179
1 to 2 years	255,691	127,249	78,780	18,104	96,448	10,315	137,414	29,492
2 to 3 years	11,173	8,829	188,696	80,150	59,097	7,668	45,524	7,333
3 to 4 years	815	498	4,409	2,550	112,074	—	101,897	200
4 to 5 years	306	150	471	237	1,685	226	33,175	—
	469,369	**264,906**	**577,810**	**301,023**	**500,228**	**120,898**	**574,820**	**79,204**
Private sector entities								
Within 1 year	7,047	6,566	3,815	2,874	83,999	42,338	59,852	15,003
1 to 2 years	1,062	644	5,592	5,208	149	—	—	—
2 to 3 years	1,607	1,600	973	591	624	280	499	—
3 to 4 years	508	—	313	308	784	476	263	—
4 to 5 years	1	—	448	—	230	225	13	—
	10,225	**8,810**	**11,141**	**8,981**	**85,786**	**43,319**	**60,627**	**15,003**
	479,594	**273,716**	**588,951**	**310,004**	**586,014**	**164,217**	**635,447**	**94,207**

Our trade receivables from public sector customers accounted for approximately 97.9%, 98.1%, 85.4% and 90.5% of the total trade receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which was generally in line with the proportion of revenue recognised from public sector projects for the respective year during the Track Record Period. Out of the balances of trade receivables from our public sector customers as at 31 December 2017, 2018 and 2019 and 30 June 2020, approximately 56.4%, 52.1%, 24.2% and 13.8% were subsequently settled up to the Latest Practicable Date, respectively. As at the Latest Practicable Date, our Group has recorded a relatively high subsequent settlement percentage for balances of trade receivables as at 31 December 2017 and 2018. Our Group recorded lower subsequent settlement percentages for balances of trade receivables as at 31 December 2019 and 30 June 2020 as less than one year has passed since 31 December 2019 and 30 June 2020 up to the Latest Practicable Date, respectively.

Our trade receivables from private sector customers accounted for approximately 2.1%, 1.9%, 14.6% and 9.5% of the total balance of trade receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Out of the balances of trade receivables from our private sector customers as at 31 December 2017 and 2018, approximately 86.2% and 80.6% were subsequently settled as at the Latest Practicable Date, respectively, which were higher than the subsequent settlement rates for the balances of trade receivables as at the Latest Practicable Date. Out of the balances of trade receivables from our private sector customers as at 31 December 2019 and 30 June 2020, approximately 50.5% and 24.7% were subsequently settled as at the Latest Practicable Date, respectively. The majority of the outstanding amount is represented by a crystalised trade receivable on 25 December 2019 relating to the ancillary project of the Meihekou Project amounted to approximately RMB75.4 million which is expected to be settled within the first quarter of 2021.

The following table sets forth an ageing analysis of our trade receivables based on the invoice date and net of loss allowance as at the dates indicated and the respective amount of subsequent settlement as at the Latest Practicable Date:

	As at 31 December												As at 30 June			
	2017				2018				2019				2020			
Trade receivables	Gross carrying amount	Loss allowance	Balance	Subsequent settlement up to the Latest Practicable Date	Gross carrying amount	Loss allowance	Balance	Subsequent settlement up to the Latest Practicable Date	Gross carrying amount	Loss allowance	Balance	Subsequent settlement up to the Latest Practicable Date	Gross carrying amount	Loss allowance	Balance	Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	210,372	1,941	208,431	134,746	313,577	4,308	309,269	202,856	320,142	5,219	314,923	145,027	323,210	6,548	316,662	57,182
1 to 2 years	261,858	5,105	256,753	127,893	89,070	4,698	84,372	23,312	102,663	6,066	96,597	10,315	149,436	12,022	137,414	29,492
2 to 3 years	14,464	1,684	12,780	10,429	199,030	9,361	189,669	80,741	66,074	6,353	59,721	7,948	54,946	8,923	46,023	7,333
3 to 4 years	1,874	551	1,323	498	6,655	1,933	4,722	2,858	121,637	8,779	112,858	476	112,606	10,446	102,160	200
4 to 5 years	476	169	307	150	1,431	512	919	237	3,421	1,506	1,915	451	36,552	3,364	33,188	—
Over 5 years	1,074	1,074	—	—	812	812	—	—	1,341	1,341	—	—	1,398	1,398	—	—
Total	**490,118**	**10,524**	**479,594**	**273,716**	**610,575**	**21,624**	**588,951**	**310,004**	**615,278**	**29,264**	**586,014**	**164,217**	**678,148**	**42,701**	**635,447**	**94,207**

Our Group's project contracts generally range from approximately two to three years. As at 31 December 2017, 2018 and 2019 and 30 June 2020, a majority of our trade receivables were aged within three years. The increase in the balances of trade receivables aged from two to three years as at 31 December 2018 and three to four years as at 31 December 2019 as compared with the previous recording dates primarily arose from the trade receivables for the Baishan Project (Phase I) and Songyuan Urban Greening Project of approximately RMB40.5 million and RMB55.6 million, respectively, which to the best knowledge and belief of our Directors, are expected to be paid by the customers by 2021 for the Baishan Project (Phase I) and 2024 for the Songyuan Urban Greening Project, respectively. The increase in the balances of trade receivables aged from one to two years as at 30 June 2020 as compared with the previous recording dates primarily arose from the trade receivables for the Meihekou Project of approximately RMB37.1 million, which, based on the estimation of our Directors, are expected to be paid by the customer within the first quarter of 2021.

As at the Latest Practicable Date, approximately 42.9% and 47.4% of our trade receivables (amounting to approximately RMB205.9 million and RMB278.9 million) as at 31 December 2017 and 2018, respectively, have not been settled, among which, approximately RMB152.7 million and RMB199.0 million (representing approximately 74.2% and 71.4% of the total outstanding balances) are expected to be settled by the end of 2021, respectively, and the remaining outstanding balances are expected to be settled by the end of 2024. Such estimation was made by our Directors primarily based on (i) contract terms of the relevant project; (ii) written confirmation from customers; (iii) the historical settlement records of the trade receivables during the Track Record Period; (iv) our verbal communications with the customers for certain large-scale projects; and (v) the latest status and progress of our Group's existing projects. To the best knowledge, information and belief of our Directors, such outstanding trade receivables mainly attributable to the following projects:

(i) the outstanding trade receivables for the Songyuan Urban Greening Project of approximately RMB92.1 million and RMB117.3 million, accounting for approximately 44.7% and 42.0% of the total amount of trade receivables as at 31 December 2017 and 2018 remained to be settled as at the Latest Practicable Date. The relatively long age of the trade receivables for the Songyuan Urban Greening Project mainly arose from the payment terms of the project contract whereby the certified construction value would be settled by instalments payable semi-annually in every June and December, starting from December 2015 and ending in December 2024. From the commencement of the Songyuan Urban Greening Project and up to the Latest Practicable Date, approximately RMB 24.9 million were settled to our Group for the project. The trade receivables will not be completely settled until December 2024. We have obtained a written confirmation from the customer that it will comply with all of its payment obligations by December 2024 pursuant to the terms of the relevant contract.

(ii) the outstanding trade receivables for the Baishan Project (Phase I) of approximately RMB76.2 million and RMB91.3 million, accounting for approximately 37.0% and 32.7% of the total amount of trade receivables as at 31 December 2017 and 2018 remained to be settled as at the Latest Practicable Date. The delay in payment of construction fees for the Baishan Project (Phase I) was mainly due to internal procedures of the local government as well as the termination of the project and the entering into of the related supplemental agreement for the project. From the commencement of the Baishan Project (Phase I) and up to the Latest Practicable Date, approximately RMB 78.6 million were settled to our Group for the project. The trade receivables will not be completely settled until November 2021 upon completion of the final audit on the project pursuant to the supplemental agreement. Please refer to paragraph headed "— Description of major components of our consolidated statements of profit or loss — Impairment losses on trade and other receivables and contract assets" in this section for further details.

Save for those attributable to the Songyuan Urban Greening Project and Baishan Project (Phase I), as at the Latest Practicable Date, the remaining balance of our trade receivables as at 31 December 2017 and 2018 yet to be settled amounted to approximately RMB37.6 million and RMB70.3 million, representing approximately 18.3% and 25.2% of the total outstanding trade receivables, respectively.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, a majority of our trade receivables were aged within three years. Approximately 21.3% of our trade receivables (amounting to approximately RMB135.3 million) as at 30 June 2020 were aged three years or more. Such outstanding trade receivables primarily arose from the trade receivables for the Songyuan Urban Greening Project and Baishan Project (Phase I) amounted to approximately RMB119.7 million and collectively accounted for approximately 88.4% of our trade receivables as at 30 June 2020 aged three years or more. The delay in payments for our trade receivables is generally due to the complex internal settlement procedures of our customers which are local governments or state-owned enterprises, which involved, as fair as our Directors are aware, (i) the preparation of payment application documents by the customers for certified completed construction works which shall be submitted to the finance department of local government for approval; (ii) the assessment of the finance department of local government on the payment application submitted by the customers; (iii) allocation of funds from the finance department of local government to the customers; and (iv) the internal procedures of the customers to approve for payment to our Group. Our Directors are of the view that there are no material issue on the recoverability of such trade receivables based on, among other factors, the customers' payment history and credibility.

The Sole Sponsor is satisfied that to the best knowledge of the Sole Sponsor, the foregoing assessment of our Directors on the recoverability of the aforementioned long outstanding trade receivables of our Group has been made after due and careful enquiries.

The following table sets forth the number of turnover days for our trade receivables during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
Trade receivables turnover days[(1)]	252.5	248.2	249.3	364.8	328.9

Note:

(1) Trade receivables turnover days for a certain period equals the average of the opening and closing gross current and non-current trade receivables divided by revenue for the same period and multiplied by the number of days in the period.

Our trade receivables turnover days were approximately 252.5 days, 248.2 days and 249.3 days for FY2017, FY2018 and FY2019, respectively. The trade receivables turnover days did not materially fluctuate from FY2017 to FY2019. We recorded higher trade receivable turnover days of approximately 364.8 days and 328.9 days for 6M2019 and 6M2020, respectively, as there is usually a lower level of construction activities during the first quarter of the year due to seasonality factor.

Our Directors believe that the relatively long ageing of trade receivables is not uncommon in our industry, especially where the customers are state-invested enterprises or the government. Please refer to the paragraph headed "Industry Overview — Accounts receivables performance" in this prospectus for further information. Notwithstanding the above, in order to improve the collection of our trade receivables and contract assets, we have implemented the following credit control policy and measures:

Customer credit assessment policies

Pursuant to our customer credit assessment polices, the responsible departments and our employees shall assess the credibility of the customers in the following manner:

- *credit investigation and information management system*: in order to understand the background and credibility of the potential or existing customers, our marketing department and engineering department are required to (i) collect and analyse the customers' basic information, business and financial situation, industrial and commercial information, credit information and legal proceedings prior to providing services to the customers, and (ii) create a database of customers and update and maintain the aforementioned information; and

- *credit management mechanism*: we review and evaluate the credibility of customers so as to customise the corresponding collection arrangement for the customers based on their specific background and credibility.

Contract assets and trade receivable control policies

We have formulated a number of internal control manuals, which stipulate the regular review of the ageing of trade receivables and contract assets and relevant follow-up procedures. We designate a working group which is responsible for reminding customers of overdue or upcoming contract assets and collection of outstanding contract sums with an aim to clearing debts as a daily management mechanism. The working group comprises the general manager, the financial manager, the project department, and the responsible personnel of the cost department.

Pursuant to the internal control manuals, our Group monitors the ageing of our contract assets and trade receivables through a balance sheet of contract assets and trade receivables prepared by our finance department on a monthly basis, allowing us to monitor ageing of such balances for our projects individually and for our Group collectively. The regional management team under our engineering department follows up and discusses the confirmation of contract assets and collection of trade receivables reflected in the aforementioned balance sheet for receivables through telephone and text messages, identify projects with the long outstanding contract assets and trade receivables and assesses the recoverability of outstanding contract sum for each project individually. In particular, the key measures that our Group will take in relation to outstanding contract sum from the customers based on the period of outstanding amount due are summarised as follows:

- for outstanding amounts determined to be long outstanding, the designated person shall formulate a follow-up plan on collection of trade receivables, communicate with the customer and carry out the collection work; and

- for outstanding amounts determined to have aged significantly longer than expected, subject to the discussion among the general manager and the responsible personnel of the finance department and the engineering department, measures will be taken to suspend or slow down the project construction to promote the customers to speed up the conversion and settlement process.

The receivable accountants are required to provide the cost department with account receivable report on a monthly basis, which lists out details of the contract assets and trade receivables. The responsible person for settlement in the cost department shall complete monthly debt settlement summary after communicating with each responsible person for debt collection. Such monthly debt settlement summary includes project name, contract agreement, project status, cumulative amount of payment received, amount receivable and uncollected amount as well as status of the completion of debt clearing in the previous month and plan for the next month, which shall be reviewed by the business manager of the cost department and sent to the deputy general manager of the cost department, the chief financial officer and the general manager for approval.

During the Track Record Period, certain projects were awarded to us from recurring customers. Prior to participating in a tendering process held by recurring customers, apart from our assessment on the technical requirements and risks, cost estimate, gross profit margin, size, or other factors of the potential projects, our Group would also assess the credibility of the customers based on, among others, the track record of payments made by the customers for past projects undertaken by our Group, which, however, does not constitute the sole factor in determining whether to undertake a project. For the recurring customers with whom we entered into new contracts during 6M2020, our Group's outstanding trade receivables as at 31 December 2019 from each of such customers have been settled in full or in part prior to entering into such new contracts.

For the debts that may not be recovered, the deputy general manager of the engineering department shall put forward the bad debt treatment requirements, and the responsible person for settlement of the cost department shall fill in the form of bad debt treatment of trade receivable, which shall be signed and approved by the manager of the cost department, the deputy general manager of the engineering department, the chief financial officer, the general manager and the Board of Directors, and the general accountant shall record the bad debts.

Our Directors are of the view that we have maintained an effective credit control policy and implemented effect measures to monitor and improve our liquidity and credit risks on the following bases:

- comprehensive credit investigation and information management system and credit management mechanism which enable effective and timely assessment of the customers' credibility and customised debt collection strategies in accordance with the credit assessment results;

- clear division of responsibilities between the finance department, project management team, cost department and the credit control working group; and

- detailed procedures for our staff to abide to, in particular, reporting mechanism by our cost department and finance department, collection of data in relation to outstanding amount and tailored procedures for collection of outstanding amount according to the period of outstanding amount due.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our Group did not experience any default in repayment from our customers but experienced occasional delay in repayment from our customers. Based on the estimation of our Directors, the amount of delay in payments by our customers accounted for around 30% of the total balance of contract assets and trade receivables. The delay in payments are mainly due to the complex internal settlement procedures of our customers who are local governments or state-owned enterprises.

Combined analysis of contract assets and trade receivables

Expected loss rates for contract assets and trade receivables are determined by our Directors based on actual loss experience over the past three to six years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our Group's view of economic conditions over the expected lives of the receivables.

Based on historical actual loss experience, our Directors estimated that the possibility of recovering trade receivables aged over five years and contract assets aged over three years, respectively, would be remote. Our Directors believe that most of the trade receivables and contract assets aged over one year will be collected and have made loss allowance based on the historical loss rates of 1.6%, 3.7%, 14.5%, 34.3% and 74.5% of contract assets and trade receivables not overdue, aged within one year, one to two years, two to three years and over three years, respectively, which are estimated as uncollectible over the expected lives of the contract assets and trade receivables based on the historical experience. As at 30 June 2020, as our Directors added a risk premium on the expected loss rates considering that the outbreak of COVID-19 may bring uncertainty to the future overall global and China economic conditions which may impact the ability of its customers to settle their payables to our Group in the future, the expected loss rates have been adjusted to 4.5%, 5.0%, 12.0%, 35.9% and 68.6% for the contract assets and trade receivables not overdue, aged within one year, one to two years, two to three years and over three years, respectively.

Based on the above, our Directors believe that sufficient and appropriate loss allowance, to the best estimate of our Directors, has been made for the expected credit loss on contract assets and trade receivables.

The following table sets out the number of turnover days during the Track Record Period based on the aggregate amount of contract assets and trade receivables:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
Turnover days — contract assets and trade receivables[1]	457.5	492.6	520.1	722.3	715.2

Notes:

1. Turnover days for the aggregate amount of contract assets and trade receivables for a certain period equals the average of the opening and closing aggregate amount of gross current and non-current contract assets and trade receivables divided by revenue for the same period and multiplied by the number of days in the period.

Our turnover days based on the aggregate amount of contract assets and trade receivables were approximately 457.5 days, 492.6 days, 520.1 days and 715.2 days for FY2017, FY2018, FY2019 and 6M2020, respectively. The increase in turnover days for contract assets and trade receivables from FY2017 to FY2019 was mainly due to (i) the relatively long ageing of contract assets and trade receivables for a number of large-scale projects as elaborated in the paragraphs headed "Contract assets" and "Trade receivables" under the section headed "Financial Information — Description of major components of our consolidated statements of financial position" of this prospectus, which particularly distorted our normalised contract assets and trade receivables turnover days; (ii) for the increase from FY2017 to FY2018, the large amount of contract assets and trade receivables of the Shenjunshan Project (a large scale ecological restoration project commenced in FY2017) which were generated in FY2017 but remained unconverted or unsettled, as the case may be, as at 31 December 2017 and 2018; and (iii) for the increase from FY2018 to FY2019, the large amount of contract assets and trade receivables of the Meihekou Project (a large scale landscaping project commenced in FY2018) which were generated in FY2018 but remained unconverted or unsettled, as the case may be, as at 31 December 2018 and 2019. According to the CIC Report, due to the reasons including the complexity of the project (including but not limited to more subcontractors involved), the involvement of multiple parties, longer project execution time, longer time for acceptance after the completion and the longer time for the arrangement of the payment for state-owned enterprises or government, for landscaping or ecological restoration projects of a larger scale in the PRC, a substantial portion of payments are generally made at the later stage of the project. Therefore, during the Track Record Period, turnover days for contract assets and trade receivables for our large-scale projects were generally longer than other projects, which is in line with the industry norm. Based on (i) the historical conversion records of the contract assets and settlement records of the trade receivables during the Track Record Period; (ii) the latest status and progress of our Group’s existing projects; (iii) written confirmations from customers for certain large-scale projects; (iv) our verbal communications with our customers; and (v) contract terms of the relevant project, our Directors are of the view that the contract assets and trade receivables turnover days will remain stable for the year ending 31 December 2020 and 2021.

During the construction phase, we recognise our completed construction works which have yet to be certified by customers progressively (usually on a monthly basis, although there may be cases which take more than a month to certify the construction works for reasons detailed in the paragraph headed “— Contract assets” above) using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The customers together with the project supervisor will evaluate our completed construction works on a regular basis (usually monthly) and sign on the progress completion report confirming the results of such evaluation. Upon our receipt of the progress completion report, certain amount of contract assets relating to the certified construction works will be recognised as trade receivables (including current and non-current trade receivables). Based on the reasonable estimation of our Directors with reference to our historical projects during the Track Record Period, it normally takes less than 30 days from our application of measurement for completed construction works to our receipt of progress completion report from the customers and another 90 to 180 days for us to receive payments from the customers, which is generally in line with the industry practice in the landscape and ecological restoration industries according to the CIC Report.

Prepayments, deposits and other receivables

The following table sets forth a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
Prepayments for costs incurred in connection with the proposed initial listing of our Company's shares. . . .	—	777	4,219	5,750
Prepayments for purchase of raw materials	3,866	4,348	4,026	6,949
Deposits and other receivables				
Amounts due from ZIHG and its subsidiaries, joint ventures and associates	—	—	30,304	—
Amounts due from an associate	—	—	16,075	—
Amounts due from key management personnel of ZIHG.	—	5,643	—	—
Advances to third parties.	3,550	5,869	1,880	363
Advances to staff	799	1,347	310	816
Tax recoverable.	11,183	1,345	5,298	2,223
Deposits of bidding and performance for construction and design contracts	9,344	2,739	3,618	7,161
Deposits to secure the guarantees by third parties.	2,500	14,900	6,250	7,550
Others.	5,232	5,755	5,992	8,308
	36,474	42,723	77,972	39,120
Less: loss allowance	(3,130)	(2,976)	(1,077)	(195)
	33,344	39,747	76,895	38,925

Prepayments

Our prepayments consisted of prepayments for costs incurred in connection with the proposed Listing and prepayments for the purchase of raw materials. Our prepayments for purchase of raw materials remained relatively stable from FY2017 to FY2019 and amounted to approximately RMB3.9 million, RMB4.3 million and RMB4.0 million as at 31 December 2017, 2018 and 2019, respectively, which was generally in line with the fluctuation of size of projects undertaken by us during the corresponding years. Our prepayments for purchase of raw materials increased to approximately RMB6.9 million as at 30 June 2020, which was mainly attributable to the costs incurred in purchase of customised facilities during 6M2020 for our newly commenced construction projects, which required prepayments to suppliers.

Deposits and other receivables

Our deposits and other receivables consisted of amounts due from the related parties, advances to third parties, advances to staff, tax recoverable, deposits of bidding and performance for construction and design contracts, deposits to secure the guarantees by third parties and others.

We recorded amounts due from key management personnel of ZIHG of approximately RMB5.6 million as at 31 December 2018, which is related to the unsettled consideration for the disposal of Jilin Zhonghe, which has been subsequently settled in September 2019. We recorded amounts due from an associate of approximately RMB16.1 million as at 31 December 2019, which was attributable to our advances made to our project company, namely Changchun Xianbang, for the purpose of supporting the financing of Changchun Xianbang. Such amounts due from the associate are non-trade in nature, unsecured, interest-free, have no fixed terms of repayment and has been settled in full by 30 June 2020. We recorded amounts due from ZIHG and its subsidiaries, joint venture and associate of approximately RMB30.3 million as at 31 December 2019, which was attributable to our advances made to the project company where we have equity investment, namely Meihekou Qingfeng, for the purpose of financing Meihekou Qingfeng. The amounts due from Meihekou Qingfeng are non-trade in nature, unsecured and have no fixed terms of repayment which have been repaid in full as at 30 June 2020.

Our advances to third parties amounted to approximately RMB3.6 million, RMB5.9 million, RMB1.9 million and RMB0.4 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, mainly represented (i) our advances to Baishan City Construction Investment Development Limited (白山市城市建設投資開發有限公司), a project company established for the two landscaping projects undertaken by us during the Track Record Period, in respect of the payments made to subcontractors for these two projects, the balance of which decreased to nil as at 31 December 2019; and (ii) our advances to the then project owner of Shenjunshan Project prior to the establishment of the project company the gross amount balance of which decreased to approximately RMB0.3 million as at 30 June 2020.

Our advances to staff amounted to approximately RMB0.8 million, RMB1.3 million, RMB0.3 million and RMB0.8 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which mainly represented the advances to staff prior to expenses incurred by them for the purpose of our operation of business.

Our tax recoverable amounted to approximately RMB11.2 million, RMB1.3 million, RMB5.3 million and RMB2.2 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which mainly represented the deductible input VAT and prepaid income tax. The fluctuation of tax recoverable was mainly due to the changes in revenue recognised for the construction works undertaken by us and the procurement of raw materials during the same periods and the increase of income tax recoverable for FY2019 for Zonbong Shanshui, a wholly-owed subsidiary of our Group, arising from the differences between the prepaid income tax for Zonbong Shanshui at a rate of 25% and the income tax payable for Zonbong Shanshui at a rate of 15%.

Our deposits of bidding and performance for construction and design contracts amounted to approximately RMB9.3 million, RMB2.7 million, RMB3.6 million and RMB7.2 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The decrease in our deposits of bidding and performance for project contracts by approximately RMB6.6 million as at 31 December 2018 was mainly attributable to the use of performance bonds to replace the deposits of performance. The increase in our deposits of bidding and performance for project contracts by approximately RMB3.5 million from 31 December 2019 to 30 June 2020 was mainly due to that three tenders our Group participated in during 6M2020 required relatively higher amount of deposits of bidding, which had investment amount ranging from over RMB50 million to over RMB160 million.

Our deposits to secure the guarantees by third parties amounted to RMB2.5 million, RMB14.9 million, RMB6.3 million and RMB7.6 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The increase in balance by RMB12.4 million from 31 December 2017 to 31 December 2018 was mainly due to the requirement of financial institutions to provide guarantees in respect of bank loans. The decrease in balance of deposits to secure the guarantees by third parties by approximately RMB8.6 million from 31 December 2018 to 31 December 2019 was mainly due to the decrease in guarantees provided by the third-party guarantor. The increase in our deposits to secure the guarantees by third parties increased by approximately RMB1.3 million from 31 December 2019 to 30 June 2020 was mainly due to the increase in the balance of our bank loans guaranteed by third parties as a result of the decrease in our bank loans which required guarantees from related parties.

Derivative financial instrument

Our derivative financial instrument mainly comprised forward foreign exchange contracts entered into in June 2018, for the purpose of managing the currency risk of a bank loan denominated in USD borrowed in January 2018 until its settlement date in January 2019. Apart from the aforesaid, there were no other bank loans denominated in foreign currencies during the Track Record Period.

Trade and bills payables

The following table sets forth a breakdown of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— due to ZIHG and its subsidiaries, joint ventures and associates	913	3,551	3,620	2,525
— due to other third parties	330,787	442,557	484,093	513,538
Bills payables	—	15,000	15,000	15,000
	331,700	461,108	502,713	531,063

Our trade and bills payables primarily consisted of trade payables to (i) suppliers in relation to our purchase of raw materials such as plants and saplings, concretes, steels, grains, stones, cement and timbers; (ii) subcontractors in relation to our costs incurred for subcontracting certain parts of the construction contracts and (iii) vendors in relation to our payments incurred in machinery and equipment usage, design fees and transportation fees.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, our trade and bills payables amounted to approximately RMB331.7 million, RMB461.1 million, RMB502.7 million and RMB531.1 million, respectively. Our trade payables increased steadily from 31 December 2017 to 30 June 2020, which was primarily attributable to the general increase in the purchase of construction materials and subcontracting services as a result of the general increase in the size of contracts entered into since FY2017.

As at the Latest Practicable Date, approximately RMB204.0 million or 38.4% of our trade and bills payables as at 30 June 2020 was fully settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

The following table sets forth an ageing analysis of our trade and bills payables based on the invoice date, as at the dates indicated:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date	Balance	Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	258,088	243,331	379,480	325,890	375,235	256,282	388,284	172,035
1 to 2 years	28,629	23,626	55,549	40,792	86,254	32,664	100,148	25,961
2 to 3 years	29,052	23,606	11,396	6,393	17,755	2,998	20,543	3,749
Over 3 years	15,931	7,487	14,683	793	23,469	4,576	22,088	2,243
Total	**331,700**	**298,050**	**461,108**	**373,868**	**502,713**	**296,520**	**531,063**	**203,988**

Credit terms given by our suppliers vary from full or part prepayment, pro-rata base payment based on the quantities of materials supplied to us on a monthly basis to cash payment on delivery, depending on the relevant supplier agreement.

The following table sets forth the number of turnover days for our trade and bills payables during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
				(unaudited)	
Trade and bills payables turnover days(1)	207.1	236.0	264.9	349.3	347.9

Notes:

(1) Trade and bills payables turnover days for a certain period equals the average of the opening and closing trade and bills payables divided by cost of sales for the same period and multiplied the number of days in the period.

Our trade and bills payables turnover days were approximately 207.1 days, 236.0 days, 264.9 days and 347.9 days for FY2017, FY2018, FY2019 and 6M2020, respectively. The steady increase of our trade and bills payable turnover days from FY2017 to FY2019 was primarily due to that the increase in the balances of our trade and bills payables outweighed the increase in our cost of sales incurred during the same period. We recorded higher trade and bills payables turnover days of approximately 349.3 days and 347.9 days for 6M2019 and 6M2020, as there is usually a lower level of construction activities during the first quarter of the year due to seasonality factor, which would lead to the relatively lower cost of sales incurred during the period.

Accrued expenses and other payables

The following table sets forth a breakdown of our accrued expenses and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to ZIHG and its subsidiaries, joint ventures and associates	6,595	7,432	1,378	2,241
Amount due to equity shareholder of our Company	—	—	15,104	—
Loans from ZIHG and its subsidiaries, joint ventures and associates	10,473	1,000	1,000	1,000
Amounts due to third parties	—	2,000	95,600	95,600
Payables for staff related costs	30,001	18,252	22,496	10,757
Dividends payable	—	—	307	307
Interest payable	84	372	215	666
Payables for costs incurred in connection with the initial listing of our Company's shares	—	1,043	3,045	4,822
Others	1,903	5,165	2,081	1,819
Financial liabilities measured at amortised cost	49,056	35,264	141,226	117,212
Financial guarantees issued	—	—	39,469	40,556
Payables for miscellaneous taxes	4,025	15,239	19,260	15,700
	53,081	**50,503**	**199,955**	**173,468**

Our accrued expenses and other payables comprised amounts due to related parties and third parties, loans from the related parties, amounts due to third parties, payables for staff related costs, interest payable, other payables, financial guarantees issued and payables for miscellaneous taxes.

Our accrued expenses and other payables decreased by approximately RMB2.6 million or 4.9% from approximately RMB53.1 million as at 31 December 2017 to approximately RMB50.5 million as at 31 December 2018, which was primarily due to the decrease in (i) amounts due to and loans from related parties by approximately RMB8.6 million; and (ii) payables for staff-related costs by approximately RMB11.7 million as no bonuses were awarded to our staff for FY2018, which was partially offset by the increase in payables for miscellaneous taxes which represented the VAT added tax by approximately RMB11.2 million.

Our accrued expenses and other payables increased significantly by approximately RMB149.5 million or 295.9% from approximately RMB50.5 million as at 31 December 2018 to approximately RMB200.0 million as at 31 December 2019, which was mainly due to (i) the increase in amounts due to equity shareholder of our Company by approximately RMB15.1 million primarily in relation to the amount due to our equity shareholders to cover the costs incurred by our Group during the Reorganisation for the purpose of the Listing; (ii) the increase in financial guarantees issued of approximately RMB39.5 million for the guarantees provided by our Group for the bank loans borrowed by an associate of our Group and the project company of the EDZ Project, namely Changchun Xianbang, and a joint venture of our Group and the project company of the Shenjunshan Project, namely Tianjun Tourism, for the purpose of supporting the financing for the two projects, and initially recognised with reference to fees charged in an arm's length transaction for similar services and amortised in profit or loss over the term of the guarantees subsequent to initial recognition; and (iii) the increase of amounts due to third parties by approximately RMB95.6 million arising from the establishment of the relevant project company, namely Tianjun Tourism. The public sector entity of the Shenjunshan Project has made a payment of RMB95.6 million to our Group for works undertaken under the project but following the establishment of Tianjun Tourism for the conversion of the project into a PPP project, it was determined that Tianjun Tourism shall be responsible for such payment and it shall repay such RMB95.6 million to the public sector entity. In light of the above and the restrictions under its financing arrangements, Tianjun Tourism paid RMB95.6 million to our Group and novated to our Group the above repayment obligation for the same amount to the public sector entity of the Shenjunshan Project. Based on our communications with the public sector entity, our Directors expect that out Group will not be required to settle the RMB95.6 million in 2021. All amounts due to related parties are non-trade in nature. All of the loans from related parties are unsecured, interest-bearing and have fixed terms of repayment. The aforementioned amount due to equity shareholders of our Company has been settled in full in March 2020. All of the amounts due to and loans from ZIHG and its subsidiaries, joint ventures and associates will be settled before or upon Listing.

Our accrued expenses and other payables decreased by approximately RMB26.5 million or 13.2% from 31 December 2019 to 30 June 2020, which was mainly due to (i) the settlement of amount due to equity shareholders of our Group in full in March 2020 as mentioned above; and (ii) the decrease in payables for staff related costs as no annual bonus was paid to our staff during 6M2020 and the reduction in social insurance liabilities under the policy released by the local government in Changchun City in March 2020 to reduce or exempt social insurance obligations of local enterprises with a view to promoting the resumption of work of enterprises and projects.

Bank and other loans

As at 31 December 2017, 2018 and 2019 and 30 June 2020, our Group recorded bank and other loans of RMB462.5 million, approximately RMB515.5 million, RMB495.0 million and RMB529.1 million, respectively. For details of our bank loans, please refer to the paragraph headed "— Indebtedness" in this section.

KEY FINANCIAL RATIOS

We use the following key ratios to evaluate our business, measure of performance, develop financial forecasts, and made strategic decisions. The following table sets out our key financial ratios during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Return on equity[(1)]	26.7%	23.1%	13.4%	5.1%[(7)]
Return on total assets[(2)]	5.5%	5.3%	3.1%	1.2%[(7)]
Interest coverage[(3)]	3.9	3.6	2.9	2.5

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Current ratio[(4)]	1.2	1.1	1.1	1.1
Gearing ratio[(5)]	170.7%	151.9%	121.5%	122.2%
Net debt to equity ratio[(6)]	126.9%	135.6%	103.4%	113.7%

Notes:

(1) For FY2017, FY2018, FY2019 and 6M2020, our return on equity is calculated based on net profit attributable to the Shareholders for the respective year/period divided by the average of the beginning and ending balance of total equity attributable to the Shareholders for the respective year/period and multiplying the resulting value by 100%.

(2) For FY2017, FY2018, FY2019 and 6M2020, our return on total assets is calculated based on net profit for the respective year divided by the average of the beginning and ending balance of total assets as at the end of the respective year/period and multiplying the resulting value by 100%.

(3) For FY2017, FY2018, FY2019 and 6M2020, our interest coverage is calculated by dividing profit before interest and tax by finance costs for the respective year/period.

(4) Current ratios as at 31 December 2017, 2018 and 2019 and 30 June 2020 were calculated based on our total current assets as at the respective dates divided by our total current liabilities as at the same dates.

(5) Gearing ratios as at 31 December 2017, 2018 and 2019 and 30 June 2020 were calculated based on our total debts (being the total bank and other loans) as at the respective dates divided by total equity as at the same dates and multiplying the resulting value by 100%.

(6) Net debt to equity ratios as at 31 December 2017, 2018 and 2019 and 30 June 2020 were calculated based on net debts (being total bank loans net of cash and cash equivalents) divided by total equity as at the same dates and multiplying the resulting value by 100%.

(7) For the calculation of the return on equity and return on total assets for 6M2020, the profit before tax refers to the figure for 6M2020 and has not been annualised. Accordingly, they are not comparable to the corresponding figures for FY2017, FY2018 and FY2019.

Return on equity

Our return on equity amounted to approximately 26.7%, 23.1% and 13.4% for FY2017, FY2018 and FY2019, respectively. Our return on equity decreased from approximately 26.7% in FY2017 to approximately 23.1% in FY2018, mainly due to the increase in the average of the beginning and ending balance of total equity attributable to the Shareholders for FY2018 as compared with FY2017 primarily as a result of the issuance of shares during FY2017. Our return on equity further decreased to approximately 13.4% in FY2019, mainly due to the decrease in the net profit recognised during FY2019 as compared with FY2018 primarily as a result of the increase in impairment losses on trade receivables and contract assets incurred for Baishan Project (Phase I) and the Baishan Project (Phase II) in FY2019 as disclosed in the paragraph headed "— Description of major components of our consolidated statements of profit or loss" above. Our return on equity amounted to approximately 5.1% for 6M2020, but it is not comparable to the corresponding figures for FY2017, FY2018 and FY2019 as the profit before tax used in the calculation refers to the half-year figure for 6M2020 and has not been annualised.

Return on total assets

Our return on total assets amounted to approximately 5.5%, 5.3% and 3.1% for FY2017, FY2018 and FY2019, respectively. Our return on total assets decreased from approximately 5.5% in FY2017 to approximately 5.3% in FY2018 and further decreased to approximately 3.1% in FY2019. Such decrease was mainly attributable to the relatively larger total assets growth outweighed the growth in net profit. Our return on total assets further decreased to approximately

3.1% in FY2019, which was mainly due to the decrease in net profit recognised during FY2019 primarily as a result of the increase in impairment losses on trade receivables and contract assets incurred for Baishan Project (Phase I) and the Baishan Project (Phase II) in FY2019 as disclosed in the paragraph headed "— Description of major components of our consolidated statements of profit or loss" above. Our return on total assets amounted to approximately 1.2% for 6M2020, but it is not comparable to the corresponding figures for FY2017, FY2018 and FY2019 as the profit before tax for the calculation refers to the half-year figure for 6M2020 and has not been annualised.

Interest coverage

Our interest coverage amounted to approximately 3.9, 3.6, 2.9 and 2.5 for FY2017, FY2018, FY2019 and 6M2020, respectively. Our interest coverage decreased from approximately 3.9 times in FY2017 to approximately 3.6 times in FY2018 and approximately 2.9 times in FY2019 and further decreased to approximately 2.5 times in 6M2020. Such decrease was mainly due to the increase in interest expenses primarily resulting from the increase in interest rates on bank loans and the increase in our short-term bank loans with higher interest rates attached to as compared with long-term loans during the Track Record Period.

Current ratio

Our current ratio remained relatively stable during the Track Record Period, which amounted as approximately 1.2 times, 1.1 times, 1.1 times and 1.1 times as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Gearing ratio

Our gearing ratio was approximately 170.7%, 151.9%, 121.5% and 122.2% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Such decrease was mainly due to the increase in total equity outweighed the increase in bank loans during this period.

Net debt to equity ratio

Our net to equity ratio amounted to approximately 126.9%, 135.6%, 103.4% and 113.7% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Our net debt to equity ratio increased from approximately 126.9% as at 31 December 2017 to approximately 135.6% as at 31 December 2018, which was mainly due to the increase in net debt during this period. Our net debt to equity ratio decreased from approximately 135.6% as at 31 December 2018 to approximately 103.4% as at 31 December 2019. Such decrease was mainly due to the decrease in our net debt primarily resulting from the increase in our cash and cash equivalent, which outweighed the increase in bank loans as at 31 December 2018. Our net debt to equity ratio increased to approximately 113.7% as at 30 June 2020 from approximately 103.4% as at 31 December 2019, which was mainly due to the increase in balance of bank loans during this period.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

During the Track Record Period, our cash inflow was primarily sourced from financing activities and revenue generated from our business operation. Our primary use of cash was mainly for financing our daily operations, working capital requirements in relation to the execution of our projects, such as payment for procurement of raw materials and subcontracting costs and repayment of bank loans. Going forward, we expect the aforementioned sources of cash to continue as our principal source of liquidity, except for net proceeds from the Global Offering which will be used according to our plan use of proceeds plan as detailed in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Set out below are measures devised by our Group for improving our cashflow positions:

(i) introducing capital management measures which stipulate that all revenues and expenditures shall be included in the budget and the funds usage shall be carried out within the scope of the budget. The overall arrangement and control of capital shall be carried out through the preparation, implementation and assessment of the funds usage plans determined on an annual, quarterly, monthly and fortnightly basis to maintain the funds balance. The fortnight funds plan involves the plan for bank loans and borrowings, expenses, cost of sales (such as labour cost, cost of materials, machinery usage fees, commissioned design fees, etc.) and income;

(ii) establishing a centralised capital management system, which manages our capital usage by sectors, such as the construction sector, the design sector and the company level sector. In particular, (a) we shall reserve a portion of the capital collected from customers for projects in the construction sector and utilise the remaining funds for the payment of the costs and expenditures incurred for the projects in the same sector; (b) for capital collected from customers for projects in the construction sector where we have equity investment in, we shall utilise the capital as operating funds to distribute the payment for construction costs proportionally based on the progress of the construction works; (c) capital collected from customers for projects in the design sector shall be retained and used in the same sector and the funding gap, if any, may be satisfied by internal transfer of funds from other sectors; and (d) for large-scale projects with revenue to be generated of more than RMB50.0 million, we shall form a special cashflow management scheme for such projects on a monthly basis;

(iii) prioritising the payment for our capital expenditures pursuant to their nature. In particular, our rigid expenditures including, among other things, staff salaries, taxes, loan principal and interests, bidding fees, rent and water and electricity costs shall be paid in priority. In addition, the payment for our capital expenditure shall be made in accordance with the fortnight funds plan;

(iv) assigning the responsible department and personnel in charge of the management of trade receivables by regularly monitoring trade receivable accounts and reminding our staff in relevant departments to collect overdue debts;

(v) implementing internal control manuals regarding contract assets and trade receivables, pursuant to which the finance department shall prepare a balance sheet of contract assets and trade receivables on a monthly basis. The regional management team under the engineering department follows up and discusses the confirmation of contract assets and collection of trade receivables reflected in the aforementioned balance sheet for receivables through telephone and text messages and assesses the recoverability of outstanding contract sum from each customer. Please refer to paragraph headed "— Description of major components of our consolidated statements of financial position — Trade receivables" in this section for further details; and

(vi) monitoring the number of trade receivable turnover days in comparison with the number of trade and bills payable turnover days with an aim to optimising the trade receivable turnover days relative to the trade and bills payable turnover days for a healthy settlement and payment position. It is one of our Group's cashflow management strategies that we would seek allowance for delays in payments of trade payables through negotiations or communications with suppliers or subcontractors; or we would enter into supply or subcontracting agreements which allow for such delays in cases where have not been able to receive payments from customers for the relevant project, whereas our Group would follow up and chase for quicker settlement of trade receivables from customers.

The following table sets forth a summary of our Group's consolidated statements of cash flows for the years indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash generated from operating activities before changes in working capital	106,444	143,072	164,245	44,949	56,638
Changes in working capital	(193,900)	(86,978)	(84,247)	(14,370)	(111,125)
Income tax paid	(25,318)	(20,080)	(39,869)	(34,328)	(19,502)
Net cash (used in)/generated from operating activities	(112,774)	36,014	40,129	(3,749)	(73,989)
Net cash (used in)/generated from investing activities	(21,236)	(87,929)	(86,469)	(53,667)	37,145
Net cash generated from/ (used in) financing activities	232,282	(10,977)	64,438	59,116	165
Net increase/(decrease) in cash and cash equivalents	98,272	(62,892)	18,098	1,700	(36,679)
Cash and cash equivalents at 1 January	20,363	118,635	55,230	55,230	73,615
Effect of foreign exchange rate changes	—	(513)	287	173	5
Cash and cash equivalents at 31 December/30 June	118,635	55,230	73,615	57,103	36,941

Net cash (used in)/generated from operating activities

During the Track Record Period, we derived our cash inflow from operating activities principally from the revenue generated from the landscaping and ecological restoration projects that we have delivered. Our cash outflow used in operating activities was principally for purchases of raw materials, labour and professional subcontracting fees, and labour costs. The changes in our cash flow from operating activities also primarily reflect the effect of movement in inventories, contract assets and liabilities, trade receivables and trade and bills payables. As a result, our cash flows from operating activities can be significantly affected by factors such as the timing of collections from customers and payments to suppliers and subcontractors in the ordinary course of business.

For FY2017, our net cash used in operating activities was approximately RMB112.8 million, mainly attributable to the increase in (i) contract assets of approximately RMB221.4 million as a result of the increase in the quantity of work performed for projects undertaken by us; and (ii) trade receivables of approximately RMB60.6 million as a result of the general increase in revenue recognised from projects undertaken by us which commenced construction in FY2017, which was partially offset by (a) profit before taxation of approximately RMB72.4 million; and (b) the increase in trade and bills payables of approximately RMB101.3 million due to the general increase in the purchase of construction raw materials and subcontracting costs as a result of the increase in the size of projects undertaken during FY2017.

For FY2018, our net cash generated from operating activities was approximately RMB36.0 million, mainly attributable to (i) the profit before taxation of approximately RMB98.0 million; and (ii) the increase in trade and bills payables of approximately RMB130.5 million as a result of the general increase in the purchase of construction raw materials and subcontracting costs, which was partially offset by the increase in (a) contract assets of approximately RMB126.4 million as a result of the increase in the amount of work performed for projects undertaken by us; and (b) trade receivables of approximately RMB110.8 million as a result of the general increase in revenue recognised for FY2018.

For FY2019, our net cash generated from operating activities was approximately RMB40.1 million, mainly attributable to (i) the profit before taxation of approximately RMB79.4 million; and (ii) the adjustment for the impairment losses of trade and other receivables and contract assets of approximately RMB64.4 million primarily as a result of the write-off of trade receivables for the Baishan Project (Phase I) and Baishan Project (Phase II) as disclosed in the paragraph headed "— Description of major components of our consolidated statements of profit or loss" above, which was partially offset by the increase in contract assets of approximately RMB121.7 million as a result of the increase in the quantity of work performed for projects undertaken by us.

For 6M2020, our net cash used in operating activities was approximately RMB73.8 million, mainly attributable to the increase in (i) the gross amount of trade receivables of approximately RMB60.5 million and the gross amount of contract assets of approximately RMB65.4 million mainly attributable to the fact that we generally receive a larger portion of payments from our customers during the second half of the year, and that whilst the project company of the Shenjunshan Project paid approximately RMB186.9 million to our Group during 6M2019, it only made the payment to our Group shortly after 6M2020 in July and August 2020; and (ii) inventories and other contract costs of approximately RMB22.0 million as a result of the accumulation of contract costs incurred by us during 6M2020, which was partially offset by (a) the profit before taxation of approximately RMB28.3 million; and (b) the increase in trade and bills payables of approximately RMB28.4 million as a result of the increase in amount payable to material suppliers due to the general increase in revenue recognised for 6M2020.

Net cash (used in)/generated from investing activities

During the Track Record Period, our cash inflow from investing activities were primarily derived from the proceeds from disposal of non-current assets and interest received and our cash used in investing activities primarily related to purchase of non-current assets, and capital contributions to associate, joint venture and other equity investments.

For FY2017, our net cash used in investing activities was approximately RMB21.2 million, primarily attributable to the cash outflow from (i) purchase of non-current assets of approximately RMB4.4 million; and (ii) capital contribution to an associate, namely Changchun Xianbang, of RMB20.3 million, which was partially offset by the proceeds from the disposal of non-current assets of approximately RMB0.1 million and interest received in the amount of approximately RMB3.3 million.

For FY2018, our net cash used in investing activities was approximately RMB87.9 million, primarily attributable to the cash outflow from (i) purchase of non-current assets of approximately RMB3.2 million; (ii) capital contribution to an associate, namely Changchun Xianbang, of approximately RMB15.9 million; (iii) capital contribution to a joint venture, namely Tianjun Tourism, of RMB75.0 million; and (iv) capital contribution to other equity investment of approximately RMB4.5 million, which was partially offset by (a) the proceeds from the disposal of non-current assets of approximately RMB6.5 million arising from the disposal of several office units of Zonbong Shanshui; and (b) interest received from our customers in respect of non-current trade receivables as stipulated in the contracts.

For FY2019, our net cash used in investing activities was approximately RMB86.5 million, mainly attributable to (i) net increased in due from related parties of approximately RMB46.1 million consisting of a loan granted to a related party, namely Meihekou Qingfeng, of RMB30.0 million for the purpose of financing the construction of the Meihekou Project and amounts due from an associate, namely Changchun Xianbang, of approximately RMB16.1 million for the purpose of financing the construction of the EDZ Project; and (ii) capital contribution to a joint venture, namely Tianjun Tourism, of approximately RMB33.9 million.

For 6M2020, our net cash generated from investment activities was approximately RMB37.1 million, mainly attributable to the proceeds from repayment of advances by related parties of approximately RMB46.1 million relating to the settlement of our advance to Changchun Xianbang and Meihekou Qingfeng by 30 June 2020.

Net cash generated from/(used in) financing activities

During the Track Record Period, our cash inflow from financing activities primarily consisted of capital contributions from non-controlling equity shareholders, proceeds from the issuance of shares (net of transaction expenses), proceeds from bank loans and proceeds from advances from related parties and third parties. Our cash outflow used in financing activities primarily consisted of repayment of bank loans, interest paid, repayment of advances from related parties and third parties, capital and interest element of lease rentals paid, increase in deposits, payment of interest, and deemed distribution arising from the Reorganisation.

For FY2017, our net cash generated from financing activities was approximately RMB232.3 million, primarily attributable to proceeds from bank and other loans of RMB285.0 million for our operation, proceeds from advances from related parties of RMB119.6 million and proceeds from the issuance of shares of approximately RMB99.7 million, which was partially offset by the repayment of bank loans of RMB127.5 million, repayment of and loans from related parties of RMB110.6 million and interest paid of approximately RMB23.7 million.

For FY2018, our net cash used in financing activities was approximately RMB11.0 million, primarily attributable to the repayment of bank and other loans of RMB445.0 million, repayment loans from related parties of RMB159.0 million, repayment of advances from third parties of RMB30.0 million and interest paid of approximately RMB36.0 million, which was partially offset by proceeds from bank loans of approximately RMB494.7 million, loans from related parties of RMB149.4 million and proceeds from advances from third parties of RMB32.0 million.

For FY2019, our net cash generated from financing activities was approximately RMB64.4 million, mainly attributable to (i) proceeds from bank and other loans of RMB565.0 million; (ii) capital contribution from non-controlling equity shareholders of RMB187.6 million, which was contributed by Jilin Shengyi to Zhongke Zonbong pursuant to our Reorganisation for the purpose of the Listing; and (iii) proceeds from advances from third parties of RMB137.6 million primarily in relation to the advances from the public sector entity of the Shenjunshan Project, which was partially offset by (i) repayment of bank loans of approximately RMB582.8 million; (ii) deemed distribution arising from the Reorganisation of approximately RMB205.1 million in relation to the acquisition of Zhongke Zonbong from Zonbong Landscape by Jilin Zonbong at a consideration of RMB5.1 million which was settled in October 2019 and the acquisition of Zonbong Landscape from Jilin Shengyi by Zhongke Zonbong at a consideration of RMB200.0 million which was fully settled in August 2019.

For 6M2020, our net cash generated from financing activities was approximately RMB0.2 million, mainly attributable to the proceeds from bank and other loans of approximately RMB220.0 million, which was partially offset by the repayment of bank loans of approximately RMB185.9 million.

NET CURRENT ASSETS

	As at 31 December			As at 30 June	As at 31 October
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories and other contract costs	38,848	63,110	21,368	43,320	30,941
Contract assets	409,092	530,639	631,139	691,981	933,431
Trade receivables	282,894	439,369	488,596	540,484	474,241
Prepayments, deposits and other receivables	33,344	39,747	76,895	38,925	42,860
Derivative financial instruments	—	3,066	—	—	—
Restricted bank deposits	201	18,158	15,601	602	602
Cash and cash equivalents	118,635	55,230	73,615	36,941	37,536
	883,014	**1,149,319**	**1,307,214**	**1,352,253**	**1,519,611**
Current liabilities					
Trade and bills payables	331,700	461,108	502,713	531,063	637,687
Accrued expenses and other payables	53,081	50,503	199,955	173,468	172,530
Contract liabilities	42,934	90,522	66,552	79,693	106,552
Bank and other loans	302,000	415,542	420,000	454,136	475,000
Lease liabilities	2,659	1,949	3,945	503	504
Income tax payable	10,113	25,506	12,663	5,996	21,102
	742,487	**1,045,130**	**1,205,828**	**1,244,859**	**1,413,375**
Net current assets	**140,527**	**104,189**	**101,386**	**107,394**	**106,236**

We had net current assets of approximately RMB140.5 million, RMB104.2 million, RMB101.4 million, RMB107.4 million and RMB106.2 million as at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 October 2020, respectively. Major factors of fluctuation of the balances were elaborated below.

Our net current assets position decreased from approximately RMB140.5 million as at 31 December 2017 to approximately RMB104.2 million as at 31 December 2018, representing a decrease of approximately RMB36.3 million or 25.8%. The decrease was principally due to the increase in our total current liabilities from approximately RMB742.5 million as at 31 December 2017 to approximately RMB1,045.1 million as at 31 December 2018, primarily attributable to the increase in (i) bank and other loans of approximately RMB113.5 million resulting from the increase in the number of projects undertaken; and (ii) trade and bills payable of approximately RMB129.4 million which was in line with the increase in cost of sales. Such increase was partially offset by the increase in total current assets from approximately RMB883.0 million to approximately RMB1,149.3 million as at 31 December 2018, primarily due to the increase in contract assets and trade receivables totalling of approximately RMB278.0 million due to the increase in construction works undertaken and measured by our customers.

Our net current assets position changed from approximately RMB104.2 million as at 31 December 2018 to approximately RMB101.4 million as at 31 December 2019, primarily due to the increase in total current liabilities from approximately RMB1,045.1 million as at 31 December 2018 to approximately RMB1,205.8 million as at 31 December 2019, primarily due to the increase in accrued expenses and other payables mainly as a result of our financial guarantees issued for the bank loans borrowed by the project companies of the EDZ Project and the Shenjunshan Project, namely Changchun Xianbang and Tianjun Tourism, for the purpose of supporting the financing for the two projects and our repayment obligation to the public sector entity of the Shenjunshan Project arising from the arrangement as disclosed in the paragraph headed "— Description of major components of our consolidated statements of financial position" above, which was partially offset by the increase in our total current assets from approximately RMB1,149.3 million as at 31 December 2018 to approximately RMB1,307.2 million as at 31 December 2019, primarily attributable to the increase in contract assets and trade receivables due to the increase in construction works undertaken and measured by our customers.

Our net current assets position increased from approximately RMB101.4 million as at 31 December 2019 to approximately RMB107.4 million as at 30 June 2020, representing an increase of approximately RMB6.0 million or 5.9%. Such increase was primarily due to the increase in the current portion of contract assets of approximately RMB60.8 million and the current portion of trade receivables of approximately RMB51.9 million mainly as a result of the general increase in revenue recognised for 6M2020.

Our net current assets position remained relatively stable from 30 June 2020 to 31 October 2020.

INDEBTEDNESS

The following table sets forth the component of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank and other loans					
Guaranteed by related parties	195,000	117,500	90,000	105,000	105,000
Guaranteed by third parties	25,000	—	—	195,000	195,000
Guaranteed by related parties and third parties	80,000	125,000	105,000	—	—
Guaranteed by related parties and secured by trade receivables and contract assets of our Group	162,500	273,042	275,000	209,136	182,500
Secured by trade receivables and contract assets of our Group	—	—	—	—	35,000
Unsecured and unguaranteed	—	—	5,000	—	—
	462,500	515,542	475,000	509,136	517,500
Other loan:					
Unguaranteed and unsecured	—	—	20,000	20,000	20,000
	462,500	515,542	495,000	529,136	537,500
Amount due to related parties	11,851	2,377	17,482	1,836	1,836
Amount due to third party	—	2,000	95,600	95,600	81,239
Lease liabilities	5,753	4,020	8,117	765	586
	17,604	8,397	121,199	98,201	83,661
Contingent liabilities	—	—	460,000	507,000	542,700
Financial guarantees issued	—	—	39,496	40,556	39,388

Bank and other loans

As at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 October 2020, we had outstanding bank and other loans of RMB462.5 million, approximately RMB515.5 million, RMB495.0 million, approximately RMB529.1 million and approximately RMB537.5 million, respectively. As at the Latest Practicable Date, we had total unutilised banking facilities of RMB120.0 million.

Our bank and other loans fluctuated during the Track Record Period, which was used to finance our operation in order to cater for the projects being awarded to us.

Our bank loans were obtained primarily for financing working capital of our Group and we repaid the borrowings through cash flows generated from our operations. As at 31 December 2017, 2018 and 2019 and 30 June 2020, most of our bank loans, respectively, were guaranteed and/or secured. The assets used to secure our bank loans included trade receivables and contract assets, which are set forth as below:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables and contract assets .	117,406	169,243	246,557	273,190

During the Track Record Period, our Group had bank loans guaranteed by related parties. Please refer to the paragraph headed "— Related party transactions" in this section for a breakdown of the guarantees provided by related parties for our bank loans during the Track Record Period.

During the Track Record Period, certain of our bank loans were guaranteed by third parties, which were Independent Third Parties and financial guarantee companies specialised in providing guarantees for bank loans. For financial guarantees provided by such guarantee companies, we incurred total guarantee fees of RMB0.4 million, RMB3.3 million, RMB3.7 million and RMB1.9 million for FY2017, FY2018, FY2019 and 6M2020, respectively. Key terms of the guarantee agreements between the banks and the third-party guarantee companies generally include: (i) joint liability guarantee provided by the guarantor; (ii) the scope of guarantee, which generally covers the principal loan amount, interests accrued thereon and any liquidated damages payable by the borrower; and (iii) the guarantee period, which generally covers the entire maturity period of the loan and certain number of years as stipulated thereunder following expiry of the maturity period. It is not uncommon for banks in the PRC to accept provision of financial guarantees from third party guarantee companies for loans granted to companies in the landscaping and ecological restoration industry in the PRC.

Our loan agreements with banks typically provide for material covenants such as our covenants to promptly notify the lending banks in the event of any material adverse changes in our operations and financial condition and restrictions on the use of proceeds from the bank loans. Moreover, we are typically required to obtain the relevant lending bank's prior written consent before we conduct reorganisations, mergers, split-off, joint ventures, capital reductions, equity transfers, transfers of major assets or spinning of major business sections, or intended transfer of creditor's rights, material investments, substantial increases of debt financing or other actions that may adversely affect our ability to repay the loans. We finance our business operation substantially by the means of bank loans. We cannot assure you that we are always able to obtain the lending bank's consent for any of these activities. If we fail to obtain such consent, our business may be impeded. Please refer to the paragraph headed "Risk Factors — Risks relating to our business — We are restricted by covenants in our financing agreements" in this prospectus for details. Our Directors confirm that we complied with all material covenants under our loan agreements during the Track Record Period.

The duration of our bank and other loans ranges from one year to eight years. During the Track Record Period, our bank and other loans were repayable as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	302,000	415,542	420,000	454,136
After 1 year but within 2 years	60,500	25,000	25,000	25,000
After 2 years but within 5 years	75,000	75,000	50,000	50,000
After 5 years	25,000	—	—	—
	160,500	100,000	75,000	75,000
	462,500	515,542	495,000	529,136

Our Group's banking facilities amounted to approximately RMB120.0 million, RMB190.0 million, RMB140.0 million and RMB70.0 million as 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Out of which, approximately RMB85.0 million, RMB140.0 million, RMB135.0 million and RMB55.0 million were utilised, respectively. All guarantees and counter-guarantees provided by the Controlling Shareholders will be released prior to or upon the Listing of our Company's Shares on the Stock Exchange.

Amounts due to related parties

For details, please refer to note 33 (d)(i) as set forth in "Appendix I — Accountants' Report" in this prospectus.

Lease liabilities

The following table sets forth a breakdown of our lease liabilities as at the dates indicated:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	Present value of the minimum lease payments	*Total minimum lease payments*	*Present value of the minimum lease payments*	*Total minimum lease payments*	*Present value of the minimum lease payments*	*Total minimum lease payments*	*Present value of the minimum lease payments*	*Total minimum lease payments*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,659	2,744	1,949	1,987	3,945	4,075	503	521
After 1 year but within 2 years	1,147	1,242	17	18	1,926	2,084	262	285
After 2 year but within 5 years	1,162	1,494	1,220	1,476	1,358	1,546	—	—
After 5 years	785	1,376	834	1,376	888	1,281	—	—
	3,094	4,112	2,071	2,870	4,172	4,911	262	285
	5,753	6,856	4,020	4,857	8,117	8,986	765	806
Less: total future interest expenses		(1,103)		(837)		(869)		(41)
Present value of lease liabilities		5,753		4,020		8,117		765

Except as disclosed in the paragraph headed "— Indebtedness" above in this section, our Directors confirm that our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 October 2020. Our Directors further confirm that during the Track Record Period, our Group did not experience any default, delay, withdrawal or request for repayment on demand of borrowings nor did we breach any major finance covenants and that there has not been any material change in our indebtedness and contingent liabilities since 31 October 2020 and up to the Latest Practicable Date. To the best knowledge and belief of our Directors, our Group will not have difficulties in obtaining new banking facilities or renewing banking facilities after Listing. As at the Latest Practicable Date, we did not have any plan for material external debt financing.

Contingent liabilities

As at 31 December 2019 and 30 June 2020, our Group has issued a guarantee in respect of a loan made by a bank to Tianjun Tourism, a joint venture of our Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract amounting to RMB410.0 million, among which RMB310.0 million (including principal and interests) is to be guaranteed by our Group. As at 31 December 2019 and 30 June 2020, the balances of the bank loan borrowed by Tianjun Tourism were approximately RMB310.4 million and RMB339.2 million, respectively.

As at 31 December 2019 and 30 June 2020, our Group has issued a guarantee in respect of a loan made by a bank to Changchun Xianbang, an associate of our Group. In November 2019, Changchun Xianbang obtained a long-term bank loan with the principal amount of RMB300.0 million among which RMB330.0 million (including principal and interests) is to be guaranteed by our Group. As at 31 December 2019 and 30 June 2020, the balances of the bank loan were RMB150.0 million and RMB197.0 million, respectively.

Our 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 our Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

Financial guarantees issued

Our financial guarantees issued amounted to approximately RMB40.6 million and RMB39.4 million as at 30 June 2020 and 31 October 2020, respectively, which was provided for the guarantees provided by our Group for the bank loans borrowed by an associate of our Group and the project company of the EDZ Project, namely Changchun Xianbang, and a joint venture of our Group and the project company of the Shenjunshan Project, namely Tianjun Tourism, for the purpose of supporting the financing for the two projects, and initially recognised with reference to fees charged in an arm's length transaction for similar services and amortised in profit or loss over the term of the guarantees subsequent to initial recognition. Such financial guarantees issued by our Group are expected to be released upon the maturity and full repayment of the bank loans borrowed by the associate and the joint venture in 2029 and 2033, respectively. Such financial guarantees issued by our Group will not be released prior to or upon the Listing.

During the Track Record Period and up to the Latest Practicable Date, the financial guarantees provided by our Group for related parties and the financial guarantees provided by related parties for our Group were not circular in nature given that the related parties providing such guarantees were not those related parties for which our Group provided guarantees.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	—	1,357	—	—
Construction equipment and motor vehicles	1,658	48	229	—
Know-how	144	—	—	—
Investment to a joint venture	—	75,000	33,869	8,550
Investment to an associate	20,300	15,896	13,432	—
Other equity investments	—	4,530	—	—
Others	2,564	1,802	538	449
Total	**24,666**	**98,633**	**48,068**	**8,999**

Our capital expenditures during the Track Record Period primarily consisted of expenditures on acquisitions of property and procurement of plants and equipment in the course of our operations, investment to a joint venture, investment to an associate and other equity investment. For FY2017, FY2018, FY2019 and 6M2020, our capital expenditures incurred were approximately RMB24.7 million, RMB98.6 million, RMB48.1 million and RMB9.0 million, respectively. We funded our capital expenditure requirements during the Track Record Period mainly from cash inflow generated from operations and bank loans.

We expect to fund our planned capital expenditures with our internal resources and bank loans. Our planned capital expenditures may be subject to alterations due to variations in our future cash flows, results of operations and financial conditions, changes in the PRC and world economy, the availability of financing on terms acceptable to us, technical and other problems obtaining and installing equipment, changes in the regulatory environment in the PRC and other factors.

WORKING CAPITAL

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand, cash generated from operations and bank borrowings and loans from related parties. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) status of existing projects including their stage of development and project progress as well as new project pipeline; (ii) the level of our trade payables, trade receivables and contract assets, prepayments and their respective payment and receipt progress and status; and (iii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules, and if necessary, adjust the investment, financing and dividend payout plans so as to ensure we maintain sufficient working capital. Please refer to paragraph headed "— Liquidity and capital resources — Cash flows" in this section for more details regarding our capital and trade receivables management measures.

Our Directors are of the opinion that we will have sufficient financial resources and working capital to meet our working capital requirement for the next 12 months from the date of this prospectus, taking into account key considerations and key factors including but not limited to the following:

(i) the financial resources available to our Group, including (a) our Group's cash and cash equivalent of approximately RMB37.5 million as at 31 October 2020; (b) net proceeds from the Global Offering expected to be raised by our Group; (c) our Group 's existing banking facilities which are expected to be renewed based on our Group's previous experience and the bank loans that it expects to obtain; and (d) payments expected to receive from its customers for backlog projects;

(ii) the historical settlement and conversion records of the trade receivables, contract assets and contract liabilities during the Track Record Period in assessing the amount of expected cash inflows from customers;

(iii) the latest status and progress of our Group's existing projects as well as the new projects awarded (or anticipated to be awarded) to our Group;

(iv) the latest ongoing discussions of our Group with customers on project status and payment schedules as part of our Group's working capital management measures, from which our Directors were not aware of any material issue with the financial conditions of the customers, default risk on the part of the customers or dispute in relation to project execution and outstanding amounts;

(v) the amount of expected cash outflows arising from payments to suppliers or subcontractors assessed based on the historical trade and bills payment records during the Track Record Period as well as our Group's measures to manage its payments to suppliers and subcontractors in view of the cash collection from its customers as part of our Group's working capital management measures; and

(vi) the amount and repayment schedule of bank and other loans obtained by our Group, the remaining equity investments or other funding requirements to project companies for PPP projects and payments to employees or other payments to be incurred in connection with our Group's operation.

To substantiate the key considerations and key factors as disclosed above, our Directors have assessed our Group's financial resources and working capital sufficiency for the year ending 31 December 2021 by assessing and monitoring, among other things, its estimated cash inflows and outflows in terms of our operating cashflow turnover, our indebtedness and our ability to obtain external financing as further discussed below, in addition to our Group's existing financial resources and the net proceeds from the Global Offering expected to be raised by our Group. Based on such assessment, we are of the view that we will have sufficient financial resources and working capital to meet our working capital requirement for the next 12 months from the date of this prospectus.

(a) Our working capital turnover

We estimated the amount of cash inflows from collection of payments from our customers for the year ending 31 December 2021 based on our estimated revenue for such year (which is in turn based on, among other things, the total value of our backlog and value of new contracts expected to be awarded to us) and our average contract asset and trade receivable turnover days during the Track Record Period (assuming the turnover days for the year ending 31 December 2021 will be at similar level as such average turnover days during the Track Record Period).

As part of our Group's working capital management measures, we would monitor the number of trade receivable turnover days in comparison with the number of trade payable turnover days with an aim to optimising the trade receivable turnover days relative to the trade payable turnover days for a healthy settlement and payment position. It is one of our Group's cashflow management strategies that we would seek allowance for delays in payments of trade payables through negotiations or communications with suppliers or subcontractors; or we would enter into supply or subcontracting agreements which allow for such delays in cases where have not been able to receive payments from customers for the relevant project, whereas our Group would follow up and chase for quicker settlement of trade receivables from customers. Our Directors confirm that the aforementioned cashflow management measures did not constitute a breach of the relevant supply or subcontracting agreement which would result in any material adverse impact on our Group.

These measures and strategies are reflected in our Group's trade receivable turnover days which were at a similar level to the trade payable turnover days during the Track Record Period, and that the trade receivable turnover days also showed a decreasing trend (falling from approximately 252.5 days in FY2017 to approximately 248.2 days in FY2018 and then to approximately 249.3 days in FY2019) whereas the trade and bills payable turnover days showed an increasing trend (rising from approximately 207.1 days in FY2017 to approximately 236.0 days in FY2018 and then to approximately 264.9 days in FY2019).

Notwithstanding the above, we recorded increasing contract assets, contract liabilities and trade receivable turnover days on a combined basis, from approximately 436.1 days in FY2017 to approximately 462.5 days in FY2018 and then to approximately 488.2 days in FY2019. As part of our cashflow management measures, the management of our Group have identified certain projects with long-outstanding unconverted contract assets and long-outstanding unsettled receivables, which materially contributed to the increase of such turnover days during the Track Record Period, for specific follow-up actions. Our Directors are also of the view that there will be no material issue on the conversion or recoverability of such long outstanding contract assets and trade receivables based on reasons as elaborated in the paragraphs headed "Contract assets" and "Trade receivables" under the section headed "Financial Information — Description of major components of our consolidated statements of financial position" of this prospectus.

The increases in contract assets, contract liabilities and trade receivable turnover days from FY2017 and FY2019 as described above were primarily attributable to (i) the aforementioned projects with long-outstanding unconverted contract assets and long-outstanding unsettled receivables; and (ii) the large amount of contract assets and trade receivables from the Shenjunshan Project (a large-scale ecological restoration project commenced in FY2017) and the Meihekou Projects (a large-scale landscaping project commenced in FY2018). According to the CIC Report, for landscaping or ecological restoration projects of a larger scale in the PRC, a substantial portion of payments are generally made at the later stage of the project.

(b) Our indebtedness

As at 31 October 2020, our indebtedness primarily comprised:

(i) bank and other loans of approximately RMB537.5 million (representing approximately 41.8% of our total indebtedness);

(ii) amount due to third party of approximately RMB81.2 million (representing approximately 6.3% of our total indebtedness), which arose from the establishment of the relevant project company, namely Tianjun Tourism. Please refer to the section headed "Financial Information — Selected financial data of consolidated statements of financial position items — Accrued expenses and other payable" in the Prospectus for further details of the aforementioned arrangements. Based on our communications with the relevant creditor, our Directors expect that our Group will not be required to settle the RMB81.2 million in 2021;

(iii) contingent liabilities of approximately RMB542.7 million (representing approximately 42.2% of our total indebtedness). Our Directors are of the view that the contingent liabilities of our Group will not have a material impact on the cashflow position of our Group as (i) such contingent liabilities mainly arose from the provision of guarantees by our Group in respect of bank loans advanced to the project companies of the PPP projects, which are not subsidiaries of our Company and are not consolidated into the financial statements of our Group; and (ii) based on the assessment elaborated below, our Directors do not anticipate that such contingent liabilities will materialise and adversely affect the cash flows of our Group for the year ending 31 December 2021.

Such contingent liabilities arose mainly due to the provision of guarantees from our Group to the project companies of the Shenjunshan Project and EDZ project, namely Tianjun Tourism and Changxhun Xianbang, respectively. As at the Latest Practicable Date, the balances of the long term bank loans borrowed by Tianjun Tourism and Changchun Xianbang were approximately RMB410.0 million and RMB232.7 million, respectively. Please refer to section headed "Financial Information — Indebtedness — Contingent liabilities" in the Prospectus for further details of the aforementioned contingent liabilities.

Our Directors consider that such contingent liabilities will not have any material adverse impact on the cash flow of our Group for the next 12 months from the date of this prospectus as they consider the potential risk of default by Tianjun Tourism and Changchun Xianbang on the loan contract or fail to make payment when due is remote.

(c) Our ability to obtain further external financing

As explained above, our Directors are of the opinion that our Group has sufficient financial resources and working capital to meet our working capital requirement for the 12 months following the date of this prospectus. In addition, in the event of any potential mismatch between cash inflows and cash outflows from our business activities, our Group may utilise proceeds from our external financing, including but not limited to additional bank financing as further discussed below, to meet its working capital requirements.

As at 31 October 2020, the total outstanding balance of our Group's bank loans amounted to approximately RMB517.5 million. Among such outstanding balance, approximately RMB467.5 million (representing approximately 90.3% of the total balance) will fall due on or before 31 December 2021 whereas the remaining balance of RMB50.0 million (representing approximately 9.7% of the total balance) will fall due after 31 December 2021. Our Directors are of the view that the maturity of those bank loans due before 31 December 2021 will not materially affect our cashflow position given that (i) during the Track Record Period, our Group has been able to renew all of our bank loans or obtain further loans from banks which our Group had an existing relationship; and (ii) our Group had unutilised banking facilities of approximately RMB120.0 million available for drawdown as at the Latest Practicable Date, which, our Directors believe, are sufficient to cover potential temporary capital requirements arising from the mismatch between cash inflows and cash outflows from our business activities.

In addition, a majority of the aforementioned bank loans were guaranteed by, among other entities, the Controlling Shareholders (and/or their close associates) (the "**Controlling Shareholder Group**"). As agreed with the relevant banks, all guarantees provided by the Controlling Shareholder Group for such existing bank loans obtained by our Group will be replaced by guarantees provided by our Company or third party guarantor(s) approved by the relevant banks on or before Listing. Our Directors are of the view that our Group is able to obtain further bank loans or other financing to support its operation without reliance on the Controlling Shareholder Group based on, among other things, the following key factors:

(i) we have successfully obtained (a) a new loan facility from a local bank in Jilin province in October 2020 pursuant to which we are entitled to draw down up to RMB120 million during the term of one year from 30 October 2020 and the facility agreement did not require provision of guarantees for drawdown amount; and (b) a new bank loan amounting to RMB20 million from another local bank in Jilin province in November 2020. Both of such financings did not require the provision of guarantees from the Controlling Shareholder Group or other related parties of the Group. As at the Latest Practicable Date, our Group had total unutilised banking facilities of RMB120.0 million available for drawdown;

(ii) our Group has been able to obtain bank financing without the provision of financial guarantees from the Controlling Shareholder Group. In an effort to reducing its reliance on the Controlling Shareholder Group, the proportion of bank loans guaranteed by the Controlling Shareholder Group has dropped substantially from approximately 98.9% as at 31 December 2019 to approximately 61.7% as at 30 June 2020 and then to approximately 42.9% as at the Latest Practicable Date. Going forward, it is our intention that instead of obtaining guarantees from the Controlling Shareholder Group, we will seek to provide a guarantee from our Company where the banks require financial guarantees in respect of our future bank loans. If the relevant bank requires other guarantees, we will explore other options such as obtaining financial guarantees from third party guarantee companies in the market;

(iii) for loans guaranteed by the Controlling Shareholder Group, the guarantees provided by the Controlling Shareholder Group for the Group's existing bank loans are expected to be replaced with guarantees from our Company prior to or upon Listing. Based on our track record in renewing bank loans during the Track Record Period and the fact that the above replacement guarantees have been acceptable to the banks, our Directors believe that our Group will be able to obtain bank loans or facilities from such banks or other banks based on similar arrangements without reliance on the Controlling Shareholder Group; and

(iv) during the Track Record Period, our Group has no record of default on our repayment of bank loans and our Group has been able to renew existing bank loans or obtain further bank loans from banks which our Group had an existing relationship. Further, following the Listing, the listing status of our Company is expected to enhance its standing and thus strengthen its ability to obtain financing from banks as well as other financing and/or fund raising through the capital markets. Our Directors also believe that together with its relationships with local or national banks in the PRC, these factors have been instrumental to our Group in obtaining new bank loans and facilities.

The Sole Sponsor is satisfied that to the best knowledge of the Sole Sponsor, the our Directors' opinion on the working capital sufficiency for the next 12 months from the date of this prospectus as disclosed above has been given by our Directors after due and careful enquiries.

CONTRACTUAL OBLIGATIONS

Lease commitments

The table below sets out the amount of payments due for future aggregate minimum lease payments under non-cancellable short-term leases as committed by our Group as at the dates indicated:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	286	1,305	866	3,739

Capital commitments

The table below sets out the amount of our capital commitments as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	33,858	13,432	24,500	15,950
Authorised but not contracted for	3,609	1,175	24	22

The outstanding capital commitments as at 30 June 2020 mainly relate to the outstanding required equity investment by our Group to Tianjun Tourism.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

RELATED PARTY TRANSACTIONS

The following tables set forth a breakdown of the nature and total amount of transactions (other than guarantees provided by related parties for our bank loans) that our Group had with material related parties during the Track Record Period:

(i) Transactions with ZIHG and its subsidiaries, joint ventures and associates

	Total amount of transactions				
	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Changchun Urban Construction and Maintenance Company Limited					
Service income	23	5	33	3	—
Rendering of construction, survey, design, technical consultancy and other services	3,983	279	102	—	—
Hunchun Urban Utility Tunnel Construction Management Limited					
Rendering of construction, survey, design, technical consultancy and other services	556	1,677	757	374	(47)

	Total amount of transactions				
	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Jilin Huayi Highway Construction Group Limited					
Service income	10	—	—	—	—
Rendering of construction, survey, design, technical consultancy and other services	(365)	434	166	123	—
Jilin Zonbong Miaomu Limited					
Net increase in advances received from a related party	1,378	—	—	—	836
Purchase of goods	2,265	5,164	2,419	1,505	—
Meihekou Qingfeng					
Net increase in advances granted to a related party	—	—	—	75	—
Rendering of construction, survey, design, technical consultancy and other services	33,837	242,605	95,658	64,551	19,188
Loan granted to a related party	—	—	30,000	—	—
Repayment of loan granted to a related party	—	—	—	—	30,000
Interest on loan granted to a related party	—	—	304	—	(304)
Songyuan Utility Tunnel Construction Investment Limited					
Rendering of construction, survey, design, technical consultancy and other services	3,847	186	616	619	—
ZCLLC					
Interest expenses on loan from a related party	768	178	—	—	—
Lease charges relating to short-term leases and leases of low-value assets	3,592	5,211	2,936	1,541	1,405
Loans repaid to related parties	110,000	159,000	—	—	—
Service income	190	10	105	—	—
Receiving services	—	—	8,536	6,803	—
Purchase of goods	70	—	—	—	—
Loans received from related parties	119,600	149,400	—	—	—
Rendering of construction, survey, design, technical consultancy and other services	7,319	5,384	88,101	5,585	757
Sale of non-current assets	—	—	—	61	—

(ii) Transactions with a joint venture

	Total amount of transactions				
	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Tianjun Tourism					
Advances granted to a related party	—	—	74,368	74,368	—
Repayment of advances granted to a related party	—	—	74,368	48,368	—
Service income	—	—	1,824	—	1,085
Rendering of construction services	—	66,397	109,481	57,591	30,925
Income from financial guarantee issued	—	—	1,123	—	960
Guarantee provided by our Group for the joint venture's bank loan at the end of the reporting period	—	—	310,449	100,000	339,200

(iii) Transactions with an associate

	Total amount of transactions				
	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Changchun Xianbang					
Rendering of construction services	64,621	46,523	27,935	8,073	8,677
Advances granted to a related party	—	—	42,075	—	—
Repayment of advances granted to a related party	—	—	26,000	—	16,075
Income from financial guarantee issued	—	—	108	—	645
Guarantee provided by our Group for the associate's bank loan at the end of the reporting period	—	—	150,000	—	197,000

(iv) Transactions with key management personnel of ZIHG and a company managed by a key management personnel of ZIHG

	Total amount of transactions				
	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Shan Dejiang					
Disposal of a subsidiary	—	2,878	—	—	—
Wang Xuelian					
Disposal of a subsidiary	—	2,765	—	—	—
Jilin Zhongqing Shenlu Cultural Tourism Investment Limited					
Rendering of construction service	—	—	—	—	54,398

(v) Transactions with the equity shareholders of our Company

	Total amount of transactions				
	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
ZIHG International					
Loan received from a related party	—	—	13,975	—	—
Repayment of loan from a related party	—	—	—	—	13,838
Zonbong International					
Loan received from a related party	—	—	1,233	—	—
Repayment of loan from a related party	—	—	—	—	1,224

The following table sets forth a breakdown of the guarantees provided by related parties for our bank loans during the Track Record Period:

	Amount of guarantee provided				
	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Guarantor(s)					
An Independent Third Party, Sun Juqing, Zhao Hongyu	—	—	105,000	—	—
ZCLLC	162,500	178,042	100,000	130,000	115,000
ZCLLC, Changchun Urban Construction and Maintenance Company Limited, Liu Haitao, Wang Tiannv	50,000	—	—	—	—
ZCLLC, Sun Juqing	50,000	—	—	—	—
ZCLLC, ZIHG, Sun Juqing, Zhao Hongyu	—	40,000	40,000	110,000	40,000
ZCLLC, ZIHG, Sun Juqing, Zhao Hongyu, an Independent Third Party	50,000	125,000	—	125,000	—
ZIHG, an Independent Third Party	30,000	—	—	30,000	—
ZIHG, Liu Haitao, Wang Tiannv	—	100,000	—	—	—
ZIHG, Sun Juqing, Zhao Hongyu	45,000	22,500	175,000	102,500	109,136
ZCLLC, Sun Juqing, Zhao Hongyu	50,000	50,000	50,000	50,000	50,000
Total	**437,500**	**515,542**	**470,000**	**547,500**	**314,136**

With respect to the related party transactions set out in "Appendix I — Accountants' Report" to this prospectus, our Directors confirm that all related party transactions were conducted on normal commercial terms of such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholder as a whole. Our Directors further confirmed that the related party transactions would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance. All loans, advances and balances due to and from the Controlling Shareholder Group, and all share pledges, guarantees and other securities provided by the Controlling Shareholder Group for our Group's borrowings (including amounts due to ZIHG and its subsidiaries, joint ventures and associates of approximately RMB2.2 million and loans from ZIHG and its subsidiaries, joint ventures and associates of approximately RMB1.0 million as at 30 June 2020) will be settled or released prior to or upon Listing. The guarantees provided by the Controlling Shareholder Group for our existing bank loans are expected to be replaced with guarantees from our Company prior to or upon Listing. Based on our Group's track record in renewing bank loans during the Track Record Period and the fact that the above replacement guarantees have been acceptable to the banks, our Directors believe that we will be able to obtain further bank loans or facilities from such banks or other banks based on similar arrangements without reliance on the Controlling Shareholder Group.

FINANCIAL RISKS

We are exposed to various types of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. Our overall risk management strives for achieving the best available forecast to the financial markets which are volatile and seeks to minimise potential adverse effects on our financial performance.

Credit risk

Our credit risk primarily comes from the default of the counterparty in the performance of their obligations. The maximum exposure is our carrying amounts of our cash and cash equivalents, trade and other receivables and contract assets.

At 31 December 2017, 2018 and 2019 and 30 June 2020, approximately 18.3%, 20.2%, 20.9% and 16.0% of the total trade receivables and contract assets, respectively, were due from our Group's largest debtor, and approximately 64.4%, 66.4%, 56.2% and 50.4% of the total trade receivables and contract assets, respectively, were due from our Group's five largest debtors.

Our customers are primarily public sector entities. Our 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, we believe the credit risk we generally expose to is limited.

Liquidity risk

The liquidity of our Group depends primarily on our ability to maintain adequate cash inflows from business operations to meet debt repayment obligations as they fall due and our ability to obtain external financing to meet committed future capital expenditures. Our policy is to regularly monitor our liquidity status and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term. Please refer to note 30(b) of "Appendix I — Accountants' Report" in this prospectus for maturity profile of our financial liabilities as at 31 December 2017, 2018 and 2019 and 30 June 2020.

Currency risk

During the Track Record Period, our Group's operation was denominated in RMB. As at 31 December 2018, our Group was exposed to currency risk primarily through a bank loan that was denominated in USD. Our Group uses forward foreign exchange contracts to manage its currency risk until the settlement date of the bank loan denominated in USD.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing borrowings with variable and fixed rates. The contractual interest rates and terms of repayment of the interest-bearing bank borrowings of our Group are stated in notes 26 and 27 of "Appendix I — Accountants' Report" in this prospectus.

At 31 December 2017, 2018 and 2019 and 30 June 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our Group's profit after tax and retained profits by approximately RMB2.1 million, RMB2.2 million, RMB2.1 million and RMB0.7 million, respectively.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, save as disclosed above, they are not aware of any circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

The estimated total listing expenses (based on the midpoint of our indicative Offer Price range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HKD55.8 million, representing approximately 46.9% of the total estimated gross proceeds to be received by our Group from the Global Offering assuming an Offer Price of HKD2.16 per Offer Share (being the midpoint of our indicative Offer Price range between HKD1.90 and HKD2.42 per Offer Share. As at 30 June 2020, we have incurred listing expenses of approximately RMB30.9 million, of which RMB25.1 million were charged to our consolidated statements of profit or loss and approximately RMB5.8 million were capitalised as prepayments, deposits and other receivables. We expect to incur additional listing expenses of approximately RMB17.7 million, of which approximately RMB6.1 million will be charged to our equity upon listing and approximately RMB11.6 million will be charged to our consolidated statements of profit or loss for the six months ending 31 December 2020. The listing expenses above are the latest practicable estimate and for reference only. The actual amount may differ from this estimate.

DIVIDEND

During the Track Record Period, no dividend had been paid or declared by our Company and other entities comprising our Group to our equity shareholders. We do not expect to formulate any specific dividend policy for the time being to distribute dividends immediately after the Listing. Subject to the Companies Act, our Memorandum of Association and the Articles of Association, our Directors may, by resolution, declare and authorise a distribution of dividends in the future, which, if any, will depends on various factors such as the results of our operations, cash flow, capital requirements, general financial conditions, and other factors which they may deem relevant at such time.

We cannot assure you that we will be able to distribute dividends in the future agreements. The declaration and payment of dividends may also be limited by legal restrictions, loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 8 March 2019 as an exempted company in the Cayman Islands and has not carried out any business since the date of its incorporation. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For our unaudited pro forma adjusted net tangible assets, please refer to "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus.

RECENT DEVELOPMENT

The Impact of the COVID-19 outbreak

An outbreak of the respiratory disease COVID-19 was first reported in December 2019 and subsequently expanded globally. On 11 March 2020, the World Health Organization characterised COVID-19 as a pandemic. On the following day, the PRC government announced that the epidemic peak of the current outbreak of COVID-19 in the PRC had passed, the number of new cases had kept declining and the overall epidemic situation remained at a low level.

According to the CIC Report, the outbreak of COVID-19 in the PRC has generally delayed the completion of the landscaping and ecological restoration projects by 15 to 30 days in the PRC. The number of projects completed and the revenue of the landscaping and ecological restoration companies in the PRC experienced a slight decrease in the first quarter of 2020. However, we believe that most projects in such industries in the PRC have gradually resumed since February 2020 and the impact of COVID-19 on the landscaping and ecological restoration market in the PRC is insignificant on a long term basis.

Measures adopted by the PRC government to contain the outbreak of COVID-19 and promote the resumption of work of enterprises in the PRC

Since January 2020, in efforts to contain the outbreak of COVID-19 in the PRC, the PRC government has implemented various measures, such as extending the holiday of the Spring Festival in 2020. As at the Latest Practicable Date, our ongoing projects were located in Jilin Province, Inner Mongolia, Shandong Province, Liaoning Province, Hebei Province, Heilongjiang Province, Beijing Municipality, Tianjin Municipality, Chongqing Municipality, Jiangsu Province and Henan Province, where the local governments required companies (other than those in industries essential for the operation of public utilities, epidemic prevention and control and living of residents) not to resume work until 10 February 2020 (save for Tianjin Municipality, where the relevant local government require companies undertaking business outside the specified scope not to resume work until further notice from the local government). By the end of February 2020, the local government of Tianjin Municipality has announced various measures to promote the resumption of work of construction projects. All of our projects located in Tianjin Municipality which were suspended due to the COVID-19 outbreak have resumed by the end of March 2020. As at the Latest Practicable Date, we are not aware of any lockdown measures in place in the aforementioned regions where our ongoing projects were located.

Pursuant to the Notice of the General Office of MOHURD on Strengthening the Prevention and Control of the Epidemic Situation of COVID-19 and Orderly Promoting the Resumption of Work of Enterprises (住房和城鄉建設部辦公廳關於加強新冠肺炎疫情防控有序推動企業開復工工作的通知) (the "**Notice 5**") promulgated by MOHURD on 26 February 2020 with immediate effect, local departments of housing and urban rural development at all levels shall (i) promote the resumption of work of enterprises and projects, effectively implement the requirements of epidemic prevention and control and strengthen the quality and safety management of the construction site; and (ii) devote more efforts to support and resolve practical difficulties of enterprises by consistently implementing relevant national support policies to reduce the financing costs, occupation of funds and other costs of enterprises, guiding enterprises to strengthen management of changes in contract performance, strengthening the supply guarantee of labour and materials and effectively reducing the financial burden on enterprises by way of speeding up the clearance of the arrears of government departments and state-owned enterprise in the accounts of private enterprises and other measures to prevent arrears and avoid new arrears of project funds.

Our prevention and control measures

We extended the holiday of the Spring Festival (which was originally from 24 January 2020 to 30 January 2020) to 9 February 2020 and devised an epidemic prevention handbook for the commencement/resumption of work stipulating various measures to control the impact of the outbreak of coronavirus on our Group, including but not limited to, (i) subsequent to the resumption of work, requiring all employees to undertake a self-quarantine period of 14 days upon returning from provinces other than their current workplaces; (ii) establishing working groups consisting of senior management and responsible staff in charge of collecting statistics, reporting and other epidemic prevention and control duties during the management of our Group and projects undertaken by us; (iii) on-site prevention and control measures including real-name system management and access control, daily thermometry registration of all project management personnel and labourers engaged by subcontractors, daily disinfection and ventilation of working and living spaces and requiring all on-site personnel to wear masks; and (iv) accommodation arrangement, sanitation management and access control for labourers living on-site. Our Directors estimate that our Group incurred additional costs of approximately RMB0.2 million in aggregate from January to March 2020 to carry out these prevention and control measures.

Our ongoing projects

As at the Latest Practicable Date, all of our ongoing projects were located in Jilin Province, Inner Mongolia, Shandong Province, Liaoning Province, Hebei Province, Heilongjiang Province, Beijing Municipality, Tianjin Municipality, Chongqing Municipality, Jiangsu Province and Henan Province. During the outbreak of COVID-19 and up to the Latest Practicable Date, we are not aware of any lockdown measures in place in the cities where our ongoing projects were located. During the first quarter of 2020, we experienced a temporary suspension for 11 ongoing construction projects due to the outbreak of COVID-19, all of which were resumed by the end of April 2020 with an average suspension period of 17 days based on our estimation. We have been adjusting our construction plans in such projects accordingly to expedite the construction progress to minimise the impact of the suspension period and to avoid delay in the completion of these projects. In particular, we have adjusted the construction plan by increasing the number of trees planted each day and the labourers and machineries used for such projects to satisfy the needs of accelerating the construction period. As at the Latest Practicable Date, our Directors confirm that such temporary suspension of our ongoing projects have not caused any material delay in progress of the construction projects considering that the suspension period were relatively short as compared to the overall construction period for such projects, and there were no material changes in the contract terms of our backlog projects or the situations of our backlog projects due to the outbreak of COVID-19. However, the total contract sum of our newly awarded projects decreased from approximately RMB272.2 million for 6M2019 to approximately RMB169.6 million for 6M2020. Notwithstanding this, our Directors expect that there would not be a material adverse impact on our Group's operation and financial position as a whole after taking into account (i) the backlog of our projects amounting to approximately RMB2,849.0 million as at the Latest Practicable Date; (ii) the six construction projects awarded to us through tendering process during 6M2020 with total contract sum of approximately RMB169.6 million; (iii) the increase in the revenue recognised from 6M2019 to 6M2020 of approximately RMB63.1 million or 21.4%; (iv) the seasonality factor of our projects; and (v) the impact of COVID-19.

On the macroeconomic level, according to the CIC Report, the PRC's GDP decreased by approximately 1.6% year-on-year at comparable prices in the first half year of 2020. In the first half year of 2020, the PRC's fiscal income decreased by approximately 10.8% year-on-year. The decrease in fiscal income may bring pressure on government's payment settlement for landscaping projects. However, fiscal expenditure on the energy saving and environmental protection sector maintained growth trend in the first half year of 2020. The national real estate investment increased by approximately 1.9% year-on-year in the first half year of 2020, which is expected to affect companies that focus on the landscaping projects in the real estate sector.

According to the CIC Report, the average business resumption rate of the construction and municipal works industry in the PRC reached approximately 98% on 28 August 2020, basically reaching normal levels. The added value of industrial enterprises in the PRC increased from approximately -1.1% in March 2020 to approximately 4.7% in June 2020, indicating recovery of the manufacturing industry. In August 2020, the PMI in the manufacturing sector was approximately 51.0%. The PMI has been above approximately 50% for six consecutive months, indicating that the economy is recovering. According to IMF, the PRC's GDP is estimated to remain positive growth for 2020. It is estimated that the PRC's real GDP growth will be approximately 1.2% for 2020 and will increase to approximately 9.2% in 2021. Therefore, according to the CIC Report, the slowdown of the PRC's economy is short-term, which will not bring material impact on the landscaping and ecological restoration industries.

Our staff

We have required our staff to resume work from 10 February 2020. As at the Latest Practicable Date, to the best knowledge of our Directors after making reasonable enquiries, none of our employees including our Directors or senior management had been determined as confirmed COVID-19 cases and there was no material disruption to the daily administration and operation of our Group as a result of the outbreak of COVID-19 in the PRC.

Our customers

During the Track Record Period, we were generally paid by our customers by instalments in accordance with the quantities of completed construction works measured and certified pursuant to the relevant contracts entered into with the Group. To the best knowledge and belief of our Directors after making reasonable enquiries, the impact of the outbreak of COVID-19 on the measurement of our completed construction works for ongoing projects is minimal as a majority of construction works are generally conducted during the second half of the year due to seasonality factor.

During the Track Record Period, our customers were mainly public sector entities including local governments, state-invested enterprises and project companies established for PPP projects and revenue recognised from public sector projects accounted for over 90% of our total revenue recognised. Pursuant to the Notice 5, the local governments shall speed up the clearance of the arrears of government departments and state-owned enterprises in the accounts of private enterprises, the payment for construction projects should be paid in full and on time in accordance with the contract so as to avoid new arrears and the customers shall not refuse or delay the measurement of construction works or payment on the basis of unfinished Settlement Audit. To the best knowledge and belief of our Directors after making reasonable enquiries, the financial position and viability of our customers, including public or private sector entities, are unlikely to be materially and adversely affected by the outbreak of COVID-19 and the impact of the outbreak of COVID-19 on the time and amount of payment by our customers for our completed and certified construction works is estimated to be minimal in the long run.

Our suppliers and subcontractors

As at the Latest Practicable Date, all of the entities on our list of qualified suppliers and subcontractors were based in the PRC. Pursuant to the Notice 5, the increased expenses incurred during the suspension period shall be shared by the customers and contractors through consultation in accordance with the relevant provision, the epidemic prevention cost increased due to epidemic prevention and control can be included in the project cost, the increase in labour and material costs caused by the epidemic shall be negotiated and communicated by both parties and the contract price shall be adjusted according to the price adjustment method agreed in the contract. As at the Latest Practicable Date, to the best knowledge of our Directors after making reasonable enquiries, we have not encountered material shortage or disruption of supply of labour, construction materials and machineries and provision of professional subcontracting services for our ongoing construction projects during the outbreak of COVID-19, nor have we experienced material increase in construction costs (including but not limited to material costs, professional subcontracting fees, labour subcontracting fees and labour costs) as a result of the outbreak of COVID-19. Our

Directors further confirmed that, as at the Latest Practicable Date, none of our suppliers, labour subcontractors and professional subcontractors had demanded payment in advance from our Group due to their financial difficulties encountered during the COVID-19 outbreak.

Force majeure

Pursuant to the Notice 5, the delay of construction period caused by epidemic prevention and control shall be deemed as a force majeure situation stipulated in a contract. According to the Contract Law of the PRC (中華人民共和國合同法), promulgated by the NPC of the PRC on 15 March 1999 and with effect from 1 October 1999, where one of the parties is unable to perform the contract due to force majeure, the said party shall immediately notify the other party in order to reduce the potential losses sustained by the other party, and the said party shall also provide evidence of the force majeure within a reasonable time. As at the Latest Practicable Date, during the outbreak of COVID-19, we have not received any notice from (i) our customers to terminate existing contracts or to demand penalties for delay in progress of our ongoing projects and there has not been any termination of our existing contracts or cancellation of projects undertaken by us due to the outbreak of COVID-19; (ii) our suppliers or subcontractors to terminate its provision of raw materials or services; (iii) our banks to terminate our bank loans or credit facilities; or (iv) our other major business partners to terminate our existing contracts with them.

Our financial performance and viability

Based on our unaudited management accounts, our revenue for the ten months ended 31 October 2020 increased moderately as compared to the corresponding period in 2019, which was mainly due to the commencement of construction for a large-scale landscaping project in 6M2020. Our gross profit margin remained relatively stable and our gross profit increased moderately from the ten months ended 31 October 2019 to the ten months ended 31 October 2020. Our net current assets potions remained relatively stable from 30 June 2020 to 31 October 2020.

To the best knowledge and belief of our Directors after making reasonable enquiries, the impact of the outbreak of COVID-19 on our financial position and results of business operations has been temporary and minimal given that:

(i) the temporary suspension of business operation and our ongoing projects due to the outbreak of COVID-19 took place during the first quarter of the year which was the period when we typically conduct fewer construction activities as compared with other quarters due to the aforementioned factor;

(ii) we do not expect any material delay or shortage in payment from our customers due to the outbreak of COVID-19 as majority of our customers are public sector entities which, as far as our Directors are aware, have strong financial standing and ability to sustain through the outbreak of COVID-19;

(iii) we are not aware of any of our major customers or suppliers having financial difficulties;

(iv) to the best knowledge and belief of our Directors after making reasonable enquiries, there was no material shortage or disruption of supply of labour, construction materials and machineries and provision of professional subcontracting services for our ongoing construction projects, nor have we experienced material increases in construction costs during the outbreak of COVID-19 and up to the Latest Practicable Date;

(v) the PRC government has implemented various measures to promote the resumption of construction projects and protect the interest of contractors from default or shortage of payment by public sector entities; and

(vi) according to the CIC Report, the impact of COVID-19 on the landscaping and ecological restoration market in the PRC is expected to be insignificant in a long term basis.

We will closely monitor the epidemic situation of COVID-19, assess the possible effect on our business and carry out necessary measures to minimise any adverse effect on our business and results of operations.

However, in the event that the outbreak of COVID-19 worsens off or shall not come to an end in the near future or in the event of any recurrence of the COVID-19 epidemic in the future, our business operation and financial performance may be adversely affected. In the extreme and unlikely event that the business operations of our Group are completely suspended on a temporary basis, assuming that (i) no additional revenue is recorded; and (ii) prudent estimates are made on the settlement of trade receivables and trade payables as at 31 October 2020 based on historical settlement pattern, and based on our cash and bank balance, the anticipated level of trade receivable collection, our available and expected banking facilities and anticipated trade payables settlement, borrowings, monthly fixed cash outflows (such as staff costs, interest expenses, and rent) and 10% of the estimated net proceeds from the Global Offering as working capital, we believe that we will have sufficient working capital for our business and remain financially viable for at least the next 12 months from the date of this prospectus. Furthermore, should the aforementioned extreme and unlikely event occur, we will continue to maintain prudent treasury management and implement the following contingency plan: (i) reducing staff cost by completely cutting bonus payment to our staff; (ii) minimising unnecessary entertainment expenses and travel expenses; (iii) reducing rental expenses by moving out of our offices from the existing leased properties in locations to places with a lower rental rate; and (iv) drawing down the bank loans from our banking facilities.

On the same basis as disclosed above but assuming our Group is able to obtain the net proceeds from the Global Offering and carry out its future plans as explained in the section headed "Future Plans and Use of Proceeds" in this prospectus, our Directors estimate that our Group will be able to maintain its financial viability for at least the following 12 months.

Our business performance in the medium and long run

Our Directors believe that, in the medium and long run, the impact of the outbreak of COVID-19 on our future business performance would not be permanent and material in view of the following:

(i) Our procurement of projects through tendering process has not been materially affected by the outbreak of COVID-19. Notwithstanding the fact that some of the tenders we participated in during January to March 2020 were delayed due to the outbreak, all such tenders were resumed by the end of March 2020. After the Track Record Period and up to the Latest Practicable Date, we have been successfully awarded 24 projects through tendering process. We have also continued to submit over 81 tenders after the Track Record Period and up to the Latest Practicable Date;

(ii) As at the Latest Practicable Date, we had 610 suppliers in our list of qualified suppliers, 75 labour subcontractors in our list of qualified labour subcontractors and 252 qualified professional subcontractors in our list of qualified professional subcontractors. We did not experienced material shortage or disruption of supply of materials, labourers and machineries and professional subcontractors during the Track Record Period. Our Directors believe that the outbreak of COVID-19 is highly unlikely to cause material shortage or disruption of supply of materials, labourers and machineries and provision of professional subcontracting services or substantial increase in construction costs as a result of the COVID-19 outbreak after taking into account our past experience and diversified supplier and labour subcontractor base;

(iii) As at the Latest Practicable Date, we had total unutilised banking facilities of RMB120.0 million available for drawdown. To the best knowledge and belief of our Directors, the outbreak of COVID-19 would not materially and adversely affect our ability in obtaining bank loans and the period for the lending banks to provide bank loans to our Group; and

(iv) Given that the total contract sum of tenders in relation to landscaping and ecological restoration projects available for bidding in the Jilin Province (where most of our ongoing projects as at the Latest Practicable Date were located) during the first 11 months of 2020 increased to over RMB3,000 million as compared to over RMB1,200 million for the same period of FY2019 based on publicly available information, our Directors believe that there is no indication of slowing down of government tendering for landscaping and ecological restoration projects.

Based on the above, our Directors are of the view that the impact of the outbreak of COVID-19 on our future business operations and prospects would be minimal. Notwithstanding this, we increased the expected loss rates on contract assets and trade receivables as at 30 June 2020 as compared with that as at 30 June 2019, so as to cover the potential adverse effect of the pandemic situation of COVID-19 on the future overall global and China economic conditions which may impact the ability of our customers to settle their payables to us in the future.

Our Directors consider that we will continue to pursue the business strategies set out in the paragraph headed "Business — Business strategies" in this prospectus after Listing and apply all of the net proceeds from the Global Offering in accordance with the intended uses as disclosed in the paragraph headed "Future Plans and Use of Proceeds — Use of proceeds" in this prospectus. In particular, we will continue our expansion plan of establishing regional design offices in Beijing, Shanghai and Chongqing to further establish our market presence in North China, East China and Southwest China. The total contract sum of tenders relating to design or survey services for landscaping and ecological restoration projects available for bidding in Beijing, Shanghai and Chongqing in the first 11 months of 2020 continued to be over RMB1,200 million as compared to the same period of FY2019 based on publicly available information. As such, we believe that despite the outbreak of COVID-19, demand for design services in these locations has not been affected, and thus it is commercially rational for us to continue with our business strategy to set up regional design offices in Beijing, Shanghai and Chongqing. We will continue to closely monitor, review the situation and adjust our expansion plan, if necessary.

To the best knowledge and belief of our Directors after making reasonable enquiries, as at the Latest Practicable Date, there was no material change to the terms of our contracts, contract sum, estimated capital requirement, or estimated progress of works in relation to the Changchun Zoo Project and Zone C of the Shenjunshan Project as a result of the outbreak of COVID-19. As such, we will continue to apply the net proceeds from the Global Offering according to the intended uses as disclosed in the paragraph headed "Future Plans and Use of Proceeds — Use of proceeds" in this prospectus in relation to the Changchun Zoo Project and Zone C of the Shenjunshan Project.

No material adverse change

Our Directors confirm that, save for the non-recurring listing expenses for the Listing, of which approximately RMB18.9 million is estimated to be recorded in our Group's consolidated statement of profit or loss for the year ending 31 December 2020, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 30 June 2020, being the date to which our Company's latest audited consolidated financial information were prepared as set forth in "Appendix I — Accountants' Report" in this prospectus, up to the date of this prospectus. As far as our Directors are aware, there was no material change in the general market conditions that had affected or would affect our Group's business operations or financial condition materially and adversely.

FUTURE PLANS

For a detailed discussion of our future plans and business strategies, please refer to the paragraph headed "Business — Business strategies" in this prospectus.

REASONS FOR THE LISTING

Our Directors believe that the Listing will enhance our Group's corporate profile and the proceeds from the Global Offering to be received by our Group will strengthen its financial position and will enhance our Group to implement its business plans set out in the paragraph headed "Business — Business strategies" in this prospectus. Our Directors consider that the Listing is beneficial to our Company for the following reasons:

(i) Promote our corporate profile and reputation

With a listing status, our Company's profile, awareness and reputation in the industry will be enhanced and raised. In addition, our Directors are of the view that the Listing will facilitate us to entice new customers, as their confidence will be attached to our proven track record, transparent financial disclosure, standard of internal controls and corporate governance which in turn will increase our competitiveness among our competitors. It is expected that our customers would prefer engaging a company having a public listing status with transparent financial disclosure and general regulatory supervision. The Listing will therefore serve to promote our corporate profile and brand awareness.

(ii) Strengthen our financial position and fund our business strategies

Our Directors believe that a combination of equity financing and debt financing will optimise our long-term capital structure to support our long term growth and business strategies set out in the paragraph headed "Business — Business strategies" in this prospectus. During the Track Record Period, our cash inflow was primarily sourced from financing activities and revenue generated from our business operation. However, we experienced negative net cash flow from our operating activities of approximately RMB112.8 million for FY2017. Further, our bank and other loans increased from RMB462.5 million as at 31 December 2017 to RMB529.1 million as at 30 June 2020 and our gearing ratios, calculated based on our total debts (being the total bank and other loans) as at the respective dates divided by total equity as at the same dates and multiplying the resulting value by 100%, were relatively high during the Track Record Period and amounted to approximately 122.2% as at 30 June 2020. As at 30 June 2020, we recorded cash and cash equivalents of approximately RMB36.9 million, which was not sufficient to meet our capital requirements for our future plans as set out in the paragraph headed "Business — Business strategies" in this prospectus.

In view of our financial position and to support our future plans for expansion, our Group intends to seek equity financing by way of the Global Offering, primarily on the basis that debt financing would further raise the indebtedness level and gearing ratio of our Group, which may adversely affect our financial credibility and financial conditions and limit our future ability to obtain further financing from financial institutions to support our daily operations. Pursuing further debt financing will further increase our indebtedness and gearing ratio.

(iii) Enhance our staff morale and loyalty

We believe a status of the Listing will be respected by our staff and job applicants. Our Directors consider that in choosing between a listed or private company, the Listing will offer extra job security and financial confidence and it will also improve our ability to recruit better staff candidates. As a result, we expect the Listing to indirectly improve the quality of our services and optimise our daily operations to the benefit of our long term development.

Our Group shall have a Share Option Scheme in place upon Listing under which our employees may be granted share options of our Group. Our Directors consider that through aligning the interests of our employees (as share option holders) and the interests of our Group with the Share Option Scheme, our staff would be incentivized to stay with our Group and motivated to work towards the overall performance of our Group.

(iv) Ease of raising funds in capital market

The Listing will also provide us with access to the capital markets for future fund raising exercises to support in our future business development and further strengthen and enhance our competitiveness. In addition, the Listing will expand and diversify our shareholder base as it will allow institutional and professional investors in Hong Kong to easily invest in the equity of our Company, thereby establishing a solid institutional and professional shareholder base to the benefit of our Company and Shareholders as a whole.

Although fund raising by way of the Global Offering would incur a substantial amount of listing expenses, having considered (i) such listing expenses are not recurring; (ii) the Global Offering could provide our Group with a more balanced capital structure and flexibility in fund raising alternatives in the future; and (iii) the reasons for and benefits of the Listing as set out above, our Directors are of the view that the Global Offering is an appropriate fund raising method and is beneficial to our Company as a whole.

USE OF PROCEEDS

Assuming an Offer Price of HKD2.16 per Offer Share (being the midpoint of the stated range between HKD1.90 and HKD2.42 per Offer Share), we estimate that we will receive net proceeds of approximately HKD63.0 million from the Global Offering after deducting underwriting commissions and other estimated expenses in connection with the Global Offering, assuming the Over-allotment Option is not exercised. To be in line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 14.8%, or HKD9.3 million, is expected to be used for the establishment of regional design offices in Beijing, Shanghai and Chongqing, including expenses for renting office premises, purchasing office supplies and equipment, and recruiting personnel in line with our business expansion in these regions. For details of our business strategy to increase our market share in North China, East China and Southwest China, please see the paragraph headed "Business — Business strategies — Maintain our position in the Three Northeast Provinces, strengthen our position and increase our market share in North China, East China and Southwest China and strategically expand to other regions in the landscaping and ecological restoration industries in the PRC" in this prospectus.

  The following table sets out the particulars of additional staff that we plan to employ for the respective regional design office, including the number of staff, the approximate expected average annual salary, and the expected experience and qualifications:

Role	Number of staff to be recruited	Expected experience and qualifications	Approximate expected average annual salary per staff(1)	Approximate net proceeds allocated
			HKD'000	*HKD'000*
Beijing office				
Designers	6	**Landscaping Designers:** with a bachelor's degree in landscaping design or similar degree; and three years or above of experience in landscaping design **Environmental Engineering Designers:** with a bachelor's degree in environmental engineering or other similar degrees; and at least two years of experience in environmental engineering design.	498	2,986

Role	Number of staff to be recruited	Expected experience and qualifications	Approximate expected average annual salary per staff[(1)]	Approximate net proceeds allocated
			HKD'000	*HKD'000*
Administrative managers.	1	With a bachelor's degree or above; and with more than five years of experience in business administration	299	299
Marketing managers.	1	With a bachelor's degree or above; and with at least eight years of experience in marketing for interior decoration companies	557	557
Shanghai office				
Designers	2	With a bachelor's degree or above; and with more than three years of experience in landscaping design	513	1,025
Marketing directors	1	With a bachelor's degree or above; and with at least 10 years of marketing experience	967	967
Chongqing office				
Designers	4	**Municipal Engineering Designers:** with a bachelor's degree in civil engineering or similar degrees; and with three years or above of experience in municipal engineering design **Environmental Engineering Designers:** with a bachelor's degree in environmental engineering or other similar degrees; and with at least three years of experience in environmental engineering design	299	1,194
Administrative managers.	1	With a bachelor's degree or above; and with more than three years of experience in business administration	219	219
Marketing directors	1	With a bachelor's degree or above; and with at least 10 years of marketing experience	697	697

Note:

(1) The expected annual salary is estimated with reference to the prevailing market salary level in each of Beijing, Shanghai and Chongqing for employees in similar positions with similar qualifications and experience.

The following table sets out a breakdown of the use of proceeds for setting up each of such regional design offices:

	For the year ending 31 December 2021	For the year ending 31 December 2022	Related business strategy
	HKD'000	*HKD'000*	
Beijing office			
Rental expenses[1]	699	—	Strengthen our position and increase our market share in North China
Purchase of office supplies and equipment	180	—	
Staff remuneration	3,201	640	
Total capital requirement	4,080	640	
Shanghai office			
Rental expenses[1]	233	—	Strengthen our position and increase our market share in East China
Purchase of office supplies and equipment	33	—	
Staff remuneration	1,660	332	
Total capital requirement	1,926	332	
Chongqing office			
Rental expenses[1]	178	—	Strengthen our position and increase our market share in South China
Purchase of office supplies and equipment	63	—	
Staff remuneration	1,758	352	
Total capital requirement	1,999	352	

Note:

(1) Rental expenses including office rent and its corresponding management fee.

- Approximately 23.7% or HKD15.0 million, is expected to be used for the upfront costs in connection with the upcoming construction work of the Changchun Zoo Project. We were awarded a total contract sum of approximately RMB78.0 million for providing landscaping construction works at the new site for the Changchun Zoo. For details of our business strategy to maintain our position in the Three Northeast Provinces, please see the paragraph headed "Business — Business strategies — Maintain our position in the Three Northeast Provinces, strengthen our position and increase our market share in

North China, East China and Southwest China and strategically expand to other regions in the landscaping and ecological restoration industries in the PRC". The Changchun Zoo Project is expected to be completed in 2021. We intend to apply this portion of the net proceeds, together with our internal resources and/or bank loans, towards the upfront costs in connection with such project.

Based on the reasonable estimation of our Directors with reference to our historical projects during FY2017, FY2018 and FY2019, we generally recognised costs amounting to approximately 18.8% of the total contract sum to satisfy the upfront cost (calculated based on the average of the recognised costs in the year of commencement of projects divided by the relevant estimated revenue, which was estimated by our management based on the design and/or construction drawings and communication with our customers, for projects which commenced during each of FY2017, FY2018, FY2019 but which were not completed within the year of their respective commencement). We may experience net cash outflow at an early stage of a project as we are required to bear expenses (including cost of materials, machineries and labour/subcontracting costs) upfront prior to the first payment received from our customers. Since our customers make progress payments according to our work progress, and such payments need to be certified by our customers, we generally continue to experience net cash outflow even after the first payment received from our customers, as a result of difference in time between receipt of progress payments from our customers and payments to our suppliers and subcontractors.

- Approximately 26.1% or HKD16.4 million, is expected to be used for investment into 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 is a project company under the PPP model set up by our Group and the local government of Ulanhot City for financing, developing, operating and maintaining the Shenjunshan Project. The Shenjunshan Project is a large-scale ecological restoration project comprising Zone A to D. During the Track Record Period, we undertook and completed construction works for Zone A. For more details on the Shenjunshan Project, please refer to the paragraph headed "Business — Our business model and operational workflow — Business segments — Ecological restoration" in this prospectus.

  Pursuant to the PPP contract for the Shenjunshan Project entered into between our Group and the local government, 30% of the total capital requirements for the Shenjunshan Project shall be funded by capital contributed from the local government and our Group (in the proportion of 25% and 75%, respectively), while the remaining 70% shall be funded by debt financing. We intend to apply this portion of the net proceeds, together with our internal resources and/or bank loans, as our capital contribution to Tianjun Tourism for settling progress payments to contractors to be engaged for the upcoming construction works for Zone C of the Shenjunshan Project. The total capital requirement in this connection is estimated to be approximately RMB117.3 million and accordingly, our Group is required to contribute capital in the amount of approximately RMB26.4 million. With the investment from our Group, together with the contribution from the local government, it is expected that Tianjun Tourism will be able to obtain debt financing for the remaining 70% of the total capital requirement for settling progress payments to contractors to be engaged for the construction works of Zone C. A breakdown of such capital requirement is set out below:

	For the year ending 31 December 2021	Related business strategy
	RMB'000	
Construction fee		
— Earthworks	1,896	Maintain our position in the Three Northeast Provinces
— Greening construction	53,302	
— Landscaping and road construction	7,299	
— Drainage construction	38,027	
— Ancillary facilities	16,809	
Total capital requirement	117,333	

The construction works for Zone C is estimated to complete in 2021.

- Approximately 7.4%, or HKD4.7 million, is expected to be used for acquiring a centralised ERP system to enhance our information technology capability and project implementation efficiency. For details, please refer to the paragraph headed "Business — Business strategies — Continue to develop our information management system to further improve our work efficiency and internal management" in this prospectus;

- Approximately 18.0%, or HKD11.3 million, is expected to be used for the repayment of our bank loan of RMB30 million with a contractual interest rate equal to the one-year loan prime rate published by the National Interbank Loan Centre on the day before drawdown, which will mature in August 2021. The purpose of the bank loan to be repaid was primarily to finance our working capital; and

- Approximately 10.0%, or HKD6.3 million, is expected to be used as general working capital of our Group.

To the extent our net proceeds from the Global Offering are not sufficient to fund the purposes set out above, we intend to finance the balance through a variety of means, including cash generated from operations and bank financing. Our Directors are of the view that, subject to the market conditions and commercial negotiations with other parties, these purposes may be achieved within one year upon the Listing.

If the Offer Price is fixed at HKD2.42 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised, the net proceeds will be increased by approximately HKD13.6 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HKD1.90 per Offer Share, the net proceeds we receive from the Global Offering will decrease by approximately HKD13.6 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

We estimate that net proceeds (after deducting underwriting fees and estimated expenses payable by us) to be received by us, if the Over-allotment Option were exercised in full, would be (i) HKD100.6 million (assuming an Offer Price of HKD2.42 per Offer Share, being the high-end of the indicative Offer Price range stated in this prospectus), (ii) HKD84.4 million (assuming an Offer Price of HKD2.16 per Offer Share, being the midpoint of the indicative Offer Price range stated in this prospectus); and (iii) HKD68.3 million (assuming an Offer Price of HKD1.90 per Offer Share, being the low-end of the indicative Offer Price range stated in this prospectus). In such event, we will increase or decrease the allocation of the net proceeds to the above purposes pro-rata to what is set out above.

If any part of our development plan cannot be implemented as planned for reasons such as changes in government policies, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, our Directors currently intend that such proceeds will be placed into interest bearing bank accounts with licensed banks and/or authorised financial institutions in Hong Kong or the PRC.

Due announcement will be issued if there is any material change to the above proposed use of proceeds.

We estimate the net proceeds to the Selling Shareholders from the sale of their Sale Shares initially offered under the Global Offering will be approximately HKD29.7 million (the underwriting fees and commissions payable by the Selling Shareholders will be borne by our Company), assuming an Offer Price of HKD2.16 per Offer Share, being the midpoint of the indicative Offer Price range stated in this prospectus. We will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering.

OVERVIEW

Immediately upon completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme, Zonqing International will hold approximately 65.89% of our Company's entire issued share capital. Zonqing International is owned as to 35% by Ms. Zhao Hongyu, 27% by Mr. Sun, 10% by Ms. Li Ping, 5% by Mr. Hou Baoshan, 5% by Mr. Liu, 5% by Mr. Shao Zhanguang, 5% by Mr. Sun Juzhi, 4% by Mr. Shan Dejiang, 1% by Mr. Li Peng, 1% by Mr. Liu Changli, 1% by Mr. Wei Xiaoguang and 1% by Mr. Weng Hongzhao (collectively the "**Ultimate Controlling Shareholders**").

Zonqing International is a Controlling Shareholder as it is entitled to exercise or control the exercise of 30% or more of the voting power at the general meeting of our Company immediately following the Listing and, on the basis that our Ultimate Controlling Shareholders restrict their ability to exercise direct control over our Company by holding their interests through Zonqing International, our Ultimate Controlling Shareholders are presumed to be a group of Controlling Shareholders. Therefore, Zonqing International and our Ultimate Controlling Shareholders are regarded as our Controlling Shareholders for the purpose of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Zonqing International is an investment holding company which has no business interest apart from its shareholding in our Company. Among our Ultimate Controlling Shareholders, Mr. Liu is our executive Director and Mr. Sun and Mr. Shao Zhanguang are our non-executive Directors. Please refer to paragraph headed "Directors and Senior Management — Board of Directors" in this prospectus for further details.

The following table sets out the positions held by our Ultimate Controlling Shareholders (other than Mr. Liu, Mr. Sun and Mr. Shao Zhanguang) in our Group and/or in our Controlling Shareholders and/or their associates:

Name	Position in our Group	Position in our Controlling Shareholders and/or their associates
Ms. Zhao Hongyu	—	Secretary of the party committee of ZIHG
Ms. Li Ping	—	The spouse of Mr. Yang Xijun, the vice chairman of ZIHG

Name	Position in our Group	Position in our Controlling Shareholders and/or their associates
Mr. Liu Changli	—	Manager of the Engineering Management Department of Shenyang Xinhai Municipal Engineering Co., Ltd. (瀋陽鑫海市政工程有限公司), a subsidiary of ZIHG
Mr. Wei Xiaoguang	—	Deputy general manager of Liaoning Zhongyuan Construction Development Co., Ltd. (遼寧中源建設發展有限公司), a wholly-owned subsidiary of ZIHG
Mr. Shan Dejiang	Supervisor of Zonbong Shanshui	—
Mr. Weng Hongzhao	—	Deputy general manager of the marketing department of ZCLLC (Tianjin Airport Economic Zone)
Mr. Li Peng	—	Deputy general manager of the engineering management department of ZCLLC
Mr. Hou Baoshan	Director of Zonbong Landscape	Director of Changchun Zhongrui Intelligent Transportation Construction Engineering Co., Ltd., a subsidiary of ZIHG

EXCLUDED BUSINESSES

Other than their interests in our Group, our Controlling Shareholders also hold direct or indirect interests in companies (the "**Excluded Group**") engaged in other businesses in the PRC, including but not limited to infrastructure and municipal construction works, fund management, transportation technology and sewage management (the "**Excluded Businesses**").

Limited potential competition with our Controlling Shareholders

As at the Latest Practicable Date, our Ultimate Controlling Shareholders owned the entire equity interest in ZIHG, which, together with its subsidiaries or associates, mainly engaged in the infrastructure and municipal construction works business and other businesses. ZIHG is managed under a board of directors comprising Mr. Sun (our non-executive Director and one of our Controlling Shareholders), Mr. Yang Xijun, Mr. Shan Dejiang (one of our Controlling Shareholders), Ms. Zhao Hongyu (one of our Controlling Shareholders), and Mr. Shao Zhanguang (our non-executive Director and one of our Controlling Shareholders). The consolidated revenue and net profit of ZIHG extracted from its audited accounts or unaudited management accounts, as the case may be, prepared based on the generally accepted accounting principles in the PRC are set forth below:

	For the year ended 31 December			For the six months ended 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	4,300,605	4,254,163	4,058,888	1,360,341
Net Profit	219,396	197,059	344,383	28,046

Although our Group is not principally engaged in the infrastructure and municipal construction works business, we undertook one project in which we carried out municipal construction works during the Track Record Period. In this respect, the business activities of the ZIHG Group may possibly be in competition with our Group. However, our Directors are of the view that the potential competition between the ZIHG Group and our Group is limited for the following reasons:

- ***Municipal construction works are not our business focus:*** We are principally engaged in the landscaping business and ecological restoration business, which together generated over 90% of our aggregate revenue over the entire Track Record Period. We undertook one project in which we carried out municipal construction works during the Track Record Period, which generated revenue of approximately RMB38,000, RMB53,000, nil and nil from municipal construction works, representing approximately 0.006%, 0.007%, nil and nil of our total recognised revenue for the three years ended 31 December 2019 and 6M2020, respectively. Municipal construction works for this project were completed during the Track Record Period.

  In contrast, the infrastructure and municipal construction works business is the principal business focus of the ZIHG Group. The ZIHG Group mainly undertakes large infrastructure and municipal construction works through ZCLLC, one of its key operating subsidiaries, which generated a revenue of approximately RMB2,763.8 million, RMB2,690.6 million, RMB2,902.6 million and RMB1,136.6 million for the three years ended 31 December 2019 and 6M2020, respectively based on its audited or unaudited management accounts, as the case may be.

- ***Municipal construction works that we are allowed to undertake are mostly different from the ZIHG Group:*** We are the holder of the Second-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包貳級) (the "**Second-Grade Public Works Qualification**"), which enables us to undertake municipal construction works in relation to, among others, urban roads, bridges with single-span below 45 metres, water supply facilities with water supply of less than 150,000 tons per day and municipal comprehensive projects with contract sum of under RMB40 million. In comparison, certain companies in the ZIHG Group hold the First-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包壹級) (the "**First-Grade Public Works Qualification**"), which allows the ZIHG Group to undertake all kinds of municipal construction works of any scale and any contract sum. With such first-grade qualification, the ZIHG Group may engage in a much wider range of municipal public works projects than our Group. To the best knowledge of our Directors, most of the revenue generated by ZCLLC, the ZIHG Group's flagship platform for municipal construction, were from large-scale municipal construction works requiring advanced qualifications including First-Grade Public Works Qualification. These large-scale municipal construction works could not be undertaken by our Group due to the limitations of our municipal public works qualifications. The ZIHG Group also includes a company which holds the Second-Grade Public Works Qualification. Notwithstanding that, such company is principally engaged in infrastructure and municipal construction works which are not our business focus as disclosed above and based on its management accounts, the size of its operation was small, generating revenue of only about RMB4.7 million for FY2019.

- ***Other municipal public works we are allowed to undertake are mostly different in nature from those of the ZIHG Group:*** Save for the project in which we carried out municipal construction works mentioned above, our involvement in municipal public works was limited to the provision of design, investigation, survey and technical consultancy services, which only made a minor contribution to our revenue recognised during the Track Record Period, while the ZIHG Group is principally engaged in infrastructure and municipal construction works, such as the construction of roads, underground railways, highways, bridges, and tunnels. As at the Latest Practicable Date, due to the lack of municipal design and survey qualifications, the ZIHG Group could not provide municipal design, investigation and survey services similar to those of our Group. As such, the municipal public works we are allowed to undertake are mostly different from those undertaken by the ZIHG Group in nature.

Considering that (i) municipal construction works are not our business focus; (ii) our revenue generated from municipal construction works business was decreasing over the Track Record Period; and (iii) all of our municipal construction works have been completed, we currently have no plan to engage in the municipal construction works business after Listing.

Business Delineation

Notwithstanding that our Group may be in limited potential competition with the ZIHG Group in respect of the municipal construction works business, our Directors consider that our principal businesses (namely the landscaping business and the ecological restoration business) can be delineated from the infrastructure and municipal construction works business of the Excluded Group based on the following factors:

	Our Group	Infrastructure and municipal construction works business of the Excluded Group
Business focus and nature	Our Group is principally engaged in the provision of services for landscaping and ecological restoration projects, which include, among others, for landscaping projects, planting, pipe installation for water supply, electrical and civil engineering, as well as for ecological restoration projects, underground pipeline construction for rainwater harvesting and sewage system, design and construction of ecological facilities, greening construction and ecological construction such as building rain garden and sponge city system.	The ZIHG Group is principally engaged in infrastructure and municipal construction works, such as the construction of roads, underground railways, highways, bridges, and tunnels.
Qualifications and licences	For carrying out our principal business, we hold, among others, (i) First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級); (ii) First-Grade Engineering Design of Municipal Industry Professional Qualification Certificates (工程設計市政行業專業甲級) in respect of water supply engineering, drainage engineering, road engineering and bridge engineering; and (iii) First-Grade Engineering Survey Professional Qualification Certificates (工程勘察專業甲級) in respect of hydrogeological and geotechnical engineering.	The relevant companies in the ZIHG Group hold First-Grade Public Works Qualification and the Second-Grade Public Works Qualification for carrying out the ZIHG Group's principal business.

The other businesses of the Excluded Group, such as fund management or transportation technology, are clearly distinct from the businesses of our Group in terms of their business nature, business model and the industry they operate in.

In October 2019, as part of the Reorganisation, a company owned by our Ultimate Controlling Shareholders, namely Jilin Shengyi, acquired from our Group the entire equity interest in Zonbong Miaomu, a company established in the PRC primarily engaged in the production of plants and saplings on its own nursery bases. The business of Zonbong Miaomu is also distinct from the principal businesses of our Group in terms of business nature, as our services provided for landscaping and ecological restoration projects do not include production of plants and saplings. Please refer to the section headed "History, Reorganisation and Corporate Structure" for further details of the carve-out of Zonbong Miaomu from our Group.

Reasons for exclusion of the Excluded Businesses

As the Excluded Businesses are not the focus of our principal business (being landscaping and ecological restoration business, as opposed to infrastructure and municipal construction works business) nor in line with our business strategies, we consider it is not in the best interests of our Company and our Shareholders as a whole to include any of the Excluded Businesses into our Group and we currently do not intend to engage in the Excluded Businesses.

As confirmed by our Controlling Shareholders, the Excluded Business did not have any material non-compliance with rules and regulations during the Track Record Period.

Save as disclosed above, our Controlling Shareholders and our Directors confirm that as at the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

To ensure that competition does not develop between our Group and other business activities and/or interests of our Controlling Shareholders, each of our Controlling Shareholders has undertaken to us in the Deed of Non-competition that he/she/it will not, and will procure his/her/its associates and any company directly or indirectly controlled by him/her/it (other than members of our Group) not to, directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with the existing principal business of our Group (the "**Restricted Activity**"), or hold shares or interest (whether as a shareholder, partner, agent, employee or otherwise) in any companies or business that engage in the Restricted Activity.

The above undertaking shall not apply where our Controlling Shareholders collectively hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the "**Competing Business Opportunity**") is (a) identified by or made available to him/her/it or any of his/her/its associates and any company directly or indirectly controlled by him/her/it (other than members of our Group); and (b) he/she/it plans to pursue such Competing Business Opportunity, he/she/it shall, and shall procure that his/her/its associates and any company directly or indirectly controlled by him/her/it shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the "**Offer Notice**") to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and all the relevant details of such Competing Business Opportunity that he/she/it is aware of that are reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and/or legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company of its decision whether to pursue or decline the Competing Business Opportunity;

- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above; and

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

Pursuant to the Deed of Non-competition, the above restrictions and undertakings will cease to have effect on the earlier of the date on which (i) so far as a Controlling Shareholder is concerned, he/she/it ceases to be our Controlling Shareholder under the Listing Rules; or (ii) our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

- each of our Controlling Shareholders will and will procure his/her/its relevant close associates to provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition;

- we will disclose the review by our independent non-executive Directors on the compliance with and the enforcement of, the Deed of Non-competition and the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public in compliance with the Listing Rules;

- each of our Controlling Shareholders will make an annual declaration on the compliance with the Deed of Non-competition in our annual report in accordance with the principle of voluntary disclosure in the corporate governance report; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-competition, he/she may not vote on the resolutions of our Board approving the matter and may not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business and is financially and operationally independent from our Controlling Shareholders and their respective close associates based on the following grounds.

Relationship with the ZIHG Group

During the Track Record Period, we conducted our business mainly through the EPC, PPP and traditional models, and the success of our business hinges on our ability to secure projects through winning tenders. Please refer to the paragraph headed “Business — Our business model and operational workflow” in this prospectus for further details. In the PRC, most public sector projects require all potential contractors to possess certain qualifications in order to secure the projects. Only those contractors who meet the qualifications and requirements specified in the tender documents may be selected to participate in the projects. As a result, contractors with different qualifications, licences and expertise may collaborate with one another and participate in joint bidding in order to participate in those projects. Where projects, particularly those under the EPC and PPP models, require various qualifications, licences and expertise but our Group does not fulfil all the requirements, we may collaborate with various partners, including the ZIHG Group, to participate in joint bidding, with a view to enhancing the likelihood of a successful tender. According to the CIC Report, joint bidding is common in the landscaping and ecological restoration industries as it is difficult for a single contractor to obtain all the licences required. In addition, contractors can share research and development costs and risks, strengthen financing ability, and improve the probability of winning the bid through joint bidding.

During the Track Record Period, our Group mainly engaged in projects through the following ways:

(a) **Collaborative projects involving non-Group entities** (the **“Collaborative Projects”**): These are projects involving various types of work scope, such as roads and bridges construction, river and ecological restoration. Landscaping and ecological restoration construction and design only form part of the scope of work in such projects. Accordingly, various qualifications, licences and expertise are required to execute such projects. There may be instances where a single contractor does not fulfil all the requirements. As a result, contractors with different qualifications, licences and expertise collaborate with one another and typically participate in the joint bidding in order to participate in those projects. In particular, our Group participates as a partner with expertise in landscaping and ecological restoration-related services if such are included in the project scope.

The Collaborative Projects mentioned above can be further classified into:

(i) Collaborative Projects with the ZIHG Group (a) which would constitute connected transactions as defined under the Listing Rules if they continue after Listing or (b) in which the ZIHG Group owned 30% or more of the contracting party(ies) that engaged our Group (the "**ZIHG CT Collaborative Projects**"). For ZIHG CT Collaborative Projects, our Group participated in joint bidding with the ZIHG Group and/or other Independent Third Parties and in the event that our Group were successful in the bidding, we entered into contracts with the contracting party(ies) which was ZIHG or its subsidiaries, or which the ZIHG Group owned 30% or more (together the "**ZIHG Connected Person(s)**"). In such projects, the contracting party(ies) engaged our Group to provide services including construction, design, investigation and survey. For details on our connected transactions in relation to the ZIHG CT Collaborative Projects which are expected to continue after Listing, please refer to the section headed "Connected Transactions" in this prospectus;

(ii) Collaborative Projects with the ZIHG Group which do not constitute (a) any connected transactions as defined under the Listing Rules or (b) any transactions with ZIHG Connected Persons (the "**ZIHG Non-CT Collaborative Projects**"). For ZIHG Non-CT Collaborative Projects, our Group participated in joint bidding with the ZIHG Group. In the event that our Group and, among others, the ZIHG Group were successful in bidding for the relevant project, our Group entered into the relevant project contracts with Independent Third Parties, instead of with the ZIHG Connected Persons. Hence, these projects do not constitute connected transactions as defined under the Listing Rules. In such projects, the independent contracting party engaged our Group to provide services including construction, design, investigation and survey;

(iii) Collaborative Projects with parties other than ZIHG Connected Persons which would constitute connected transactions with parties other than ZIHG Connected Persons as defined under the Listing Rules if they continue after Listing (the "**Non-ZIHG CT Collaborative Projects**"). During the Track Record Period, none of our projects fell under this category; and

(iv) Collaborative Projects with Independent Third Parties ("**Non-CT Collaborative Projects**").

(b) **Projects that our Group could complete individually** (the **"Individual Projects")**: For projects where our Group holds all required qualification, our Group undertakes to complete the work awarded, arrange the required labour to work on-site, lease major equipment and machineries, procure raw materials and monitor the work progress of the project from commencement to post-completion maintenance. For survey and design services, our Group formulates overall layout and design and coordinate the implementation of such in the project.

The Individual Projects mentioned above can also be further classified into:

(i) Individual Projects with the ZIHG Group (a) which would constitute connected transactions as defined under the Listing Rules if they continue after Listing or (b) which constitute transactions with ZIHG Connected Persons. In these projects, our Group acted as a subcontractor or other related service provider to ZIHG Connected Persons (the "**ZIHG CT Individual Projects**", together with the ZIHG CT Collaborative Projects, the "**ZIHG CT Projects**"). For details on our connected transactions which are expected to continue after the Listing, please refer to the section headed "Connected Transactions" in this prospectus;

(ii) Individual Projects with connected persons other than the ZIHG Connected Persons which would constitute connected transactions as defined under the Listing Rules if they continue after Listing ("**Non-ZIHG CT Individual Projects**"); and

(iii) Individual Projects which would not constitute (a) any connected transactions as defined under the Listing Rules if they continue after Listing or (b) any transactions with ZIHG Connected Persons ("**Non-CT Individual Projects**").

The ZIHG CT Collaborative Projects, the ZIHG Non-CT Collaborative Projects and the ZIHG CT Individual Projects are collectively referred to as the "**ZIHG Projects**" while the projects other than the ZIHG Projects are collectively referred to as the "**Non-ZIHG Projects**" hereinafter.

The following table illustrates the types of projects we undertook during the Track Record Period based on the classification set out above:

	Collaborative Projects				Individual Projects		
	ZIHG CT Collaborative Projects	ZIHG Non-CT Collaborative Projects	Non-ZIHG CT Collaborative Projects(2)	Non-CT Collaborative Projects	ZIHG CT Individual Projects	Non-ZIHG CT Individual Projects	Non-CT Individual Projects
Joint bidding by our Group with another party	✓	✓	✓	✓	x	x	x
Joint bidding by our Group with the ZIHG Group	Yes or no(1)	✓	x	x	x	x	x
Contracting party with us is a company owned as to 30% or more by the ZIHG Group	✓	x	x	x	✓	x	x
A connected transaction to our Company(7)	✓	x	✓ (6)	x	✓	✓ (5)	x
A ZIHG Project(3)	✓	✓	x	x	✓	x	x
— A ZIHG CT Project(4)	✓	x	x	x	✓	x	x
— A ZIHG Non-CT Project	x	✓	x	x	x	x	x
A Non-ZIHG Project	x	x	✓	✓	x	✓	✓

Notes:

1. These collaborative projects can be jointly bidded by our Group with the ZIHG Group and/or other Independent Third Parties.

2. The collaborative partner and/or contracting party of this type of project is a connected person of our Company under the Listing Rules, other than the ZIHG Connected Persons. During the Track Record Period, none of our projects fell under this category.

3. The only type of projects in which the ZIHG Group has involvement.

4. The only type of ZIHG Projects which also constitute connected transaction of our Company under the Listing Rules or transaction with ZIHG Connected Persons.

5. The contracting party of this type of project is a connected person of our Company under the Listing Rules, other than the ZIHG Connected Persons.

6. During the Track Record Period, none of our projects fell under this category.

7. For the purposes of this prospectus, this category includes projects in which the contracting parties were Connected Persons as defined under the Listing Rules or ZIHG Connected Persons.

The following table sets forth a breakdown of our Group's revenue and gross profit margin by ZIHG Projects and Non-ZIHG Projects during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue:					
ZIHG CT Collaborative Projects	37,863	244,468	103,448	68,383	32,138
ZIHG Non-CT Collaborative Projects	74,943	186,988	108,972	48,136	37,517
ZIHG CT Individual Projects	13,248	8,704	90,299	6,332	802
Total revenue from ZIHG Projects	126,054	440,160	302,719	122,851	70,457
— connected transactions	51,111	253,172	193,747	74,715	32,940
— not connected transactions	74,943	186,988	108,972	48,136	37,517
	126,054	440,160	302,719	122,851	70,457
Non-CT Collaborative Projects	102,916	98,996	64,633	22,350	18,550
Non-CT Individual Projects	426,526	270,239	530,134	149,608	268,878
Non-ZIHG CT Individual Projects	—	49	—	—	—
Total revenue from Non-ZIHG Projects	529,442	369,284	594,767	171,958	287,428
— connected transactions	—	49	—	—	—
— not connected transactions	529,442	369,235	594,767	171,958	287,428
	529,442	369,284	594,767	171,958	287,428
Total revenue from our Group	655,496	809,444	897,486	294,809	357,885
Percentage of aggregate revenue generated from ZIHG Projects to our Group's total revenue	19.2%	54.4%	33.7%	41.7%	19.7%
Percentage of aggregate revenue generated from ZIHG Projects (connected transactions) to our Group's total revenue	7.8%	31.3%	21.6%	25.3%	9.2%

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross profit margin:					
ZIHG CT Collaborative Projects	29.6%	28.2%	28.4%	30.8%	49.6%
ZIHG Non-CT Collaborative Projects	25.5%	23.2%	30.5%	17.1%	23.4%
ZIHG CT Individual Projects	31.8%	12.2%	31.8%	45.8%	(24.3%)
Total gross profit margin of ZIHG Projects	27.4%	25.7%	30.2%	26.2%	34.8%
Total gross profit margin (connected transaction) of ZIHG Projects	30.2%	27.6%	30.0%	32.1%	47.8%
Total gross profit margin (not connected transaction) of ZIHG Projects	25.5%	23.1%	30.5%	17.1%	23.4%
Non-CT Collaborative Projects	29.9%	31.5%	33.3%	31.1%	46.3%
Non-CT Individual Projects	22.3%	19.2%	22.7%	22.2%	20.2%
Non-ZIHG CT Individual Projects	—	100.0%	—	—	—
Total gross profit margin of Non-ZIHG Projects	23.8%	22.5%	23.9%	23.3%	21.9%
Total gross profit margin (connected transaction) of Non-ZIHG Projects	—	100%	—	—	—
Total gross profit margin (not connected transaction) of Non-ZIHG Projects	23.8%	22.5%	23.9%	23.3%	21.9%
Percentage of aggregate gross profit from ZIHG Projects to our Group's total gross profit	21.5%	57.7%	39.1%	44.6%	28.0%
Percentage of aggregate gross profit from ZIHG Projects (connected transactions) to our Group's total gross profit	9.6%	35.6%	24.9%	33.2%	18.0%

As set out above, ZIHG Projects comprise (i) ZIHG CT Projects (i.e. ZIHG CT Individual Projects and ZIHG CT Collaborative Projects); and (ii) ZIHG Non-CT Collaborative Projects. For ZIHG CT Individual Projects, we were directly engaged by the ZIHG Connected Persons (typically as a subcontractor). For ZIHG CT Collaborative Projects, our Group entered into project contracts with a company which the ZIHG Group owned 30% or more. During the Track Record Period, notwithstanding that the ZIHG Group owned 30% or more of the contracting party engaging our Group in such projects (which was typically (a) a project company under a PPP project or other public sector projects, which was set up by the local government, the ZIHG Group and/or other third parties after the tendering process was completed; or (b) a state-invested enterprise set up by the respective local governments (holding majority interest) and the ZIHG Group (holding minority interest of 30% or more but less than 50%) for undertaking various public sector projects and carrying out tendering process therefor, the ZIHG Group either (in the case of (a) above) held no interest in the project owner (i.e. the local government) that carried out the tendering process or (in the case of (b) above) held only a minority interest in the state-invested enterprise responsible for the tendering process.

The total revenue from the ZIHG Projects increased by approximately 249.1% from approximately RMB126.1 million for FY2017 to approximately RMB440.2 million for FY2018, and decreased by approximately 31.2% to approximately RMB302.7 million for FY2019. The revenue contribution from ZIHG Projects in FY2018 and FY2019 were approximately 54.4% and 33.7%, which were significantly higher than that of approximately 19.2% in FY2017. This was due to an increase in the number of ecological restoration projects relating to treatment of river or heavily polluted water secured by our Group in 2017, with a majority of the revenue from these projects being recognised in the following years in accordance with the progress of each project. Pursuant to the Water Pollution Prevention Action Plan (Ten Rules of Water Resources) (水污染防治行動計劃(水十條)) promulgated by the State Council in April 2015 (the "**Ten Rules of Water Resources**"), targets and timelines were set out with the aim of improving water environment quality in the PRC. In particular, it was targeted that by 2020, the percentage of heavily polluted water bodies in China has to be greatly reduced. Following the promulgation of the Ten Rules of Water Resources, the PRC government has promoted water ecological restoration projects since 2017. The tender requirements of such projects matched with the combined qualifications and experience of our Group and the ZIHG Group. As such, we, in collaboration with the ZIHG Group, were able to secure a number of such projects in 2017, including, among others, the Nanxi Project and the Xinkai River Project, both of which had a contract sum of over RMB100.0 million. These ecological restoration projects recognised a substantial amount of revenue for FY2018, leading to an increase in the revenue from ZIHG Projects from FY2017 to FY2018. We recorded a decrease in revenue from ZIHG Projects from FY2018 to FY2019, primarily due to the substantial completion of the large-scale Meihekou Project in FY2018, which led to a decrease in revenue recognised for FY2019 compared with FY2018 for this project.

The total revenue from the ZIHG Projects decreased by approximately 42.6% from approximately RMB122.9 million for 6M2019 to approximately RMB70.5 million for 6M2020. The revenue contribution from ZIHG Projects in 6M2019 was approximately 41.7% as compared to approximately 19.7% in 6M2020. This was mainly due to the decrease in revenue resulting from the revenue recognised for different construction phases of the large-scale Meihekou Project and Dongxinkai River Project.

The revenue derived from Non-ZIHG Projects decreased by approximately 30.2% from approximately RMB529.4 million for FY2017 to approximately RMB369.3 million for FY2018, and increased by approximately 61.1% to RMB594.8 million for FY2019. Such fluctuations were primarily attributable to (i) more revenue being recognised for FY2017 compared to FY2018 from the Shenjunshan Project and Beihu Project, which had a relatively large contract sum; and the (ii) the commencement of construction works in FY2019 for large-scale ecological restoration projects, namely the Meihekou Ecological Restoration Project and Ecological Restoration Project of Ulanhot City in 2019 (烏蘭浩特市2019年生態治理工程), as well as Zone C of the Shenjunshan Project. The revenue derived from Non-ZIHG Projects increased by approximately 67.1% from approximately RMB172.0 million for 6M2019 to approximately RMB287.4 million for 6M2020, mainly due to large-scale ecological restoration projects with formal contracts entered into in the second half year of FY2019 and 6M2020 upon which the projects started to recognise revenue.

The fluctuation of the gross profit margin of ZIHG Projects during FY2017, FY2018 and FY2019 was generally in line with the gross profit margin fluctuation of three large-scale projects, namely the Meihekou Project, Dongxinkai River Project and Nanxi Project, which together contributed to a large proportion of the revenue recognised for ZIHG Projects during FY2017, FY2018 and FY2019. The gross profit margin of ZIHG Projects increased from 6M2019 to 6M2020, primarily attributable to the higher gross profit margin recorded for 6M2020 compared to 6M2019 in respect of (i) the design works undertaken for the Dongxinkai River Project, as such design works were substantially completed in 6M2020, leading to a substantial increase in the revenue recognised for 6M2020 compared to 6M2019 while costs remained at similar level; and (ii) a project in the others segment, for which only costs but not revenue were recognised in previous years as we did not receive any progress completion report from the customer for our completed works, but such report was received in 6M2020, leading to the recognition of the relevant revenue in 6M2020.

The gross profit margin of Non-ZIHG Projects remained relatively stable throughout the Track Record Period. The relatively high gross profit margin recorded for Non-ZIHG CT Individual Projects for FY2018 was due to the fact that our revenue from Non-ZIHG CT Individual Projects was generated from the technical consultancy services we provided for a small-scale project, for which we incurred no cost as our expenses related to this project were recognised as selling or administrative expenses.

The gross profit margin of ZIHG CT Individual Projects was generally higher than Non-ZIHG Projects during the Track Record Period, except for FY2018 and 6M2020, primarily due to (i) the high gross profit margin recorded for three technical consultancy projects for FY2017, which together accounted for a large amount of the revenue generated from ZIHG CT Individual Projects for the year. Our costs incurred for these projects were relatively low as they mainly comprised labour costs and we did not require much outsourcing of works to external parties in these projects; (ii) the high gross profit margin recorded for the ancillary project to the Meihekou Project for FY2019, which accounted for a majority of the revenue generated from ZIHG CT Individual Projects for the year. A substantial portion of our works performed for this project were earthworks, which are generally less complicated than our other work streams and involve extensive use of machinery, hence our costs incurred were relatively low; and (iii) the high gross profit margin recorded for 6M2019 for the technical consultancy and investigation works undertaken for two projects in the others segment respectively during 6M2019, which together accounted for a majority of the revenue derived from ZIHG CT Individual Projects for 6M2019. Our costs incurred for these projects were relatively low as they mainly comprised labour costs and we did not require much outsourcing of works to external parties in these projects. The gross profit margin of ZIHG CT Individual Projects for FY2018 was lower than that for FY2017 and FY2019, primarily due to the relatively low gross profit margin recorded for the design work undertaken for a project in the others segment which incurred a large amount of costs during FY2018. We recorded a negative gross profit margin for ZIHG CT Individual Projects for 6M2020 primarily due to a design project and a surveying project which recorded no revenue but incurred costs during 6M2020.

We recorded a higher gross profit margin for ZIHG Projects compared with Non-ZIHG Projects during the Track Record Period. This was primarily due to the relatively higher gross profit margin of approximately 30.2%, 27.6%, 30.0% and 47.8% recorded for ZIHG CT Collaborative Projects and ZIHG CT Individual Projects during the Track Record Period. The Meihekou Project (together with its ancillary project) accounted for approximately 66.2%, 95.8%, 86.9% and 58.4% of the total revenue derived from these projects for FY2017, FY2018, FY2019 and 6M2020, respectively. The Meihekou Project is a large-scale PPP project which is considered by the local government as a key project in Meihekou City. The gross profit margin of the Meihekou Project (together with its ancillary project) recognised for FY2017, FY2018, FY2019 and 6M2020 were approximately 27.5%, 28.4%, 27.6% and 28.2%, respectively, which are within the range of the gross profit margin recorded for our Group's projects under the PPP model of approximately 24.4% to 35.4% during the Track Record Period. In particular, we were able to achieve a relatively high gross profit margin for the Meihekou Project due to the fact that (i) a larger amount of a certain type of raw material were utilised in this project compared with our other projects. As far as our Directors are aware, there are no market pricing guidelines in the PRC for this type of raw material and there are a large number of suppliers in the market from which our Group can obtain fee quotes. As such, we were able to obtain such raw material at a more competitive price, resulting in a relatively low cost of raw materials for this project; and (ii) a new variety of landscaping material was introduced in this project and our Group was able to charge a relatively high margin for such new material. In addition, for 6M2020, the revenue generated from the design and survey works undertaken for a project in the others segment accounted for approximately 38.3% of the total revenue derived from ZIHG CT Collaborative Projects and ZIHG CT Individual Projects. Such project recorded a high gross profit margin of approximately 82.0% for 6M2020, due to the fact that only costs but not revenue were recognised in previous years as we did not receive any progress completion report from the customer for our completed works, but such report was received in 6M2020, leading to the recognition of the relevant revenue. The abovementioned two projects contributed significantly to the relatively higher gross profits margins recorded for ZIHG CT Collaborative Projects and ZIHG CT Individual Projects during the Track Record Period, hence also contributing to the relatively higher gross profit margin of the ZIHG Projects when compared with the Non-ZIHG Projects.

Our Directors believe that we are capable of demonstrating independence from the ZIHG Group and other connected person as defined under the Listing Rules for the following reasons:

The collaborations were mainly attributable to the specific nature and evolution of the public construction industry in the PRC, and the technical arrangement of the EPC and PPP models

The collaborations between our Group and the ZIHG Group were mainly attributable to the abovementioned licence requirements under the PPP and EPC models, which are widely adopted in the landscaping and ecological restoration industries.

According to the CIC Report, the EPC model has gained popularity rapidly since 2016 under PRC government support. A series of policies were released since 2016 to promote the acceptance of EPC contracting and enhance EPC contractors' competitiveness globally. "Several Opinions on Further Promoting the Development of EPC Contracting" (《關於進一步推進工程總承包發展的若干意見》) was issued by the MOHURD in May 2016 to vigorously promote EPC contracting. It was stipulated that governments should improve the construction management methods and take the lead in implementing EPC contracting mode in government-invested projects. In addition, according to the CIC Report, ecological restoration projects are mainly involved in municipal engineering, and ecology construction and environmental protection sectors. PPP investment value in these two sectors reached approximately RMB4,942.9 billion as of March 2019 accounting for approximately 36.8% of the total PPP investment value in the PRC.

For each of FY2017, FY2018, FY2019 and 6M2020, approximately 77.1%, 83.0%, 52.9% and 54.5% of our revenue was generated from our projects under the EPC model and PPP model.

The collaborations were commercially motivated

The ZIHG Projects were commercially motivated and incentivised by operational efficacy. Our Group evaluates and determines which parties to collaborate with for the joint bidding on a project-by-project basis, based on the qualifications and track record of each party, and the relevant qualifications required for the project. At the same time, we may be selected by other parties to collaborate with them in joint bidding if they consider that it is commercially advantageous to do so. For ZIHG Non-CT Collaborative Projects, our Group either determined or was selected by the ZIHG Group as the collaboration party in joint bidding. We also collaborate with Independent Third Parties in joint bidding, apart from the ZIHG Group. During the Track Record Period, we collaborated with Independent Third Parties in joint bidding in 24 projects and approximately 80.8%, 45.6%, 66.3% and 80.3% of our revenue were generated from Non-ZIHG Projects for FY2017, FY2018, FY2019 and 6M2020, respectively.

To the best knowledge, information and belief of our Directors, independent assessment through objective criteria including a bidder's qualifications, experience, personnel, financial performance, credit record and financial status would be carried out in a tendering process, which our Directors believe could demonstrate the overall competence of the bidder and enable the objective selection of a suitable contractor based on both qualitative and quantitative factors. For projects where our Group and the ZIHG Group participated in joint bidding (i.e. ZIHG CT Collaborative Projects and ZIHG Non-CT Collaborative Projects), the ZIHG Group either held no interest in the project owner (i.e. the local government or state-invested enterprise) that carried out the tendering process, or held only a minority interest in the state-invested enterprise responsible for the tendering process. On this basis, to the best knowledge, information and belief of our Directors, ZIHG Group's shareholding (if any) in the contracting party does not confer upon the ZIHG Group the right to control over the selection process or to designate our Group as a contractor in these projects. Our Group and the ZIHG Group participated in joint tenders to increase the likelihood of winning the tender and based on the respective commercial considerations of our Group and the ZIHG Group, as further elaborated in the paragraph headed "— The benefits are mutual and complementary" below in this section.

Further, when our Group participated in the projects involving joint bidding with the ZIHG Group, the contractual terms were normally dictated by the parties inviting the tenders. Our Group's scope of work and the revenue generated can be clearly delineated from those of the ZIHG Group. Our Directors are of the view that there is no evidence to suggest that our Group entered into the contracts on terms less favourable than those enjoyed by the ZIHG Group.

Apart from Collaborative Projects, our Group also obtained ZIHG Projects through direct engagements by the ZIHG Group (i.e. the ZIHG CT Individual Projects). For direct engagements, to the best knowledge, information and belief of our Directors, the ZIHG Group has a list of qualified subcontractors (whereby our Group is one of them) and award contracts based on independent assessment through objective criteria including the available service providers' qualifications, execution capabilities, experience and track record of cooperation with the ZIHG Group, which our Directors believe could demonstrate the overall competence of the service providers including the ability to cooperate effectively with the ZIHG Group, and enable the objective selection of suitable service providers based on both qualitative and quantitative factors. To the best knowledge, information and belief of our Directors, apart from our Group, the ZIHG Group has engaged other subcontractors to provide landscaping and ecological restoration services.

Our Directors consider that the ZIHG Projects were conducted on normal commercial terms and entered into in the ordinary and usual course of business of our Group given that:

(i) for ZIHG Non-CT Collaborative Projects, we obtained the contracts through tendering process where objective criteria were considered, and the contracting party was either the local government or state-invested enterprise in which the ZIHG Group held no controlling interest;

(ii) for ZIHG CT Individual Projects, to the best knowledge, information and belief of our Directors, the ZIHG Group engaged our Group to provide services through direct engagement after obtaining fee quotes from various subcontractors on their list of qualified subcontractors and considering the objective criteria set out above. Our fee quotes were determined with reference to relevant government guidelines, prevailing market rates and a reasonable gross profit margin. To the best knowledge, information and belief of our Directors, various internal departments and personnel of the ZIHG Group, including the project department, the engineering department, the project management department and the legal department, were involved in the ZIHG Group's internal approval process for direct engagement of subcontractors. The project department was responsible for selecting the potential subcontractors from the list of qualified subcontractors, conducting negotiations and setting the reserve prices, while the engineering department participated in the entire engagement process including the review of fee quotes, subcontractor contracts, reserve prices and selection of subcontractors by the project department. The project management department was in charge of maintaining records of reserve prices and fee quotes submitted by subcontractors, and the legal department was responsible for reviewing documents involved in the process. The deputy manager of the production department reviewed the subcontractor contracts and the reserve prices before approving the engagement of the subcontractor and the relevant contract sum. To the best knowledge, information and belief of our Directors, the above internal approval process was an assessment process conducted by the ZIHG Group independently of our Group, and the personnel involved in the process were independent from our Group; and

(iii) for ZIHG CT Collaborative Projects, our Group obtained the contracts through tendering process where objective criteria were considered, and the contracting party was a company which the ZIHG Group owned 30% or more. During the Track Record Period, notwithstanding that the ZIHG Group owned 30% or more of the contracting party engaging our Group in such projects (which was typically (a) a project company under a PPP project or other public sector projects, which was set up by the local government, the ZIHG Group and/or other third parties after the tendering process was completed; or (b) a state-invested enterprise set up by the respective local governments (holding majority interest) and the ZIHG Group (holding minority interest of 30% or more but less than 50%) for undertaking various public sector projects and carrying out tendering process therefor, the ZIHG Group either (in the case of (a) above) held no interest in the project owner (i.e. the local government) that carried out the tendering process or (in the case of (b) above) held only a minority interest in the state-invested enterprise responsible for the tendering process. On this basis, to the best knowledge, information and belief of our Directors, ZIHG Group's shareholding (if any) in the contracting party does not confer upon the ZIHG Group the right to control over the selection process or to designate our Group as a contractor in these projects;

(iv) according to the CIC Report, after reviewing the ZIHG Projects and other comparable projects in the industry, CIC is of the view of that the gross profit margin of the ZIHG Projects is in line with industry range. The industry range of gross profit margin of projects in municipal landscaping and ecological restoration industry is approximately 20% to 40% during past few years due to the complexity of the projects and the expected cost; and

(v) according to the CIC Report, after reviewing the contracts which our Group entered into in respect of the ZIHG Projects on a sampling basis, CIC considered that the contract terms therein are commonly adopted in the industry and CIC was not aware of any abnormal features in such contracts.

The Sole Sponsor is satisfied that to the best knowledge of the Sole Sponsor, our Directors' view that the ZIHG Projects were conducted on normal commercial terms has been made after due and careful enquiries.

The benefits are mutual and complementary

In the PRC, to be eligible for participating in tenders for government construction projects, enterprises are required to obtain necessary qualifications and fulfil certain credential requirements in respect of their technical staff. Given the tender requirements, the long history of our business relationship/experience with the ZIHG Group, and the prominent market positions of both our Group and the ZIHG Group in the Three Northeast Provinces (according to the CIC Report, we ranked first among companies in the ecological restoration industry and second among companies in the landscaping industry in the Three Northeast Provinces in terms of revenue generated from projects located in the Three Northeast Provinces in 2019, while the ZIHG Group is among the top 10 private sector infrastructure and municipal construction works services providers in the Jilin Province), our Directors believe that the Collaborative Projects have brought mutual and complementary benefits to our Group and the ZIHG Group:

(a) on one hand, the ZIHG Group approached our Group to participate in joint bidding for the Collaborative Projects based on, as far as our Directors are aware, our Group's credentials, qualifications and long-standing collaborative relationship with the ZIHG Group. We are an established servicer provider in the landscaping and ecological restoration industry with a wide range of qualifications which the ZIHG Group does not hold including but not limited to the First-Grade Landscape Engineering Design Specialty Qualification Certificate (風景園林工程設計專項甲級), and we have cooperated with the ZIHG Group for more than seven years, through which as our Directors believe, our Group has developed a mutual understanding and trust and a smooth working relationship with the ZIHG Group; and

(b) on the other hand, our Group approached the ZIHG Group to participate in joint bidding for the Collaborative Projects based on similar factors such as the ZIHG Group's credentials, qualifications and long-standing collaborative relationship with our Group. The ZIHG Group is a leading private sector infrastructure and municipal construction works services provider in the Jilin Province. During the Track Record Period, for Collaborative Projects with the ZIHG Group undertaken by our Group as a contractor for construction services (which accounted for most of our Group's revenue generated from the Collaborative Projects with the ZIHG Group during the Track Record Period), most of the tenders required each of the bidders (or joint bidding entities) to possess, among other things, First-Grade Public Works Qualification or above, and/or Second-Grade Qualification of Main Contractor for Construction of Water Resource and Utility Works (水利水電工程施工總承包貳級) ("**Second-Grade Water Works Qualification**") or above. The ZIHG Group, which simultaneously held these two qualifications, was able to fulfil these requirements. As our Group did not hold such qualifications, we elected to collaborate with the ZIHG Group in the joint bidding for such projects.

Similar to the Collaborative Projects with the ZIHG Group, our Directors believe that the ZIHG Group directly engaged our Group for the ZIHG CT Individual Projects also based on our Group's credentials, qualifications and long-standing collaborative relationship with the ZIHG Group.

We intend to increase the number of the Non-ZIHG Projects

We plan to increase our cooperation with third parties other than the ZIHG Group in the future. To this end, we intend to increase the number of Non-ZIHG Projects, which will coincide with our business strategy to strategically expand geographically to outside the Three Northeast Provinces. We plan to seek for direct engagements from and participate in tenders with third parties other than the ZIHG Group, within or outside the Three Northeast Provinces, in particular in North China, East China and Southwest China, which are the focus of our strategic expansion. It is our business strategy to further establish our market presence in these regions by setting up regional design offices in Beijing, Shanghai and Chongqing. We believe that this will enable us to explore further opportunities to cooperate with third party industry players in these regions, hence increasing the number of Non-ZIHG Projects. Through establishing these regional design offices, we believe that our local personnel can proactively reach out to and communicate closely with potential customers, allowing us to follow-up closely in relation to quotations and design proposals, thereby allowing us to capture more business opportunities and expand our customer base in and around these locations. Where projects require qualifications we do not possess such as the First-Grade Public Works Qualification and the Second-Grade Water Works Qualification, we will actively explore opportunities to cooperate with companies with such qualifications (other than the ZIHG Group) in the aforementioned regions to jointly bid for such projects. For further details of our expansion plan, please refer to the paragraph headed "Business — Business strategies — Maintain our position in the Three Northeast Provinces, strengthen our position and increase our market share in North China, East China and Southwest China and strategically expand to other regions in the landscaping and ecological restoration industries in the PRC" in this prospectus.

According to the CIC Report, among companies registered in the Three Northeast Provinces, there were a total of 163 companies which held First-Grade Public Works Qualification or above, 322 companies which held the Second-Grade Water Works Qualification or above, and 34 companies which held both of these qualifications or above as at the Latest Practicable Date. Further, among the companies registered in the PRC, there were a total of 3,822 companies holding First-Grade Public Works Qualification or above, 4,072 companies holding Second-Grade Water Works Qualification or above, and 718 companies holding both of these qualifications or above as at the Latest Practicable Date. According to the CIC Report, among those 718 companies holding both of the abovementioned qualifications, there are more than 100 companies with a similar scale compared with ZIHG in terms of revenue. Given the large number of companies holding the relevant qualifications and our prominent market position in the Three Northeast Provinces, our Directors believe that there is no impediment for our Group to find companies other than the ZIHG Group with similar qualifications to participate in joint bidding.

In line with our plan to increase our cooperation with third parties other than the ZIHG Group, over 99% of the aggregate awarded contract sum of the projects we obtained during 6M2020 were from Non-ZIHG Projects. In addition, there are a number of the ongoing Non-ZIHG Projects of which part of the revenue will only be recognised at a later stage. Examples of such projects are as follows:

(a) The Chuanhu Project with contract sum of approximately RMB1,045.6 million, of which approximately RMB70.6 million was recognised since the commencement of the project to 30 June 2020;

(b) The Shenjunshan Project with contract sum of approximately RMB776.3 million, of which approximately RMB433.3 million was recognised since the commencement of the project to 30 June 2020; and

(c) The Songyuan Urban Greening Project with contract sum of approximately RMB444.0 million, of which revenue of approximately RMB222.6 million was recognised since the commencement of the project to 30 June 2020.

Based on our existing backlog as at the Latest Practicable Date, our Directors estimate that a majority of the revenue from such backlogs will be generated from Non-ZIHG Projects, and ZIHG Projects and Non-ZIHG Projects are estimated to contribute approximately 19.8% and 80.2% of the revenue expected to be recognised for the year ending 31 December 2020, respectively. The following table sets forth a breakdown of the closing balance of backlog of ZIHG Projects and Non-ZIHG Projects as at 31 December 2017, 2018, 2019, 30 June 2020 and the Latest Practicable Date, respectively:

	As at 31 December						As at 30 June		As at the Latest Practicable Date	
	2017		2018		2019		2020			
	Closing balance of backlog	No. of projects	Closing balance of backlog	No. of projects	Closing balance of backlog	No. of projects	Closing balance of backlog	No. of projects	Closing balance of backlog	No. of projects
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*	
ZIHG Projects:										
ZIHG CT Collaborative Projects	24,308	5	182,838	5	261,141	7	252,533	6	245,695	3
ZIHG CT Individual Projects	20,099	20	18,820	19	30,441	19	29,499	12	27,716	17
ZIHG Non-CT Collaborative Projects	1,051,003	15	876,422	15	1,025,763	14	969,177	12	1,066,934	14
Total for ZIHG Projects:	1,095,410	40	1,078,080	39	1,317,345	40	1,251,209	30	1,340,345	34
Non-ZIHG Projects	1,233,658	96	1,070,135	79	1,385,653	90	1,340,905	96	1,508,626	112
Total:	2,329,068	136	2,148,215	118	2,702,998	130	2,592,114	126	2,848,971	146

Despite our plan to increase the number of Non-ZIHG Projects, our Directors are of the view that the relationship between our Group and the ZIHG Group is not likely to terminate, considering that (i) our relationship with the ZIHG Group is mutual and complementary to each other given the tender requirements, the mutual understanding and trust developed through the long history of our business relationship/experience with the ZIHG Group, and the prominent market positions of both our Group and the ZIHG Group in the Three Northeast Provinces as elaborated above; (ii) we have developed a long-standing business relationship of over seven years with the ZIHG Group; (iii) as at the Latest Practicable Date, there had been no indication from the ZIHG Group relating to any cessation of future collaboration or change of existing collaboration between us and our Directors had not received any indication from the ZIHG Group relating to any change of existing collaboration between us; and (iv) as at the Latest Practicable Date, our Ultimate Controlling Shareholders owned the entire equity interest in ZIHG. On this basis, our

Directors consider that from the perspective of the ultimate controllers of our Group and the ZIHG Group, maintaining the relationship between our Group and the ZIHG Group is in the interest of our Group and is also in line with the interest of the ZIHG Group.

In the unlikely event where our cooperation relationship with the ZIHG Group terminates, our Directors are confident that we are able to cooperate with other companies with similar qualifications and experience in the PRC. As disclosed above, according to the CIC Report, as at the Latest Practicable Date, among the companies registered in the Three Northeast Provinces, 163 companies held First-Grade Public Works Qualification or above, 322 companies held the Second-Grade Water Works Qualification or above and 34 companies held both of these qualifications or above. Further, among the companies registered in the PRC, there were a total of 3,822 companies holding First-Grade Public Works Qualification or above, 4,072 companies holding Second-Grade Water Works Qualification or above, and 718 companies holding both of these qualifications or above as at the Latest Practicable Date.

Management independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Please refer to the section headed "Directors and Senior Management" for more details. Mr. Liu, our executive Director, together with Mr. Sun and Mr. Shao Zhanguang, our non-executive Directors, are also our Controlling Shareholders.

The following table sets out the positions held by our non-executive Directors in our Controlling Shareholders and/or their associates:

Name	Position in our Company	Position in our Controlling Shareholders and/or their associates
Mr. Sun	Non-executive Director	Director of Zonqing International, ZIHG and certain of its subsidiaries or associates (namely, ZCLLC, Jilin Zhongqing Rural Construction Development Limited (吉林中慶鄉村建設發展有限公司) ("**Jilin Zhongqing Rural Construction**"), Huaxin Fund Management Co., Ltd (吉林省華信基金管理有限公司) ("**Huaxin Fund**") and Jilin Economic Development Investment Limited (吉林省經濟發展投資有限公司))

Name	Position in our Company	Position in our Controlling Shareholders and/or their associates
Ms. Lyu Hongyan	Non-executive Director	Director of certain subsidiaries or associates of ZIHG (namely, Jilin Zhongqing Rural Construction, Jilin Jinghe Design Engineering Limited (吉林省境和設計工程有限公司), Huaxin Fund and Changchun Chengtou Urbanisation Construction Investment Limited (長春城投城鎮化建設投資有限公司))
Mr. Shao Zhanguang . .	Non-executive Director	Director of ZIHG and certain of its subsidiaries (namely, ZCLLC and Songyuan Integrated Utility Tunnel Construction Investment Limited (松原市綜合管廊建設投資有限公司))

On the basis of the following reasons, our Directors believe that our Group will be able to manage independently of our Controlling Shareholders and their respective close associates:

(a) although our three non-executive Directors also hold directorship in our Controlling Shareholders and/or their associates, they are not involved in the day-to-day management and operation of our Group. Further, save for Jilin Shengyi, an investment holding company recently established in February 2019 as part of the Reorganisation, Mr. Liu (the chairman of our Board, our executive Director and the chief executive officer of our Group) does not hold any directorship in our Controlling Shareholders or their respective close associates and he is not responsible for their business operation. Our day-to-day management and operation is led by Mr. Liu and supported by a team of senior management who possess the relevant management and industry-related expertise and experience and who have been managing our business throughout the Track Record Period;

(b) with three independent non-executive Directors out of a total of nine Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and to protect the interests of our independent Shareholders;

(c) our senior management team is primarily responsible for managing and supervising the daily operations and financial matters of our Group independent of our Controlling Shareholders;

(d) instances of actual or potential conflict of interest have been identified and minimised by virtue of the Deed of Non-competition and other corporate governance measures adopted by our Group;

(e) each of our Directors is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director; and

(f) the decision-making mechanism of the Board as specified in our Articles of Association has set out relevant provisions to avoid conflicts of interest, including but not limited to: (i) disclosure of conflicting interest to the Board; (ii) if the relevant proposal causes conflicts of interest between our Group and our Controlling Shareholders, the Director(s) associated with our Controlling Shareholders should abstain from voting and should not attend or be included in the quorum of the meeting of the Board; (iii) when transaction(s) are considered, independent non-executive Directors of our Company shall give their independent opinions to the Board pursuant to the Listing Rules.

Operational independence

We possess all relevant licences and qualifications necessary to carry on and operate our core business segments independently from our Controlling Shareholders. We have established our own organisation structure comprised of individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. There are internal control procedures to ensure effective operation of our business. Furthermore, we have independent access to suppliers who are Independent Third Parties.

Based on the above, our Directors believe that we are capable of carrying on our business independently from our Controlling Shareholders.

Save as disclosed under the paragraphs headed "— Relationship with the ZIHG Group" above in this section and "Business — Properties — Leased properties" in this prospectus, and the section headed "Connected Transactions" in this prospectus, there were no significant business transactions between our Group and our Controlling Shareholders or their associates during the Track Record Period. Although we have entered or may enter into various transactions with the ZIHG Group, such as leasing of office premises from ZCLLC and subcontracting infrastructure construction works to ZCLLC, our Directors are of the view that we can still operate independently from our Controlling Shareholders on the grounds that (i) even if we cease to engage ZCLLC for the provision of infrastructure construction services, there are other comparable Independent Third Party service providers readily available in the market; (ii) even if our Group ceases to lease office premises from ZCLLC, our Group would still be able to find suitable premises from Independent Third Parties in the same district for our operations; and (iii) these transactions with ZCLLC are conducted on normal commercial terms and are fair and reasonable. For details of the reasons for why our Directors believe our Group is capable of demonstrating its independence from the ZIHG Group despite our collaboration with them in joint bidding for projects, please refer to the paragraph headed "— Relationship with the ZIHG Group" above in this section.

Based on the above, our Directors are of the view that our Company will be able to operate independently of our Controlling Shareholders.

Financial independence

Our Directors are of the view that our Group will be financially independent of our Controlling Shareholders and any of their respective close associates upon Listing. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates (e.g. shareholder's loan), and all share pledges, guarantees and other securities provided by our Controlling Shareholders and their respective close associates for our Group's borrowings will be settled or released prior to or upon Listing.

In addition, we have our own financial and accounting system, internal control system, accounting and finance department, independent treasury function for cash receipts and payments and independent access to third party financing. We make financial decisions according to our own business needs. In view of our Group's financial resources and the estimated net proceeds from the Global Offering, our Directors are satisfied that we have sufficient capital for our financial needs and are capable of conducting our business independently of our Controlling Shareholders (including their respective close associates) upon Listing.

Based on the aforementioned reasons, our Directors believe that our financial operation is independent from our Controlling Shareholders.

CONTINUING CONNECTED TRANSACTIONS

Prior to the Listing Date, we have entered into a number of agreements with entities which will become our connected persons upon Listing. The transactions disclosed under this section will continue upon Listing and therefore constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons will be our connected persons upon Listing:

- Mr. Sun, a non-executive Director of our Company and hence our connected person;

- Ms. Zhao Hongyu, the spouse of our non-executive Director, Mr. Sun, and hence an associate of Mr. Sun and our connected person; and

- ZIHG, a company owned as to 35% by Ms. Zhao Hongyu and 27% by Mr. Sun and hence an associate of Mr. Sun and our connected person.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Equipment usage framework agreement

During the Track Record Period, we granted the ZIHG Group the right to use our water sprinkling vehicles for their business use, and we expect such arrangements to continue after Listing.

To regulate such arrangements after Listing, on 14 December 2020, we entered into an equipment usage framework agreement with ZIHG, pursuant to which the ZIHG Group will use our water sprinkling vehicles for a term starting from the Listing Date and ending on 31 December 2022, subject to renewal upon the mutual consent of both parties (the "**Equipment Usage Framework Agreement**").

The terms of the Equipment Usage Framework Agreement were arrived at after arm's length negotiations between our Group and ZIHG with reference to the market terms of similar equipment in Changchun, Jilin Province, the PRC. The transactions contemplated under the Equipment Usage Framework Agreement are conducted on normal commercial terms and in the ordinary and usual course of business of our Group. The leasing fee calculation, method of payment and other details of the leasing arrangements will be agreed between the relevant parties separately.

Historical transaction amounts

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The ZIHG Group	234	15	138	nil

Proposed annual caps

The maximum fees to be paid by the ZIHG Group to us for the use of equipment for the three years ending 31 December 2022 shall not exceed the proposed annual caps as set out in the table below:

	For the years ending 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
The ZIHG Group.	136	139	144

Basis of annual caps

In arriving at the above annual caps, our Directors have considered (i) historical transaction amounts with relevant parties during the Track Record Period; and (ii) the equipment usage rights that our Group anticipates to grant to the ZIHG Group.

Listing Rules implication

Since each of the relevant percentage ratios (other than the profit ratio) under the Listing Rules in respect of the Equipment Usage Framework Agreement is expected to be less than 0.1%, the Equipment Usage Framework Agreement constitutes de minimis transaction which will be exempted from the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions were entered into in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of our Company subject to the reporting, annual review and announcement requirements but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

a) Infrastructure construction works framework agreement

Principal terms

During the Track Record Period, we subcontracted certain infrastructure construction works services to the ZIHG Connected Persons, and we expect such subcontracting arrangements to continue after Listing.

To regulate such subcontracting arrangements after Listing, we entered into an infrastructure construction works framework agreement with ZIHG on 14 December 2020 (the "**Infrastructure Construction Works Framework Agreement**"), pursuant to which our Group agreed to engage the ZIHG Connected Persons to provide infrastructure construction works services, which shall include but are not limited to the construction of roads and bridges. The transactions contemplated under the Infrastructure Construction Works Framework Agreement are conducted on normal commercial terms and in the ordinary and usual course of business of our Group. The precise scope of service, service fee calculation, method of payment and other details of the subcontracting arrangements will be agreed between the relevant parties separately.

The initial term of the Infrastructure Construction Works Framework Agreement will commence on the Listing Date and end on 31 December 2022, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

As disclosed in the paragraph headed "Business — Subcontracting" in this prospectus, our Group does not possess the requisite qualifications or experience for certain infrastructure construction works such as bridge engineering, which does not fall under the principal business of our Group. We as main contractor of projects may in the ordinary course of our business subcontract certain parts of the ancillary construction works to professional subcontractors which are qualified and experienced, including the ZIHG Connected Persons. Our Directors consider that subcontracting ancillary construction works to the ZIHG Connected Persons would benefit our Company as they are experienced in such infrastructure construction works.

Pricing policies

The construction fees payable by our Group to the ZIHG Connected Persons under any subcontracting agreement pursuant to the Infrastructure Construction Works Framework Agreement will be determined on normal commercial terms after arm's length negotiations between the relevant parties and us with reference to (a) the value and the terms of the main contracts entered into between the customers (which are usually public sector entities) and us; (b) the amount of construction fees guided by the Code of Bills of Quantities and Valuation for Construction Works

(《建設工程工程量清單計價規範》) published by the MOHURD and the General Administration of Quality Supervision Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) (the "**GAQSIQ**"); and (c) the prevailing market prices of similar infrastructure construction works services offered by Independent Third Parties.

Historical transaction amount

	For the year ended 31 December			For the six months ended 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	nil	nil	8,536	nil

Proposed annual caps

The maximum fees to be paid by us to the ZIHG Connected Persons for the provision of infrastructure construction works services for the three years ended 31 December 2022 shall not exceed the proposed annual caps as set out in the table below:

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	1,278	7,667	7,667

Basis of annual caps

In arriving at the above annual caps, our Directors have considered (i) the terms and conditions of the existing agreements which will continue after Listing; (ii) the status of the existing projects and projects in the pipeline; (iii) the number of projects for which our Group anticipates to engage the ZIHG Connected Persons; and (iv) the historical transactions with Independent Third Parties and the ZIHG Connected Persons which our Group engaged to provide similar services.

Listing Rules implications

Each of the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, in respect of the Infrastructure Construction Works Framework Agreement is, on an annual basis, expected to be less than 5% but the total consideration is expected to be greater than HKD3 million. The Infrastructure Construction Works Framework Agreement will constitute a continuing connected transaction after the Listing, and will be subject to the reporting, annual review and announcement requirement but will be exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(b) Technical consultancy services framework agreement

Principal terms

As one of the qualified subcontractors of the ZIHG Group which has passed their subcontractors screening and evaluation procedures, we provided technical consultancy services for municipal works to the ZIHG Connected Persons during the Track Record Period. To the best knowledge, information and belief of our Directors, the ZIHG Connected Persons engaged our Group through direct engagement to provide such services after obtaining fee quotes from various subcontractors on their list of qualified subcontractors and considering the available service providers' qualifications, execution capabilities, experience and track record of cooperation with the ZIHG Connected Persons. We expect the provision of such services to continue after Listing.

To regulate the provision of such services after Listing, we enter into a technical consultancy services framework agreement with ZIHG on 14 December 2020 (the "**Technical Consultancy Services Framework Agreement**"), pursuant to which we agreed to provide technical consultancy services for municipal works to ZIHG and/or its associates. The transactions contemplated under the Technical Consultancy Services Framework Agreement are conducted on normal commercial terms and entered into in the ordinary and usual course of business of our Group. The precise scope of service, service fee calculation, method of payment and other details of the technical consultancy service arrangements will be agreed between the relevant parties separately.

The initial term of the Technical Consultancy Services Framework Agreement will commence on the Listing Date and end on 31 December 2022, subject to renewal upon mutual consent of both parties.

Reasons for the transaction

As disclosed in the paragraph headed "Business — Our business model and operational workflow" in this prospectus, in the ordinary course of our business, we provide technical consultancy services to our customers, including the ZIHG Connected Persons. Due to their business needs and our expertise and professional capabilities, our Directors are of the view that it is in our Group's interests to continue our relationship with the ZIHG Connected Persons for the provision of technical consultancy services after Listing. These constitute ZIHG CT Individual Projects as described in the paragraph headed "Relationship with Our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus.

Pricing policies

The service fees to be charged for any technical consultancy service agreement pursuant to the Technical Consultancy Services Framework Agreement are determined based on (a) a detailed cost budget with reference to the indicative price guided by the Engineering Survey and Design Fee Rates (《工程勘察設計收費標準》) published by the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) (the "**NDRC**") and MOHURD; (b) the Construction Survey and Design Fee Management Regulations (《工程勘察設計收費管理規定》) promulgated by the NDRC and the MOHURD; (c) prevailing market prices; and (d) a reasonable gross profit margin which is similar to those charged on similar projects offered to Independent Third Parties. The gross profit margin for each project is decided by the chairman of the Board, general manager and the heads of relevant departments to ensure that the terms are fair and reasonable and in the interests of our Group and Shareholders as a whole.

Historical transaction amount

	For the year ended 31 December			For the six months ended 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	8,720	4,818	6,339	nil

Proposed annual caps

The maximum fees to be paid by the ZIHG Connected Persons to us for the provision of technical consultancy services for the three years ending 31 December 2022 shall not exceed the proposed annual caps as set out in the table below:

	For the year ending 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	1,375	1,378	1,378

Basis of annual caps

In arriving at the above annual cap for the year ended 31 December 2020, our Directors have considered (i) the terms and conditions of the existing agreement; (ii) the status of the existing projects and projects in the pipeline; (iii) the historical transaction amount for 6M2020 and the transaction amount for the four months ended 31 October 2020 based on our management accounts; (iv) the number of projects for which the ZIHG Connected Persons anticipate to engage our Group; and (v) the historical transactions with Independent Third Parties and the ZIHG Connected Persons which our Group provided similar services.

In arriving at the above annual caps for the years ending 31 December 2021 and 2022, our Directors have considered (i) the terms and conditions of the existing agreement which will continue after Listing; (ii) the status of the existing projects and projects in the pipeline; (iii) the number of projects for which the ZIHG Connected Persons anticipate to engage our Group; and (iv) the historical transactions with Independent Third Parties and the ZIHG Connected Persons which our Group provided similar services.

Listing Rules implications

Each of the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, in respect of the Technical Consultancy Services Framework Agreement is, on an annual basis, expected to be less than 5% but the total consideration is expected to be greater than HKD3 million. The Technical Consultancy Services Framework Agreement will constitute a continuing connected transaction after the Listing, and will be subject to the reporting, annual review and announcement requirements but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(c) Survey and design services framework agreement

Principal terms

As one of the qualified subcontractors of the ZIHG Group which has passed their subcontractors screening and evaluation procedures, we have provided survey and design services for landscaping, ecological restoration and/or municipal works projects to the ZIHG Connected Persons during the Track Record Period. To the best knowledge, information and belief of our Directors, the ZIHG engaged our Group to provide such services through direct engagement after obtaining fee quotes from various subcontractors on their list of qualified subcontractors and considering the available service providers' qualifications, capabilities, experience and track record of cooperation with the ZIHG Connected Persons. We expect the provision of such services to continue after Listing.

To regulate the provision of such services after Listing, we entered into a survey and design services framework agreement with ZIHG on 14 December 2020 (the "**Survey and Design Services Framework Agreement**"), pursuant to which our Group agreed to provide survey and design services to the ZIHG Connected Persons for landscaping, ecological restoration and/or municipal works projects. The transactions contemplated under the Survey and Design Services Framework Agreement are conducted on normal commercial terms and in the ordinary and usual course of business of our Group. The precise scope of service, service fee calculation, method of payment and other details of the agreement will be agreed between the relevant parties separately.

The initial term of the Survey and Design Services Framework Agreement will commence on the Listing Date and end on 31 December 2022, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

As disclosed in the paragraph headed "Business — Our business model and operational workflow" in this prospectus, in the ordinary course of our business, we provide survey and design services to our customers, which include the ZIHG Connected Persons. Due to their business needs and our expertise and professional capabilities, our Directors are of the view that it is in our Group's interests to continue our relationship with the ZIHG Connected Persons and to continue to receive the payments from the ZIHG Connected Persons for the provision of survey and design services after Listing. These constitute ZIHG CT Individual Projects as described in the paragraph headed "Relationship with Our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus.

Pricing policies

The service fees charged for any survey and design services agreement pursuant to the Survey and Design Services Framework Agreement are determined based on (a) a detailed cost budget with reference to the indicative price guided by the Engineering Survey and Design Fee Rates (《工程勘察設計收費標準》) published by the NDRC and MOHURD; (b) the Construction Survey and Design Fee Management Regulations (《工程勘察設計收費管理規定》) promulgated by the NDRC and the MOHURD; (c) prevailing market prices; and (d) a reasonable gross profit margin which is similar to those charged on similar projects offered to Independent Third Parties. The gross profit margin for each project is decided by the chairman of the Board, general manager and the heads of relevant departments to ensure that the terms are fair and reasonable and in the interests of our Group and Shareholders as a whole.

Historical transaction amount

	For the year ended 31 December			For the six months ended 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	5,106	4,466	10,923	12,996

Proposed annual caps

The maximum fees to be paid by the ZIHG Connected Persons to us for the provision of survey and design services for the three years ending 31 December 2022 shall not exceed the proposed annual caps as set out in the table below:

	For the year ending 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	20,544	650	650

Basis of annual caps

In arriving at the above annual cap for the year ending 31 December 2020, our Directors have considered (i) the terms and conditions of the existing agreement; (ii) the status of the existing projects and projects in the pipeline; (iii) the historical transaction amount for 6M2020 and the transaction amount for the four months ended 31 October 2020 based on our management accounts; (iv) the number of projects for which the ZIHG Connected Persons anticipate to engage our Group; and (v) the historical transactions with Independent Third Parties and the ZIHG Connected Persons which our Group provided similar services.

In arriving at the above annual caps for the years ending 31 December 2021 and 2022, our Directors have considered (i) the terms and conditions of the existing agreement which will continue after Listing; (ii) the status of the existing projects and projects in the pipeline; (iii) the number of projects for which the ZIHG Connected Persons anticipate to engage our Group; and (iv) the historical transactions with Independent Third Parties and the ZIHG Connected Persons which our Group provided similar services.

Listing Rules implications

Each of the applicable ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, in respect of the Survey and Design Services Framework Agreement is, on an annual basis , expected to be less than 5% but the total consideration is expected to be greater than HKD3 million. The Survey and Design Services Framework Agreement will constitute a continuing connected transaction after the Listing, and will be subject to the reporting, annual review and announcement requirement but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(d) Property leasing framework agreement

During the Track Record Period, we (as tenant) leased the following properties from the ZIHG Group (as landlord):

Address (the "Leased Premises")	Tenants	Gross Floor Area	Use of the property
3/F, 5888 Fuzhi Road, Changchun, Jilin	Zonbong Landscape	1,605.12 m^2	Office
4/F, 5888 Fuzhi Road, Changchun, Jilin	Zonbong Shanshui	1,358 m^2	Office
Eastern District 12-1, 2-201, Konggan Business Park, Tianjin	Zonbong Landscape	300 m^2	Office
16-7, 196 Beibin 1st Road, Jiangbei District, Chongqing	Zonbong Shanshui	60.67 m^2	Office

As we intend to continue the lease of the above Leased Premises after Listing, to comply with the requirements of the Listing Rules, we entered into a property leasing framework agreement with ZIHG on 14 December 2020 (the "**Property Leasing Framework Agreement**"), pursuant to which we agreed to lease properties from the ZIHG Group for office use.

The principal terms of the Property Leasing Framework Agreement are as follows:

- the initial term of the Property Leasing Framework Agreement will commence on the Listing Date and end on 31 December 2022, subject to renewal through mutual consents by the parties;

- we are entitled to lease additional gross floor area from and among the available properties owned by the ZIHG Group during the term of the Property Leasing Framework Agreement; and

- the parties will enter into separate agreements setting out the specified terms and conditions (including property rents, payment methods and other usage fees) in respect of the relevant properties based on the principles, and within the parameters provided, under the Property Leasing Framework Agreement.

Pricing Policy

The annual rent payable under the Property Leasing Framework Agreement shall be determined after arm's length negotiations between the relevant parties with reference to the prevailing markets rates in respect of the comparable premises in the vicinity and the rent for comparable premises in the vicinity offered to us.

Reasons for and benefits of the transactions

Our Directors consider that the Property Leasing Framework Agreement is in the interests of our Group and Shareholders as a whole taking into account that we have historically leased some premises from the ZIHG Group as office. Compared with Independent Third Parties, the ZIHG Group has a better understanding of our property requirements in relation to office premises, and leasing properties from the ZIHG Group also facilitates our business cooperation with the ZIHG Group geographically. Furthermore, relocating our offices to other premises will cause unnecessary disruptions to our business operation and incur unnecessary costs. We consider that the terms of the Property Leasing Framework Agreement are consistent with normal commercial terms which can safeguard our entitlement to long-term property rights, therefore enabling us to achieve long-term development and continuity of our business operations.

Historical transaction amount

	For the year ended 31 December			**For the six months ended 30 June**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
the ZIHG Group	3,592	5,211	2,936	1,405

Proposed annual caps

For each of the three years ending 31 December 2022, the proposed annual caps of rent payable by us shall not exceed the proposed annual caps as set out in the table below:

	for the years ending 31 December		
	2020	**2021**	**2022**
	RMB '000	*RMB'000*	*RMB '000*
the ZIHG Group	2,700	3,000	3,100

Basis of annual caps

In arriving at the above annual caps, our Directors have considered (i) the terms and conditions of the existing agreement; (ii) inflation rate in the PRC with reference to the Consumer Price Index published by National Bureau of Statistics of China; (iii) the market rent of the Leased Premises as opined by an independent property valuer having taken into account of the prevailing market conditions; and (iv) our expansion plan of establishing a regional design office in Chongqing (For details, please see the paragraph headed "Business — Business strategies — Maintain our position in the Three Northeast Provinces, strengthen our position and increase our market share in North China, East China and Southwest China and strategically expand to other regions in the landscaping and ecological restoration industries in the PRC" in this prospectus), where we expect to lease new office space from the ZIHG Group.

Listing Rules implications

All of the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, in respect of the Property Leasing Framework Agreement is, on an annual basis, expected to be less than 5% but the total consideration is expected to be greater than HKD3,000,000. The Property Leasing Framework Agreement will constitute a continuing connected transaction after the Listing, and will be subject to the reporting, annual review and announcement requirement but will be exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions were entered into in the ordinary and usual course of our business, which will upon Listing, constitute continuing connected transactions of our Company subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Landscaping and ecological restoration construction works services framework agreement

Principal terms

As one of the qualified subcontractors of the ZIHG Group which has passed their subcontractors screening and evaluation procedures, we have provided landscaping and ecological restoration construction works services to the ZIHG Connected Persons during the Track Record Period. To the best knowledge, information and belief of our Directors, the ZIHG Connected Persons engaged our Group to provide such services through direct engagement after obtaining fee quotes from various subcontractors on their list of qualified subcontractors and considering the available service providers' qualifications, capabilities, experience and track record of cooperation with the ZIHG Connected Persons. We expect the provision of such services to continue after Listing.

To regulate the provision of such services after Listing, we entered into a landscaping and ecological restoration construction works services framework agreement with ZIHG on 14 December 2020 (the "**Landscaping and Ecological Restoration Construction Works Services Framework Agreement**"), pursuant to which our Group agreed to provide landscaping and ecological restoration construction work services to the ZIHG Connected Persons. The transactions contemplated under the Landscaping and Ecological Restoration Construction Works Services Framework Agreement are conducted on normal commercial terms and in the ordinary and usual course of business of our Group. The precise scope of service, service fee calculation, method of payment and other details of the agreement will be agreed between the relevant parties separately.

The initial term of the Landscaping and Ecological Restoration Construction Works Services Framework Agreement will commence on the Listing Date and end on 31 December 2022, subject to renewal upon the mutual consent of both parties.

Reasons for the transaction

As disclosed in the paragraph headed "Business — Our business model and operational workflow" in this prospectus, in the ordinary course of our business, we provide landscaping and ecological restoration construction works services to our customers, which include the ZIHG Connected Persons. Due to their business needs and our expertise and professional capabilities, our Directors are of the view that it is in our Group's interests to continue our relationship with the ZIHG Connected Persons and to continue to receive the payments from the ZIHG Connected Persons for the provision of landscaping and ecological restoration construction works services after Listing. These constitute ZIHG CT Individual Projects as described in the paragraph headed "Relationship with Our Controlling Shareholders — Relationship with the ZIHG Group" in this prospectus.

Pricing policies

The service fees payable to us by the ZIHG Connected Persons under any construction services agreement pursuant to the Landscaping and Ecological Restoration Construction Works Services Framework Agreement will be determined by (a) the indicative price guided by the Code of Bills of Quantities and Valuation for Construction Works (《建設工程工程量清單計價規範》) published by the MOHURD and the GAQSIQ; (b) prevailing market price and market trends; and (c) a reasonable gross profit margin which is similar to those charged on similar projects offered to Independent Third Parties. The gross profit margin for each project is decided by the chairman of the Board, the general manager and the heads of relevant departments to ensure that the terms are fair and reasonable and in the interests of our Group and Shareholders as a whole.

Historical transaction amount

	For the year ended 31 December			**For the six months ended 30 June**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	36,775	243,873	176,347	19,945

Proposed annual caps

The transaction amounts to be paid by the ZIHG Connected Persons to us under the Landscaping and Ecological Restoration Construction Works Services Framework Agreement for the three years ending 31 December 2022 shall not exceed the proposed annual caps as set out in the table below:

	For the year ending 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
The ZIHG Connected Persons	70,777	141,301	141,301

Basis of annual caps

In arriving at the above annual cap for the year ending 31 December 2020, our Directors have considered (i) the terms and conditions of the existing agreement; (ii) the status of the existing projects and projects in the pipeline, in particular the estimated revenue from an ecological restoration project with awarded contract sum of RMB269.0 million and backlog of approximately RMB242.0 million as at the Latest Practicable Date; (iii) the historical transaction amount for 6M2020 and the transaction amount for the four months ended 31 October 2020 based on our management accounts; (iv) the number of projects for which the ZIHG Connected Persons anticipate to engage our Group; and (v) the historical transactions with Independent Third Parties and the ZIHG Connected Persons which our Group provided similar services.

In arriving at the above annual caps for the years ending 31 December 2021 and 2022, our Directors have considered (i) the terms and conditions of the existing agreement which will continue after Listing; (ii) the status of the existing projects and projects in the pipeline, in particular the estimated revenue from (a) an ecological restoration project with awarded contract sum of approximately RMB269.0 million and backlog of approximately RMB242.0 million as at the Latest Practicable Date; and (b) an ecological restoration project with awarded contract sum of approximately RMB10.3 million with backlog of approximately RMB8.3 million as at the Latest Practicable Date; (iii) the number of projects for which the ZIHG Connected Persons anticipate to engage our Group; and (iv) the historical transactions with Independent Third Parties and the ZIHG Connected Persons which our Group provided similar services.

Listing Rules implications

Each of the applicable ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, in respect of the Landscaping and Ecological Restoration Construction Works Services Framework Agreement is, on an annual basis, expected to be more than 5%. The Landscaping and Ecological Restoration Construction Works Services Framework Agreement will constitute a continuing connected transaction after the Listing, and will be subject to the reporting, annual review and announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure continuous compliance with the proposed annual caps and the relevant requirements under Chapter 14A of the Listing Rules, our Company has adopted the internal control measures below:

1. For existing continuing connected transactions, the project team of our Group will regularly communicate and update the project status with our chief financial officer, and the chief financial officer and the managements of our Group will continually monitor and review the utilised amount of the annual cap and assess whether the utilised amount of annual caps incurred during the financial year is likely to exceed the proposed annual cap as granted in the waiver or approved by the independent Shareholders (as the case may be). If the utilised amount of the annual cap are expected to be exceeded before the end of the financial year, or in case of delay in progress of the construction work and the proposed annual caps for the current and/or the coming financial year(s) are likely to exceed, the relevant personnel from the finance department will notify the chief executive officer of our Company immediately so that our Company is able to undertake the relevant procedure to comply with the relevant requirements under Chapter 14A of the Listing Rules to revise the annual caps accordingly in a timely manner.

2. The independent non-executive Directors will review the continuing connected transactions of our Company on a quarterly basis to consider whether all of the continuing connected transactions of our Group are entered into in the ordinary and usual course of business of our Group, on normal commercial terms or, if applicable, are conducted in accordance with the relevant pricing policies and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

3. The auditors of our Company will review the terms and annual caps of the continuing connected transactions contemplated under the relevant contracts on an annual basis.

4. Our Company will provide training to the Directors and the relevant personnel on the above internal control policies and on the relevant requirements in relation to continuing connected transactions under Chapter 14A of the Listing Rules so as to strengthen their awareness on the compliance requirements and will periodically conduct the aforesaid training to ensure that all the above parties maintain their awareness on compliance requirements concerning continuing connected transactions.

APPLICATION FOR WAIVERS

In respect of the Infrastructure Construction Works Framework Agreement, the Technical Consultancy Services Framework Agreement, the Survey and Design Services Framework Agreement and the Property Leasing Framework Agreement, the highest applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending 31 December 2022 are expected to be less than 5% but the total considerations are expected to be greater than HKD3 million. Accordingly, the continuing connected transactions under these framework agreements are subject to the reporting, annual review and announcement requirements but will be exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the Landscaping and Ecological Restoration Construction Works Services Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending 31 December 2022 is expected to be higher than 5%. Accordingly, the continuing connected transactions under this framework agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with the announcement requirements in respect of the Infrastructure Construction Works Framework Agreement, the Technical Consultancy Services Framework Agreement, the Survey and Design Services Framework Agreement and the Property Leasing Framework Agreement, and the announcement and Shareholders' approval requirements in respect of the Landscaping and Ecological Restoration Construction Works Services Framework Agreement under Chapter 14A of the Listing Rules, provided that the total amount of transactions for each of the three years ending 31 December 2022 will not exceed the relevant proposed annual caps as set out in this section.

Save as disclosed in this section, our Directors currently do not expect that immediately following the Listing, there will be any other transaction which will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules. In the event that we enter into any new transaction or agreement with any connected person in the future, our Company will comply with the provisions of Chapter 14A of the Listing Rules.

THE DIRECTORS' VIEWS

Our Directors (including the independent non-executive Directors) are of the view that, it is in the interests of our Group to continue with all the fully-exempt continuing connected transactions under the Equipment Usage Framework Agreement, the partially-exempt continuing connected transactions under the Infrastructure Construction Works Framework Agreement, the Technical Consultancy Services Framework Agreement, the Survey and Design Services Framework Agreement, and the Property Leasing Framework Agreement, and the non-exempt continuing connected transactions under the Landscaping and Ecological Restoration Construction Works Services Framework Agreement (collectively, save for the Equipment Usage Framework Agreement, the "**Agreements**") after Listing, and that all these transactions are entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Group and Shareholders as a whole. In addition, the proposed annual caps for the partially-exempt and non-exempt continuing connected transactions as described in this section are fair and reasonable and in the interests of our Group and Shareholders as a whole.

SOLE SPONSOR'S VIEW

Based on the information provided by us, the Sole Sponsor's participation in the due diligence and discussion with us, including but not limited to (i) the review of the Agreements; and (ii) the review of the documentation provided by us with respect to our continuing connected transactions under the Agreements, the Sole Sponsor believes that the aforesaid partially-exempt and non-exempt continuing connected transactions under the Agreements are entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Group and Shareholders as a whole. In addition, the proposed annual caps for the partially-exempt and non-exempt continuing connected transactions as described in this section are fair and reasonable and in the interests of our Group and Shareholders as a whole.

SHARE CAPITAL

The authorised share capital of our Company is as follows:

Authorised share capital		Aggregate nominal value of Shares
10,000,000,000	Shares of HKD0.001 each	HKD10,000,000

Assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Global Offering and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid		Aggregate nominal value of Shares *(HKD)*
821,028	Shares in issue as at the date of this prospectus	821.028
219,178,972	Shares to be allotted and issued pursuant to the Capitalisation Issue	219,178.972
55,000,000	Shares to be issued under the Global Offering	55,000
275,000,000	Shares in total	275,000

Assuming the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Global Offering will be as follows:

Issued and to be issued, fully paid or credited as fully paid		Aggregate nominal value of Shares *(HKD)*
821,028	Shares in issue as at the date of this prospectus	821.028
219,178,972	Shares to be allotted and issued pursuant to the Capitalisation Issue	219,178.972
65,312,500	Shares to be issued under the Global Offering and the Over-allotment Option	65,312.5
285,312,500	Shares in total	285,312.5

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares to be issued upon the exercise of any share options granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering; and

(ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Please refer to "Appendix IV — Statutory and General Information — A. Further Information about Our Company — 3. Resolutions in writing of our Shareholders passed on 14 December 2020" to this prospectus for details.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. Please refer to "Appendix IV — Statutory and General Information — A. Further Information about Our Company — 6. Repurchases of our Shares" to this prospectus for details.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Please refer to "Appendix IV — Statutory and General Information — A. Further Information about Our Company — 3. Resolutions in writing of our Shareholders passed on 14 December 2020" to this prospectus for details.

SHARE OPTION SCHEME

The Share Option Scheme was adopted on 14 December 2020. Please refer to "Appendix IV — Statutory and General Information — D. Share Option Scheme" to this prospectus for details.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Act and the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders, (i) increase its share capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. Please refer to "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" to this prospectus for details.

Pursuant to the Companies Act and the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. Please refer to "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" to this prospectus for details.

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or our underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

		Immediately following completion of the Global Offering and the Capitalisation Issue	
Name	**Capacity/Nature of Interest**	**Number of Shares**[1]	**Approximate shareholding percentage**
Zonqing International	Beneficial owner	181,202,166 (L)	65.89%
Ms. Zhao Hongyu	Interest in a controlled corporation[2]	181,202,166 (L)	65.89%
Mr. Sun.	Interest of spouse[3]	181,202,166 (L)	65.89%
Zonbong International	Beneficial owner	14,054,104 (L)	5.11%
Mr. Liu	Interest in a controlled corporation[4]	14,054,104 (L)	5.11%
Ms. Wang Tiannv	Interest of spouse[5]	14,054,104 (L)	5.11%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Ms. Zhao Hongyu is the beneficial owner of 35% shareholding in Zonqing International and is therefore deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO.

(3) Mr. Sun is the spouse of Ms. Zhao Hongyu. Accordingly, Mr. Sun is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.

(4) Given that Mr. Liu is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.

(5) Ms. Wang Tiannv is the spouse of Mr. Liu. Accordingly, Ms. Wang is deemed to be interested in the Shares in which Mr. Liu is interested for the purposes of the SFO.

Except as disclosed above, we are not aware of any person who will, immediately following the Global Offering and the Capitalisation Issue, have an interest or holds a short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

BOARD OF DIRECTORS

Our Board consists of nine members, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

The following table sets forth certain information of our Directors:

Name	Age	Position	Date of appointment	Date of joining our Group	Principal roles and responsibilities
Liu Haitao (劉海濤)	45	Chairman of the Board, chief executive officer and executive Director	8 March 2019	22 December 2008	Formulating and implementing business and operation strategies of our Group, as well as making major business and operational decisions for our Group
Wang Xudong (王旭東)	47	Executive Director and chief operating officer	18 March 2020	1 January 2015	Participating in the implementation of business and operating strategies of our Group, as well as overseeing the daily management and operational affairs of our Group
Wang Yan (王彥)	39	Executive Director and chief financial officer	18 March 2020	26 September 2014	Managing the financial affairs of our Group
Sun Juqing (孫舉慶)	50	Non-executive Director	24 September 2019	16 December 2012	Providing strategic advice on the general development of our Group
Lyu Hongyan (呂鴻雁)	43	Non-executive Director	24 September 2019	13 December 2014	Providing strategic advice on the general development of our Group
Shao Zhanguang (邵占廣)	41	Non-executive Director	24 September 2019	16 December 2012	Providing strategic advice on the general development of our Group

Name	Age	Position	Date of appointment	Date of joining our Group	Principal roles and responsibilities
Gao Xiangnong (高向農)	52	Independent non-executive Director	14 December 2020	14 December 2020	Providing independent judgment to our Board
Yin Jun (尹軍)	66	Independent non-executive Director	14 December 2020	14 December 2020	Providing independent judgment to our Board
Lee Kwok Tung Louis (李國棟)	53	Independent non-executive Director	14 December 2020	14 December 2020	Providing independent judgment to our Board

Executive Directors

Mr. Liu Haitao (劉海濤), aged 45, is the chairman of our Board, our chief executive officer and an executive Director. He was appointed as a Director on 8 March 2019 and was redesignated as an executive Director on 24 September 2019. He is responsible for formulating and implementing business and operation strategies of our Group, as well as making major business and operational decisions for our Group. Mr. Liu has more than 20 years of management experience in the construction industry.

Mr. Liu currently holds directorships in the following members of our Group:

- Zonbong Landscape as a director since April 2010 and as the chairman of the board since December 2012;
- Zhongke Zonbong as an executive director since April 2016;
- Jilin Zonbong as a director and the chairman of the board since September 2018; and
- Zonbong Environment as a director since April 2019.

Prior to joining our Group, from July 1996 to December 2002, he served as the head of the procurement department at Changchun Chengjian Road and Bridge Limited (長春市城建路橋有限公司), a company providing construction services for municipal projects and sculpture engineering. From January 2003 to December 2008, he worked as the deputy general manager at ZCLLC and was mainly responsible for procurement management. He was assigned to Zonbong Landscape by ZCLLC as the general manager from December 2008 to April 2010, and has served as its director since April 2010.

Mr. Liu graduated from Changchun University (長春大學) in July 1996 with a bachelor's degree in computer science. He also received his bachelor's degree in civil engineering by way of correspondence education from the Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as the Jilin Jianzhu University (吉林建築大學)) in July 2004 and his EMBA (Executive Master of Business Administration) degree from Jilin University (吉林大學) in December 2015.

Mr. Liu obtained the qualification certificate of senior engineer in road and bridge engineering issued by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2007 and that of chief senior engineer in road and bridge engineering from the Human Resources and Social Security Department of Jilin Province (吉林省人力資源和社會保障廳) on 1 January 2017.

Mr. Liu was a legal representative or supervisor of the following companies which were incorporated in the PRC prior to their respective dissolution:

Name of company	Mr. Liu's position	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Changchun City Qida Green Landscape Engineering Limited Jilin Branch Company (長春市啟達綠化景觀工程有限公司吉林市分公司)	Legal representative	Construction for landscaping projects	Deregistration	25 July 2012	Cessation of business
Jilin Chengyu Engineering Consultancy Limited (吉林誠譽工程諮詢有限公司) . .	Supervisor	Consultancy services in relation to engineering pricing	Deregistration	24 July 2013	Cessation of business

Mr. Liu confirmed that the above companies were solvent at the time when they were dissolved and that the dissolution of the above companies had not resulted in any liability or obligation imposed on him.

Mr. Wang Xudong (王旭東), aged 47, was appointed as an executive Director and chief operating officer of our Company on 18 March 2020 and 14 December 2020, respectively. He has been the general manager of our Group since 1 January 2015. Mr. Wang Xudong has more than 20 years of management experience in the construction industry. Prior to joining our Group, Mr. Wang Xudong worked in the planning department from September 1992 to March 1996 at Changchun Municipal Construction (Group) Co. Ltd (長春市政建設(集團)有限公司), a company providing municipal construction services. From April 1996 to March 2009, he worked as the manager of the planning department and subsequently the manager of the Sixth Engineering Department at Changchun Chengjian Road and Bridge Limited (長春市城建路橋有限公司), a company providing construction services for municipal projects and sculpture engineering. He then worked at ZCLLC as a project manager from March 2009 to March 2012 and as the deputy general manager (mainly responsible for the management of the production department) from March 2012 to March 2014. In January 2015, he joined Zonbong Landscape and has served as its general manager responsible for its overall management and operation since then.

Mr. Wang Xudong graduated at the Changchun City Direct Institution Amateur University (長春市直屬機關業餘大學) with a programme in administrative management in July 1997. He obtained a bachelor's degree in civil engineering by way of correspondence education from Heilongjiang Institute of Education (黑龍江省教育學院) in July 2016. Mr. Wang Xudong was granted the qualification of senior engineer in road and bridge engineering by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2008, and the qualification of certified chief senior engineer in road and bridge engineering by the Human Resources and Social Security of Jilin Province (吉林省人力資源和社會保障廳) on 1 January 2017, as well as the qualification of constructor of municipal works by the Construction Department of Jilin Province (吉林省建設廳) (now known as the Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)) on 17 July 2008.

Ms. Wang Yan (王彥), aged 39, was appointed as an executive Director of our Company on 18 March 2020. She was appointed as the chief financial officer of our Company and the deputy general manager of our Group on 14 December 2020 and 26 September 2014, respectively. Ms. Wang Yan has more than 14 years of financial management experience in the construction industry. She worked at ZCLLC from March 2006 to September 2014, with her last position held as finance manager. Since September 2014, she has become the chief financial officer of Zonbong Landscape.

Ms. Wang Yan received a bachelor's degree in finance from Jilin University in July 2019 by way of distance learning. Ms. Wang Yan obtained the qualification of senior accountant from the Finance Department of Jilin Province (吉林省財政廳) on 10 September 2017. In June 2019, Ms. Wang Yan was admitted as a Certified Management Accountant by the Institute of Certified Management Accountants, the United States of America.

Ms. Wang Yan was a supervisor of the following company which was incorporated in the PRC prior to its dissolution:

Name of company	Ms. Wang's position	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Changchun Chuangcheng Youye Construction Project Management Co., Ltd. (長春創城優業建設項目管理有限公司)	Supervisor	Construction project design and management	Deregistration	26 June 2015	Cessation of business

Ms. Wang Yan confirmed that the above company was solvent at the time when it was dissolved and that the dissolution of the above company had not resulted in any liability or obligation imposed on her.

Non-executive Directors

Mr. Sun Juqing (孫舉慶), aged 50, was appointed as a non-executive Director on 24 September 2019. He has more than 20 years of experience in the construction industry. Mr. Sun has held directorships in Zonbong Landscape since December 2012 and in Jilin Zonbong since September 2018.

Prior to joining our Group, Mr. Sun served as the deputy general manager of Changchun Chengjian Road and Bridge Limited (長春市城建路橋有限公司), a company providing construction services for municipal projects and sculpture engineering, from June 1992 to December 2005. He successively served in several positions with ZCLLC, including deputy general manager from January 2006 to September 2010 and the chairman of the board from July 2010 to February 2017. He has also been the chairman of the board of ZIHG from November 2014 to May 2016 and since February 2017.

Mr. Sun received a bachelor's degree in civil engineering by way of correspondence education in July 2005 from the Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as the Jilin Jianzhu University (吉林建築大學)). Mr. Sun obtained the qualification certificate of senior engineer in road and bridge engineering issued by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2005.

Ms. Lyu Hongyan (呂鴻雁), aged 43, was appointed as a non-executive Director on 24 September 2019. She has more than 17 years of experience in accounting and financial management. Ms. Lyu Hongyan has held directorships in Zonbong Landscape since December 2014 and Jilin Zonbong since September 2018.

Prior to joining our Group, Ms. Lyu Hongyan worked as an accountant at Jilin Shengxiang Accounting Limited (吉林聖祥會計師事務有限公司), an accounting firm, from October 2003 to October 2007. From October 2007 to January 2015, she served as the chief financial officer at ZCLLC. From December 2013 to December 2018, she was a director of Jilin Province Zhongsheng Municipal Engineering and Design Limited (吉林省中盛市政工程設計有限公司) (now known as Zonbong Shanshui). Since February 2015, she has worked as the vice president of finance at Changchun Mingju Commerce Limited (長春市銘聚商貿有限責任公司) (now known as ZIHG).

Ms. Lyu Hongyan graduated from Changchun Taxation College (長春稅務學院) (now known as the Jilin University of Finance and Economics (吉林財經大學)) with a bachelor's degree in accounting through self education examination in June 1999. Ms. Lyu Hongyan was granted the qualification of senior accountant by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2008.

Ms. Lyu Hongyan was a director of the following company which was incorporated in the PRC prior to its dissolution:

Name of company	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Changchun Chuangcheng Youye Construction and Project Management Limited (長春創城優業建設項目管理有限公司) . . .	Management of construction projects	Deregistration	26 May 2015	Cessation of business

Ms. Lyu Hongyan confirmed that the above company was solvent at the time when it was dissolved and that the dissolution of the above company had not resulted in any liability or obligation imposed on her.

Mr. Shao Zhanguang (邵占廣), aged 41, was appointed as a non-executive Director on 24 September 2019. He has 15 years of experience in the construction industry. He has held directorships in Zonbong Landscape since December 2012 and Zonbong Shanshui since December 2013.

From October 2004 to December 2010, Mr. Shao Zhanguang served as a marketing manager at Changchun Chengda Road and Bridge Limited Liability Company (長春市成達路橋有限責任公司) (now known as ZCLLC). From December 2010 to July 2015, he served as an executive director of Dalian Hengji Road and Bridge Construction Limited (大連恒吉路橋建設有限公司), a company providing construction services for roads, bridges and other municipal infrastructure. From February 2015 to January 2017, he was the vice president of marketing of ZIHG.

Mr. Shao Zhanguang graduated from Jilin University (吉林大學) with a bachelor's degree in surveying and mapping engineering by way of correspondence education in June 2005. Mr. Shao Zhanguang was granted the qualification of certified constructor in municipal projects by the Ministry of Development of the PRC (now known as the Ministry of Housing and Urban-Rural Development of the PRC) on 12 June 2010, and that of senior engineer in road and bridge engineering by the Human Resources and Social Security of Jilin Province (吉林省人力資源和社會保障廳) on 1 January 2016.

Mr. Shao Zhanguang was a director of the following company which was incorporated in the PRC prior to its dissolution:

Name of company	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Jilin Province Zhongtai Environmental Engineering Limited (吉林省中泰環境工程有限責任公司).	Construction of municipal works projects	Deregistration	5 June 2018	Cessation of business

Mr. Shao Zhanguang confirmed that the above company was solvent at the time when it was dissolved and that the dissolution of the above company had not resulted in any liability or obligation imposed on him.

Independent non-executive Directors

Mr. Gao Xiangnong (高向農), aged 52, was appointed as an independent non-executive Director of our Company on 14 December 2020. Prior to joining our Group, Mr. Gao Xiangnong served as the chief financial officer from September 2003 to December 2005 and then as an executive director and the chief executive officer since January 2006 at NutryFarm International Limited (formerly known as MultiVision Intelligent Surveillance Limited), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (stock code: AZT). From February 2004 to July 2018, he also served as an independent non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company listed on GEM of the Stock Exchange (stock code: 8301).

Mr. Gao Xiangnong graduated from California State University, Long Beach, with a bachelor's degree in accounting in December 1996, and with a master's degree in business administration in December 1998. Mr. Gao Xiangnong was certified as a Certified Public Accountant in Colorado, the United States, in May 2003.

Mr. Yin Jun (尹軍), aged 66, was appointed as an independent non-executive Director on 14 December 2020.

Prior to joining our Group, Mr. Yin Jun successively served as a lecturer, associate professor and professor in municipal and environmental engineering at the Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as Jilin Jianzhu University (吉林建築大學)) from December 1982 to April 2008. From April 2008 to September 2014, he worked as the deputy chairman of Jilin Province Science and Technology Association (吉林省科學技術協會). He has served as an external director since January 2018 at Changchun Water (Group) Co., Ltd (長春水務(集團)有限責任公司), a state-owned company engaged in the operation of city water supply.

Mr. Yin Jun graduated from the Harbin Architecture and Civil Engineering Institute (哈爾濱建築工程學院) (now known as Harbin Institute of Technology (哈爾濱工業大學)) with a bachelor's degree in water supply and sewage engineering in September 1977, and with a master's degree in municipal works in December 1982. He received a doctoral degree in construction works from Waseda University, Japan, in July 1992, and worked as a post-doctoral researcher at the Harbin University of Civil Engineering and Architecture (哈爾濱建築大學) (now known as Harbin Institute of Technology (哈爾濱工業大學)) from December 1992 to March 1995.

In August 2005, Mr. Yin Jun received a certificate issued by the State Council of the PRC in recognition of his contributions to the construction and engineering sector. In December 2008, Mr. Yin Jun was accredited as a senior expert in Jilin Province (吉林省高級專家) by the Jilin Provincial Committee of the Communist Party of the PRC (中共吉林省委) and the Jilin Provincial People's Government (吉林省人民政府). Mr. Yin Jun has also been granted the qualification of registered municipal facilities engineer (water supply and drainage) by the Ministry of Housing and Urban Rural Development of the PRC) in March 2011.

Mr. Lee Kwok Tung Louis (李國棟), aged 53, was appointed as an independent non-executive Director on 14 December 2020.

Mr. Lee Kwok Tung Louis has over 27 years of experience in accounting and financial management with various types of companies, including unlisted groups, listed groups and professional firms in finance, accounting and auditing. Prior to joining our Group, he worked at Deloitte Touche Tohmatsu (德勤 • 關黃陳方會計師行), an international audit firm, from 1993 to 1999 where his last position held was senior accountant. From October 1999 to May 2003, Mr. Lee Kwok Tung Louis worked at Bright & Shine Corporate Finance Limited (萬利豐企業財務有限公司), a company providing corporate finance services, where his last position held was director. From May 2003 to June 2008, Mr. Lee Kwok Tung Louis worked at Deloitte Touche Tohmatsu (德勤 • 關黃陳方會計師行) where his last position held was senior manager. Mr. Lee Kwok Tung Louis then served as the vice president of Meadville Holdings Limited (美維控股有限公司) (a company formerly listed on the Main Board of the Stock Exchange and was privatised and voluntarily delisted in 2010), from July 2008 to June 2010. Mr. Lee Kwok Tung Louis has served as the vice president/financial controller of Lung Ming Mining Co., Ltd. (龍銘礦業有限公司), a company engaged in iron ore mining activities, since September 2010.

Mr. Lee Kwok Tung Louis is currently an independent non-executive director in the following companies which are listed on the Stock Exchange:

Appointment date	Name of listed company
August 2014	CGN Mining Company Limited (stock code: 1164)
March 2017	Windmill Group Limited (stock code: 1850)
June 2018	Redsun Properties Group Limited (stock code: 1996)
April 2019	Fusen Pharmaceutical Company Limited (stock code: 1652)
August 2020	Tus International Limited (stock code: 872)

Mr. Lee Kwok Tung Louis was an independent non-executive director of Winto Group (Holdings) Limited (惠陶集團(控股)有限公司) (stock code: 8238), Zhong Ao Home Group Limited (中奧到家集團有限公司) (stock code: 1538), Worldgate Global Logistics Limited (盛良物流有限公司) (stock code: 8292) and China Singyes New Materials Holdings Limited (stock code: 8073), all of which were listed on the Stock Exchange, for the periods from January 2015 to May 2016, from November 2015 to July 2017, from June 2016 to June 2019 and from June 2017 to December 2019, respectively.

Mr. Lee Kwok Tung Louis was awarded a Bachelor of Economics by Macquarie University, Australia in April 1993. Mr. Lee Kwok Tung Louis was admitted as a Certified Practising Accountant by the CPA Australia in June 1996 and a Certified Public Accountant by the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) (the "**HKICPA**") in October 1999. Mr. Lee Kwok Tung Louis is currently a Fellow Certified Practising Accountant of the CPA Australia and a Fellow Certified Public Accountant of the HKICPA.

SENIOR MANAGEMENT

The table below sets forth certain information on the senior management of our Company:

Name	Age	Position	Date of Appointment	Date of joining our Group	Principal roles and responsibilities
Sun Lipeng (孫立朋)	41	Regional deputy general manager	January 2018	January 2016	Responsible for the management of our projects in Jilin Province
Wang Shiwei (王世威)	39	Deputy general manager of the engineering department	January 2018	April 2008	Primarily responsible for the management of our production
Wang Peng (王棚)	38	Regional deputy general manager	January 2019	February 2008	Responsible for the management of our projects in East Inner Mongolia, Shandong and Beijing
Wang Xuesong (王雪松)	46	Deputy general manager of technology and Chief design Director of ecological environment	May 2019	February 2018	Responsible for overseeing of our project design quality and technology research and development

Mr. Sun Lipeng (孫立朋), aged 41, was appointed as the regional deputy general manager of our Group in January 2018. He is responsible for the management of the projects of Zonbong Landscape in Jilin Province. Mr. Sun Lipeng has more than 12 years of experience in construction project management. He has been serving as the deputy general manager of Zonbong Landscape since January 2018. Prior to that, he was the deputy chief production manager of Zonbong Landscape from January 2016 to December 2017. Before joining our Group, he was the deputy chief production manager of the ZIHG Group from January 2013 to December 2015, and the project manager of the ZIHG Group from January 2011 to December 2012. From February 2008 to December 2010, he was the construction team leader of the ZIHG Group.

Mr. Sun Lipeng received a bachelor's degree in Civil Engineering from Jilin University (吉林大學) in 2009. Mr. Sun Lipeng obtained a second level architect professional certificate in 2008 from the Department of Housing and Urban-Rural Development of Jilin Province, China. He was also qualified as an engineer and senior engineer in China in 2011 and 2018, respectively.

Mr. Wang Shiwei (王世威), aged 39, was appointed as the deputy general manager of our engineering department in January 2018. He is primarily responsible for the production management of Zonbong Landscape. From July 2016 to December 2017, he was the director of the engineering department of Zonbong Landscape. Mr. Wang Shiwei joined Zonbong Landscape in April 2008 as a construction team leader and was promoted to chief engineer and project manager in January 2010 and January 2014 respectively, and subsequently to deputy director of the engineering department in January 2015, responsible for its production management.

Mr. Wang Shiwei was awarded a bachelor's degree in Civil Engineering by Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as the Jilin Jianzhu University (吉林建築大學)) in July 2005, and received his intermediate level engineer qualification from Jilin Human Resources and Social Security Department in January 2009.

Mr. Wang Peng (王棚), aged 38, has been the regional deputy general manager of our Group since January 2019. He is primarily responsible for the management of projects of Zonbong Landscape in East Inner Mongolia, Shandong and Beijing. Mr. Wang Peng joined Zonbong Landscape in February 2008 and worked as a technician till January 2009. From February 2009 to February 2010, he was the project manager of Zonbong Landscape. From March 2010 to August 2010, Mr. Wang Peng was the manager of the engineering department of Zonbong Landscape. From September 2010 to January 2014, he was the deputy chief production manager of Zonbong Landscape. He was then promoted to be the project director and project manager of Zonbong Landscape, responsible for the production management of Zonbong Landscape from February 2014 to December 2018.

Mr. Wang Peng received a bachelor's degree in Landscaping from Jilin Agricultural University (吉林農業大學) in June 2005.

Mr. Wang Xuesong (王雪松), aged 46, has been the chief engineer of Zonbong Shanshui since January 2019. He is primarily responsible for overseeing our project design quality and technology research and development. Prior to that, he was the manager of the ecological department of Zonbong Landscape from February 2018 to December 2018. Before Mr. Wang Xuesong joined our Group, he worked for Changchun Municipal Engineering Design and Research Institute as a designer responsible for the water supply and drainage engineering design from August 2014 to August 2017.

Mr. Wang Xuesong obtained his bachelor's degree in Water Supply and Drainage from Wuhan Industrial University (武漢工業大學) (now known as the Wuhan University of Technology (武漢理工大學)) in June 1997, a Master of Science and a Ph.D. in Environmental Engineering from Jilin University in July 2003 and June 2008, respectively.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Save as disclosed in this prospectus, none of our Directors and senior management hold any other positions within our Group.

Save as disclosed above, none of our Directors and senior management has been a director of any public company of which the securities are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

None of our Directors and senior management is related to other Directors and senior management.

COMPANY SECRETARY

Ms. Chu Wing Yin (朱泳賢), aged 30, was appointed as the company secretary of our Company since 14 December 2020 for the purposes of Rules 3.28 and 8.17 of the Listing Rules. She joined our Group as company secretary in May 2019. She is primarily responsible for overseeing the company secretarial and financial reporting matters of our Group.

Ms. Chu Wing Yin has more than eight years of experience in auditing and accounting. Prior to joining our Group, Ms. Chu Wing Yin worked in international accounting firms from October 2012 to July 2018 with her last position as an audit manager at KPMG.

Ms. Chu Wing Yin received her bachelor's degree in business administration with a major in accountancy in July 2012 from City University of Hong Kong. She was admitted as a Certified Public Accountant by the HKICPA in July 2016.

BOARD COMMITTEES

Pursuant to a resolution of our Directors passed on 14 December 2020, we have established an audit committee, remuneration committee and a nomination committee.

Audit committee

We established an audit committee on 14 December 2020 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with Rule 3.22 and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules has been adopted. The primary duties of the audit committee are, among others, to make recommendation to the Board on the appointment and removal of external auditor, monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgments contained in them, and oversee financial reporting system, risk management and internal control procedures. At present, our audit committee consists of Mr. Lee Kwok Tung Louis, Mr. Yin Jun and Mr. Gao Xiangnong. The chairman of the audit committee is Mr. Lee Kwok Tung Louis, an independent non-executive Director, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration committee

We established a remuneration committee on 14 December 2020 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph B1.2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules has been adopted. The primary duties of the remuneration committee are, among others, to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review remuneration proposals of the management with reference to our Board's corporate goals and objectives, and ensure none of our Directors or any of their associates determine their own remuneration. At present, the remuneration committee consists of Mr. Yin Jun, Mr. Gao Xiangnong and Mr. Lee Kwok Tung Louis. The chairman of the remuneration committee is Mr. Yin Jun, an independent non-executive Director.

Nomination committee

We established a nomination committee on 14 December 2020. Written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules has been adopted. The primary function of the nomination committee is, among others, to review the structure, size, composition and diversity of our Board and make recommendations to our Board on the selection of individuals nominated for directorships, appointment or re-appointment of Directors and succession planning for Directors. The nomination committee consists of Mr. Gao Xiangnong, Mr. Yin Jun and Mr. Lee Kwok Tung Louis. The chairman of the nomination committee is Mr. Gao Xiangnong, an independent non-executive Director.

EMPLOYEES

For further information in relation to our employees and their benefits, please refer to the paragraph headed "Business — Employees" in this prospectus.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses related to the performance of our Company. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, tenure, commitment, the respective responsibilities of our Directors and the performance of us.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, for each of FY2017, FY2018, FY2019 and 6M2020, the aggregate amount of salaries, allowances, benefits in kind, discretionary bonuses and contribution to retirement schemes paid by our Company to the Directors were approximately RMB1,220,000, RMB1,470,000, RMB2,418,000 and RMB617,000, respectively. It is estimated that under the arrangements currently in force, the aggregate remuneration payable to the Directors (including the independent non-executive Directors) for the year ending 31 December 2020 will be approximately RMB1,116,000. We will maintain relevant liability insurance for the Directors upon Listing.

The remuneration paid by our Company to our top five highest paid individuals (including the Directors) for each of FY2017, FY2018, FY2019 and 6M2020 were approximately RMB2,458,000, RMB3,188,000, RMB3,947,000 and RMB1,287,000, respectively.

During the Track Record Period, our non-executive Directors have agreed not to receive, and did not receive, any remuneration from us. Save for this, none of the Directors has waived their emoluments. No remuneration was paid by our Company to, or receivable by, the Directors as an inducement to join or upon joining our Company. No compensation was paid by our Company to, or receivable by, the Directors, past Directors or our five highest paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company during the Track Record Period.

During the Track Record Period, except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to the Directors or our five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

As Mr. Liu now serves as both the chairman of the Board and the chief executive officer of our Company, such practice deviates from code provision A.2.1 of the CG Code. The Board is of the view that it is appropriate and in the best interests of our Company for Mr. Liu to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of our Company. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for our Group's operations and that the Board is appropriately structured with a balance of power to provide sufficient checks to protect the interests of our Group and its Shareholders.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Board, comprising members of both genders, have a balanced mix of experiences and backgrounds, including but not limited to experiences in landscaping, municipal construction works, water supply and sewage, management, accounting and financial management, marketing, and academic teaching and research. Our Board members obtained degrees in various disciplines including civil engineering, computer science, business administration, accounting, surveying and mapping engineering, water supply and sewage engineering, and economics. We have three independent non-executive Directors with different industry backgrounds, and they together represent more than one-third of the members of our Board. Moreover, the age of our Board members ranges from 39 years old to 66 years old.

Our nomination committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. After the Listing, our nomination committee will review the board diversity policy from time to time to ensure its effectiveness and we will disclose in our corporate governance report a summary of the board diversity policy and the related objectives we have set and the progress on achieving the objectives on an annual basis.

COMPLIANCE ADVISER

Our Company has appointed China Tonghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before our publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and
- where the Stock Exchange makes an inquiry of us under Rule 3.10 of the Listing Rules.

The compliance adviser, China Tonghai Capital Limited, will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. China Tonghai Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

UNDERWRITERS

Hong Kong Underwriters

China Tonghai Securities Limited
CMBC Securities Company Limited
Shenwan Hongyuan Capital (H.K.) Limited
Southwest Securities (HK) Brokerage Limited
SPDB International Capital Limited
Central China International Capital Limited
Eddid Securities and Futures Limited
Elstone Securities Limited
Realord Asia Pacific Securities Limited
Seazen Resources Securities Limited

International Underwriters

China Tonghai Securities Limited
CMBC Securities Company Limited
Shenwan Hongyuan Capital (H.K.) Limited
Southwest Securities (HK) Brokerage Limited
SPDB International Capital Limited
Central China International Capital Limited
Eddid Securities and Futures Limited
Elstone Securities Limited
Realord Asia Pacific Securities Limited
Seazen Resources Securities Limited

UNDERWRITING ARRANGEMENTS

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering for subscription by public in Hong Kong of 6,876,000 Hong Kong Offer Shares at the Offer Price under the Hong Kong Public Offering, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Hong Kong Underwriters have agreed, on and subject to the terms and conditions in the Hong Kong Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Hong Kong Offer Shares.

The Hong Kong Underwriting Agreement is subject to various conditions, which include, without limitation:

(a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and

(b) the International Placing Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall, subject to the consent of the Sole Sponsor, terminate the Hong Kong Underwriting Agreement with immediate effect by notice (orally or in writing) to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date if:

(i) there shall develop, occur, exist or come into effect:

(a) any local, national, regional or international event, or series of events, in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the European Union (or any member thereof) or any other jurisdiction relevant to our Group (each a "**Specific Jurisdiction**" and collectively, the "**Specific Jurisdictions**"); or

(b) any change or any development involving a prospective change, or any event or series of events likely to result in any change or development or a prospective change, in any local, regional, national, or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in any stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Specific Jurisdictions; or

(c) any new Law or any change or any development involving a prospective change or any event or circumstance likely to result in a change in existing laws or development involving a prospective change in (or in the interpretation or application by any court or other competent authority in or affecting) the Specific Jurisdictions; or

(d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or the imposition of any general moratorium on commercial banking activities in the Specific Jurisdictions declared by the relevant authorities or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services or procedures or matters in any of the Specific Jurisdictions; or

(e) the imposition of economic sanctions, in whatever form, directly or indirectly, by or on any of the Specific Jurisdictions; or

(f) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment laws (including, without limitation, a material devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Specific Jurisdictions; or

(g) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(h) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(i) the chairman of the Board or chief executive officer or chief financial officer of our Company vacating his/her office; or

(j) the commencement by any governmental, regulatory or political body or organisation in any relevant jurisdiction commencing any investigation or take other action, or announcing an intention to investigate or take other action, against any Director; or

(k) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(l) other than with the prior written consent of the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(m) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Placing Agreement (other than upon any of the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or

(n) any event, act or omission which gives rise to any liability of any of our Company, our executive Directors, or the Warranting Shareholders under the Hong Kong Underwriting Agreement pursuant to the indemnities contained herein; or

(o) any adverse change, or any development involving a prospective adverse change or development in conditions, in the assets, liabilities, business affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group as a whole; or

(p) any breach of any warranties under the Hong Kong Underwriting Agreement or any event or circumstances rendering any of the warranties untrue, incorrect or misleading in any respect; or

(q) a petition or an order for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(r) a prohibition on our Company or any of the Selling Shareholders for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(s) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or any of its subsidiaries taken as a whole; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed; or

(4) has or will have or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof,

and provided that in respect of the pandemic relating to COVID-19 in relation to paragraph (a) above, the Sole Global Coordinator shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with such paragraph if, in its reasonable opinion, there has been a material escalation or adverse mutation relating to COVID-19 after the date of the Hong Kong Underwriting Agreement; or

(ii) there has come to the notice of the Sole Global Coordinator:

(a) that any statement contained in any of this prospectus, the application forms, the formal notice issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (the "**HKPO Documents**") and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the HKPO Documents is not fair and honest and based on reasonable assumptions; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the HKPO Documents and/or in any notices, announcements, advertisements, communications or other documents (including any supplement or amendment thereto); or

(c) that any of the experts set out in the section headed "E. Other Information — 8. Qualifications of experts" in Appendix IV to this prospectus (other than the Sole Sponsor, the Sole Global Coordinator or any of the Hong Kong Underwriters) has withdrawn its consent to being named in this prospectus or to the issue of this prospectus; or

(d) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(e) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Global Offering (including the Over-allotment Option), they will not at any time:

(a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or

(b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the "**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder or a member of a group of controlling shareholders of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

(a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favor of any authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (a) and (b) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Lock-up undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that, except for the Capitalisation Issue, the offer of the Offer Shares pursuant to the Global Offering (including the grant of, and the allotment and issue of the Shares pursuant to the exercise of, the Over-allotment Option) and the grant of, and the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date ("**HKUA First Six-Month Period**"), not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions described above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as the case may be, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed with the HKUA First Six-month Period) or publicly disclose that our Group will or may enter into any transaction described above

We have further agreed that, during the period of six months immediately following the expiry of the HKUA First Six-Month Period ("**HKUA Second Six-Month Period**"), in the event that our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market for any of our Shares or other securities of our Company.

Undertakings by the Warranting Shareholders

Each of the Warranting Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement:

(i) during the HKUA First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Sponsor, the Sole Global Coordinator and our Company and unless in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which he or it is the beneficial owner (directly or indirectly) as at the Listing Date or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities (together, the "**Relevant**

Securities"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

(ii) during the HKUA Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and their respective associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sole Global Coordinator and our Company and unless in compliance with the Listing Rules, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) or would together with other controlling shareholders (as defined in the Listing Rules) cease to be a group of controlling shareholders (as defined in the Listing Rules);

(iii) in the event of a disposal of any Relevant Securities or our Company's securities or any interest therein within the HKUA Second Six-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) he/it shall, and shall procure that his/its associates and companies controlled by and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

For the avoidance of doubt, the above lock-up undertaking shall not (a) apply to Shares acquired by the Warranting Shareholders subsequent to the completion of the Global Offering; and (b) prevent the Warranting Shareholders from using the Shares beneficially owned by the Warranting Shareholders as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, provided that (i) the Warranting Shareholders will, to the extent permitted under all applicable laws, inform our Company and the Sole Global Coordinator of such pledge or charge together with the number of Shares so pledged or charged; and (ii) when the Warranting Shareholders receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company and the Sole Global Coordinator of such indications.

Indemnity

Each of the Warranting Shareholders has jointly and severally undertaken to indemnify, hold harmless and keep fully indemnified on demand (on an after-tax basis) each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters from and against certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or the Warranting Shareholders of the Hong Kong Underwriting Agreement, subject to the terms of the Hong Kong Underwriting Agreement.

International Placing

International Placing Agreement

In connection with the International Placing, it is expected that our Company and the Selling Shareholders will enter into the International Placing Agreement with the Sole Sponsor, the Sole Global Coordinator, the International Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Placing Agreement, subject to the conditions set forth therein, the International Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Prospective investors shall be reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed. The International Placing Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Placing Agreement, our Company and the Warranting Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Hong Kong Underwriting Agreement” above in this section.

Our Company is expected to grant to the International Underwriters the Over-allotment Option. The Stabilising Manager or its agent (for itself and on behalf of the International Underwriters) can exercise the Over-allotment Option to require our Company to allot and issue up to an aggregate of 10,312,500 additional Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price per International Placing Share, solely to cover over allocations, if any, in the International Placing.

The Over-allotment Option may be exercised by the Stabilising Manager any time from the Listing Date and until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, being 27 January 2020. The purpose of the exercise of the Over-allotment Option is to settle any over-allocations in the International Placing, if any. Please refer to the section headed "Structure and Conditions of the Global Offering — International Placing — Over-allotment Option" for further details of the Over-allotment Option.

Commission and expenses

The Underwriters will receive an underwriting commission of 3% of the Offer Price per Offer Share. The Underwriters may receive an incentive fee of up to 1% of the Offer Price per Offer Share to be awarded at the Company's sole discretion. The underwriting commissions relating to the Global Offering to be borne by us, are estimated to be approximately HKD4.5 million (based on an Offer Price of HKD2.16 per Share, being the mid-point of the Offer Price and the assumption that the Over-allotment Option is not exercised at all).

The underwriting commissions, the discretionary incentive fee (if any), listing fees, Stock Exchange trading fee and SFC transaction levy are payable by our Company with reference to the number of Shares under the Global Offering respectively.

The Sole Sponsor will receive financial advisory and documentation fees. The underwriting commission, the discretionary incentive fee (assuming full payment), financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HKD55.8 million in total (based on an Offer Price of HKD2.16 per Share, being the mid-point of the indicative Offer Price range of between HKD1.90 and HKD2.42 per Share, and on the assumption that the Over-allotment Option is not exercised).

Underwriters' interests in our Company

As at the Latest Practicable Date and save as disclosed in this prospectus and other than pursuant to the Underwriting Agreements, none of the Hong Kong Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and the International Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the International Placing Agreement.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China Tonghai Securities Limited is the Sole Global Coordinator of the Global Offering.

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

68,750,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 6,876,000 Shares (subject to reallocation) in Hong Kong as described in "The Hong Kong Public Offering" below; and

(b) the International Placing of initially 61,874,000 Shares (comprising 48,124,000 new Shares and 13,750,000 Sale Shares, and subject to reallocation and the Over-allotment Option), as described in the paragraph headed "— The International Placing" below in this section.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 25.0% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 6,876,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 2.5% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised at all).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "— Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HKD5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HKD5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the 6,876,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offers Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In the event of over-subscription under the Hong Kong Public Offering to certain prescribed total demand levels and that the International Placing Shares are fully subscribed or oversubscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) shall apply a clawback mechanism according to paragraph 4.2 of Practice Note 18 of the Listing Rules following the closing of the application lists as follows (the "**Mandatory Reallocation**"):

(i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 13,750,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,626,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 20,624,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 27,500,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 27,500,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 34,376,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters). Subject to the foregoing paragraph, the Sole Global Coordinator may in its discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator (for itself and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate Offer Shares initially allocated for the International Placing to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HKD1.90 (low-end of the indicative Office Price range), up to 6,876,000 Offer Shares may be reallocated to the Hong Kong Public Placing from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 13,752,000 Offer Shares, representing twice of the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that they and any person(s) for whose benefit they are making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if they have been or will be placed or allocated International Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HKD2.42 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share, amounting to a total of HKD4,888.77 for one board lot of 2,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing and Allocation" below, is less than the Maximum Offer Price of HKD2.42 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The International Placing will consist of an offering of initially 61,874,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (comprising approximately 48,124,000 new Shares, 13,750,000 Sale Shares and subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Placing, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 22.5% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing and allocation" below in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation" above in this section, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 10,312,500 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.8% of the total Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under item (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (f) offering or attempting to do anything as described in item (b), (c), (d), or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates, up to 12,312,500 Shares, representing 15% of the Offer Shares initially available under the Global Offering, from Zonqing International to cover over-allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option. If such stock borrowing arrangement with Zonqing International is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing, are complied with.

The same number of Shares so borrowed must be returned to Zonqing International or its nominees, as the case may be, no later than 5:00 p.m. on or before the third Business Day following the earlier of: (a) the last day on which the Over-allotment Option may be exercised; (b) the day on which the Over-allotment Option is exercised in full; and (c) such earlier time as may be agreed in writing between Zonqing International and the Stabilising Manager.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Zonqing International by the Stabilising Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Monday, 28 December 2020 and, in any event, no later than Monday, 4 January 2021, by agreement between the Sole Global Coordinator (on behalf of the Underwriters), us and the Selling Shareholders, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HKD2.42 per Offer Share and is expected to be not less than HKD1.90 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HKD2.42 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HKD4,888.77 for one board lot of 2,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the

International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, and with our consent, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Hong Kong Exchange at ***www.zonbong.com*** and ***www.hkexnews.hk***, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters), us and the Selling Shareholders, will be fixed within such revised Offer Price range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters), us and the Selling Shareholders, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the paragraph headed "How to Apply for Hong Kong Offer Shares — K. Publication of Results" in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholders agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(j) the Offer Price having been agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholders;

(k) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(l) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters), us and the Selling Shareholders on or before Monday, 4 January 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us on the websites of our Company and the Hong Kong Stock Exchange at ***www.zonbong.com*** and ***www.hkexnews.hk***, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the paragraph headed "How to Apply for Hong Kong Offer Shares — M. Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, 6 January 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 6 January 2021, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, 6 January 2021.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1855.

A. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **eWhite Form** service at ***www.ewhiteform.com.hk***; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **eWhite Form** Service Provider, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

B. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **eWhite Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly-authorised officer, who must state their representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **eWhite Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- are a core connected person (as defined in the Listing Rules) of the Company or a person who will become a core connected person of the Company immediately upon the completion of the Global Offering;
- are a close associate (as defined in the Listing Rules) of any of the above persons; or
- have been allocated or have applied for any International Placing Shares or otherwise participated in the International Placing.

C. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through ***www.ewhiteform.com.hk***.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 22 December 2020 until 12:00 noon on Monday, 28 December 2020 from:

(a) any of the following offices of the Hong Kong Underwriters:

China Tonghai Securities Limited	18/F–19/F, China Building 29 Queen's Road Central Hong Kong
CMBC Securities Company Limited	45/F, One Exchange Square 8 Connaught Place Central, Hong Kong
Shenwan Hongyuan Capital (H.K.) Limited	Level 19 28 Hennessy Road Hong Kong
Southwest Securities (HK) Brokerage Limited	40/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
SPDB International Capital Limited	33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong
Central China International Capital Limited	Suite 1505-08, Two Exchange Square 8 Connaught Place Central, Hong Kong

Eddid Securities And Futures Limited	23/F., YF Life Tower 33 Lockhart Road Wan Chai Hong Kong
Elstone Securities Limited	Suite 1601-04, 16/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Realord Asia Pacific Securities Limited	Suite 2402 24/F Jardine House 1 Connaught Place, Central Hong Kong
Seazen Resources Securities Limited	Unit 4503-07, 45/F, The Center, 99 Queen's Road Central Central, Hong Kong

(b) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	**Branch Name**	**Address**
Hong Kong Island	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
New Territories	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 22 December 2020 until 12:00 noon on Monday, 28 December 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — ZONBONG LANDSCAPE ENVIRONMENTAL PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, 22 December 2020 — 9:00 a.m. to 4:00 p.m.
- Wednesday, 23 December 2020 — 9:00 a.m. to 4:00 p.m.
- Thursday, 24 December 2020 — 9:00 a.m. to 4:00 p.m.
- Monday, 28 December 2020 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 28 December 2020, the last application day or such later time as described in the paragraph headed "— J. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

D. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **eWhite Form** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **eWhite Form** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

E. APPLYING THROUGH eWHITE FORM SERVICE

General

Individuals who meet the criteria in "— B. Who Can Apply" in this section, may apply through the **eWhite Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at ***www.ewhiteform.com.hk***.

Detailed instructions for application through the **eWhite Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

Time for Submitting Applications under the eWhite Form Service

You may submit your application to the **eWhite Form** Service Provider at ***www.ewhiteform.com.hk*** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 22 December 2020 until 11:30 a.m. on Monday, 28 December 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 28 December 2020 or such later time under the paragraph headed "— J. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **eWhite Form** Service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **eWhite Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **eWhite Form** Service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **eWhite Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

F. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (***https://ip.ccass.com***) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center

1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

(i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

(iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

(iv) declare that only one set of electronic application instructions has been given for your benefit;

(v) (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

(vi) confirm that you understand that our Company, the Directors, and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

(vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

(viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

(x) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

(xi) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters, and/or its respective advisers and agents;

(xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday, or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday, or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday, or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

(xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

(xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

(xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:[(1)]

- Tuesday, 22 December 2020 — 9:00 a.m. to 8:30 p.m.

- Wednesday, 23 December 2020 — 8:00 a.m. to 8:30 p.m.

- Thursday, 24 December 2020 — 8:00 a.m. to 8:30 p.m.

- Monday, 28 December 2020 — 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 22 December 2020 until 12:00 noon on Monday, 28 December 2020 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 28 December 2020, the last application day or such later time as described in the paragraph headed "— J. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters, and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

G. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **eWhite Form** service is also only a facility provided by the **eWhite Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **eWhite Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, 28 December 2020.

H. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or

- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **eWhite Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit. "Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

I. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **eWhite Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at ***www.ewhiteform.com.hk***.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering" in this prospectus.

J. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 28 December 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 28 December 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such an event.

K. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 5 January 2021 on our Company's website at ***www.zonbong.com*** and the website of the Hong Kong Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at ***www.zonbong.com*** and the Hong Kong Stock Exchange's website at ***www.hkexnews.hk*** by no later than 9:00 a.m. Tuesday, 5 January 2021;
- from the designated results of allocations website at ***www.ewhiteform.com.hk/results*** with a "search by ID" function on a 24-hour basis from 9:00 a.m. Tuesday, 5 January 2021 to 12:00 midnight Monday, 11 January 2021;

- by telephone enquiry line by calling (852) 2153-1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 5 January 2021 to Friday, 8 January 2021 (excluding Saturday, Sunday and public holiday);

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 5 January 2021 to Wednesday, 6 January 2021 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

L. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

1. If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **eWhite Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday, or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

2. If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **eWhite Form** Service Provider, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

(a) within three weeks from the closing date of the application lists; or

(b) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your electronic application instructions through the **eWhite Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

M. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HKD2.42 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 5 January 2021.

N. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 5 January 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 6 January 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

1. If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 5 January 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 5 January 2021, by ordinary post and at your own risk.

2. If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 5 January 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 5 January 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "— K. Publication of Results" above in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 5 January 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

3. If you apply through the eWhite Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 5 January 2021, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 5 January 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

4. If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 5 January 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "— K. Publication of Results" above in this section on Tuesday, 5 January 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 5 January 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 5 January 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 5 January 2021.

O. ADMISSION OF SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-115, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZONBONG LANDSCAPE ENVIRONMENTAL LIMITED AND CHINA TONGHAI CAPITAL LIMITED

Introduction

We report on the historical financial information of ZONBONG LANDSCAPE Environmental Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-5 to I-115, which comprises the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 and the statements of financial position of the Company as at 31 December 2019 and 30 June 2020, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 (the "**Track Record Period**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-5 to I-115 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 22 December 2020 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020 and the Company's financial position as at 31 December 2019 and 30 June 2020, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2019 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-5 have been made.

Dividends

We refer to Note 29(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
22 December 2020

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

Consolidated statements of profit or loss

*(Expressed in Renminbi ("**RMB**"))*

	Note	For the year ended 31 December			For the six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	655,496	809,444	897,486	294,809	357,885
Cost of sales		(495,211)	(613,093)	(664,115)	(222,502)	(270,380)
Gross profit		160,285	196,351	233,371	72,307	87,505
Other net income	5	15,218	19,354	13,899	7,181	3,872
Selling expenses		(12,359)	(14,827)	(14,215)	(5,772)	(4,508)
Administrative expenses		(49,062)	(47,348)	(62,249)	(25,280)	(29,047)
Impairment losses on trade and other receivables and contract assets	6	(18,168)	(27,942)	(64,369)	(1,696)	(14,738)
Profit from operations		95,914	125,588	106,437	46,740	43,084
Finance costs	7(a)	(24,671)	(36,991)	(41,135)	(20,729)	(18,933)
Share of profits of an associate		1,119	2,978	4,911	1,597	1,188
Share of profits of a joint venture		—	6,379	9,161	5,630	2,937
Profit before taxation	7	72,362	97,954	79,374	33,238	28,276
Income tax	8(a)	(20,331)	(27,141)	(29,921)	(10,639)	(6,961)
Profit for the year/period		52,031	70,813	49,453	22,599	21,315
Attributable to:						
Equity shareholders of the Company		52,627	70,413	49,496	22,557	21,189
Non-controlling interests		(596)	400	(43)	42	126
Profit for the year/period		52,031	70,813	49,453	22,599	21,315
Earnings per share	11					
Basic and diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

(Expressed in RMB)

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period	52,031	70,813	49,453	22,599	21,315
Other comprehensive income for the year/period					
Item that will not be reclassified to profit or loss:					
Equity investments at fair value through other comprehensive income — net movement in fair value reserves	(586)	(3,980)	6,511	552	438
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of overseas companies of the Group	—	—	(642)	(22)	(155)
Other comprehensive income for the year/period	(586)	(3,980)	5,869	530	283
Total comprehensive income for the year/period	51,445	66,833	55,322	23,129	21,598
Attributable to:					
Equity shareholders of the Company	52,041	66,433	55,304	23,087	21,472
Non-controlling interests	(596)	400	18	42	126
Total comprehensive income for the year/period	51,445	66,833	55,322	23,129	21,598

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

(Expressed in RMB)

	Note	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 June 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*12*	19,419	14,161	10,716	9,983
Intangible assets	*13*	2,928	2,560	2,192	2,008
Right-of-use assets	*14*	8,200	4,860	8,682	1,040
Interest in an associate	*15*	21,419	40,293	71,321	75,201
Interest in a joint venture	*16*	—	81,379	152,424	163,911
Other equity investments	*17*	7,087	7,637	14,148	14,586
Deferred tax assets	*28(b)*	20,947	32,973	35,998	43,318
Non-current portion of contract assets	*20(a)*	17,423	5,344	—	2,390
Non-current portion of trade receivables	*21*	196,700	149,582	97,418	94,963
		294,123	338,789	392,899	407,400
Current assets					
Inventories and other contract costs	*19*	38,848	63,110	21,368	43,320
Contract assets	*20(a)*	409,092	530,639	631,139	691,981
Trade receivables	*21*	282,894	439,369	488,596	540,484
Prepayments, deposits and other receivables	*22*	33,344	39,747	76,895	38,925
Derivative financial instrument	*18*	—	3,066	—	—
Restricted bank deposits	*23*	201	18,158	15,601	602
Cash and cash equivalents	*23*	118,635	55,230	73,615	36,941
		883,014	1,149,319	1,307,214	1,352,253

	Note	As at 31 December 2017	2018	2019	As at 30 June 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade and bills payables. . .	*24*	331,700	461,108	502,713	531,063
Accrued expenses and other payables.	*25*	53,081	50,503	199,955	173,468
Contract liabilities	*20(b)*	42,934	90,522	66,552	79,693
Bank and other loans	*26*	302,000	415,542	420,000	454,136
Lease liabilities	*27*	2,659	1,949	3,945	503
Income tax payable	*28(a)*	10,113	25,506	12,663	5,996
		742,487	1,045,130	1,205,828	1,244,859
Net current assets.		140,527	104,189	101,386	107,394
Total assets less current liabilities		434,650	442,978	494,285	514,794
Non-current liabilities					
Bank loans.	*26*	160,500	100,000	75,000	75,000
Lease liabilities	*27*	3,094	2,071	4,172	262
Deferred tax liabilities	*28(b)*	143	1,476	7,684	6,505
		163,737	103,547	86,856	81,767
NET ASSETS		270,913	339,431	407,429	433,027
CAPITAL AND RESERVES	*29*				
Share capital		156,162	165,002	1	1
Reserves.		115,347	172,940	402,295	423,767
Total equity attributable to equity shareholders of the Company.		271,509	337,942	402,296	423,768
Non-controlling interests .		(596)	1,489	5,133	9,259
TOTAL EQUITY		270,913	339,431	407,429	433,027

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

(Expressed in RMB)

	Note	As at 31 December 2019	As at 30 June 2020
		RMB'000	*RMB'000*
Current assets			
Prepayments, deposits and other receivables *(Note (i))*		30,034	16,675
Cash and cash equivalents		32	14
		30,066	16,689
Current liabilities			
Accrued expenses and other payables *(Note (ii))*		39,798	33,371
Net liabilities		(9,732)	(16,682)
CAPITAL AND RESERVES	*29*		
Share capital		1	1
Reserves		(9,733)	(16,683)
TOTAL DEFICITS		(9,732)	(16,682)

The accompanying notes form part of the Historical Financial Information.

Notes:

(i) The balance at 31 December 2019 and 30 June 2020 included amounts due from its subsidiaries and prepayments for costs incurred in connection with the proposed initial listing of the Company's shares.

(ii) The balance at 31 December 2019 and 30 June 2020 included loans from equity shareholders and amount due to its subsidiaries.

Consolidated statements of changes in equity

(Expressed in RMB)

	Attributable to equity shareholders of the Company							
	Share capital	Other reserve	Statutory reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29(b))	*(Note 29(d)(ii))*	*(Note 29(d)(iii))*	*(Note 29(d)(iv))*				
At 1 January 2017	53,970	4,964	7,360	923	55,044	122,261	—	122,261
Changes in equity for 2017:								
Profit/(loss) for the year	—	—	—	—	52,627	52,627	(596)	52,031
Other comprehensive income	—	—	—	(586)	—	(586)	—	(586)
Total comprehensive income	—	—	—	(586)	52,627	52,041	(596)	51,445
Issuance of shares *(Note 29(b))*	32,786	66,921	—	—	—	99,707	—	99,707
Transfer to share capital *(Note 29(b))*	69,406	(69,406)	—	—	—	—	—	—
Deemed distribution arising from the Reorganisation *(Note 1)*	—	(2,500)	—	—	—	(2,500)	—	(2,500)
Appropriation to reserves	—	—	5,740	—	(5,740)	—	—	—
	102,192	(4,985)	5,740	—	(5,740)	97,207	—	97,207
At 31 December 2017	156,162	(21)	13,100	337	101,931	271,509	(596)	270,913

	Attributable to equity shareholders of the Company							
	Share capital	Other reserve	Statutory reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 *(Note 29(b))*	*RMB'000* *(Note 29(d)(ii))*	*RMB'000* *(Note 29(d)(iii))*	*RMB'000* *(Note 29(d)(iv))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	156,162	(21)	13,100	337	101,931	271,509	(596)	270,913
Changes in equity for 2018:								
Profit for the year	—	—	—	—	70,413	70,413	400	70,813
Other comprehensive income	—	—	—	(3,980)	—	(3,980)	—	(3,980)
Total comprehensive income	—	—	—	(3,980)	70,413	66,433	400	66,833
Issuance of shares *(Note 29(b))*	8,840	8,914	—	—	—	17,754	—	17,754
Deemed distribution arising from the Reorganisation *(Note 1)*	—	(17,754)	—	—	—	(17,754)	—	(17,754)
Capital injection by non-controlling interests	—	—	—	—	—	—	1,861	1,861
Liquidation of a subsidiary	—	—	—	—	—	—	(176)	(176)
Appropriation to reserves	—	—	6,519	—	(6,519)	—	—	—
	8,840	(8,840)	6,519	—	(6,519)	—	1,685	1,685
At 31 December 2018	165,002	(8,861)	19,619	(3,643)	165,825	337,942	1,489	339,431

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 *(Note 29(b))*	*RMB'000* *(Note 29(d)(i))*	*RMB'000* *(Note 29(d)(ii))*	*RMB'000* *(Note 29(d)(iii))*	*RMB'000* *(Note 29(d)(iv))*	*RMB'000* *(Note 29(d)(v))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	165,002	—	(8,861)	19,619	(3,643)	—	165,825	337,942	1,489	339,431
Changes in equity for 2019:										
Profit for the year	—	—	—	—	—	—	49,496	49,496	(43)	49,453
Other comprehensive income	—	—	—	—	6,450	(642)	—	5,808	61	5,869
Total comprehensive income	—	—	—	—	6,450	(642)	49,496	55,304	18	55,322
Transfer to share capital *(Note 29(b))*	159,998	—	—	—	—	—	(159,998)	—	—	—
Issuance of shares *(Note 29(b))*	5,101	10,560	—	—	—	—	—	15,661	—	15,661
Capital injection by non-controlling interests *(Note 1)*	—	—	183,815	—	—	—	—	183,815	3,785	187,600
Deemed distribution arising from the Reorganisation *(Note 1)*	(330,100)	—	125,000	—	—	—	—	(205,100)	—	(205,100)
Deemed contribution arising from the Reorganisation *(Note 1)*	—	—	14,674	—	—	—	—	14,674	148	14,822
Appropriation to reserves	—	—	—	18,766	—	—	(18,766)	—	—	—
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	(307)	(307)
	(165,001)	10,560	323,489	18,766	—	—	(178,764)	9,050	3,626	12,676
At 31 December 2019	1	10,560	314,628	38,385	2,807	(642)	36,557	402,296	5,133	407,429

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 *(Note 29(b))*	*RMB'000* *(Note 29(d)(i))*	*RMB'000* *(Note 29(d)(ii))*	*RMB'000* *(Note 29(d)(iii))*	*RMB'000* *(Note 29(d)(iv))*	*RMB'000* *(Note 29(d)(v))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	1	10,560	314,628	38,385	2,807	(642)	36,557	402,296	5,133	407,429
Changes in equity for the six months ended 30 June 2020:										
Profit for the period	—	—	—	—	—	—	21,189	21,189	126	21,315
Other comprehensive income	—	—	—	—	438	(155)	—	283	—	283
Total comprehensive income	—	—	—	—	438	(155)	21,189	21,472	126	21,598
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	4,000	4,000
At 30 June 2020	1	10,560	314,628	38,385	3,245	(797)	57,746	423,768	9,259	433,027

	Attributable to equity shareholders of the Company								
	Share capital	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 *(Note 29(b))*	*RMB'000* *(Note 29(d)(ii))*	*RMB'000* *(Note 29(d)(iii))*	*RMB'000* *(Note 29(d)(iv))*	*RMB'000* *(Note 29(d)(v))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	165,002	(8,861)	19,619	(3,643)	—	165,825	337,942	1,489	339,431
Changes in equity for the six months ended 30 June 2019 (unaudited):									
Profit for the period (unaudited)	—	—	—	—	—	22,557	22,557	42	22,599
Other comprehensive income (unaudited)	—	—	—	552	(22)	—	530	—	530
Total comprehensive income (unaudited)	—	—	—	552	(22)	22,557	23,087	42	23,129
Issuance of shares *(Note 29(b))* (unaudited)	5,101	—	—	—	—	—	5,101	—	5,101
Transfer to share capital *(Note 29(b))* (unaudited)	159,998	—	—	—	—	(159,998)	—	—	—
Deemed distribution arising from the Reorganisation *(Note 1)* (unaudited)	(325,000)	125,000	—	—	—	—	(200,000)	—	(200,000)
	(159,901)	125,000	—	—	—	(159,998)	(194,899)	—	(194,899)
At 30 June 2019 (unaudited)	5,101	116,139	19,619	(3,091)	(22)	28,384	166,130	1,531	167,661

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows

(Expressed in RMB)

	Note	For the year ended 31 December			For the six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash flows from operating activities						
Profit before taxation		72,362	97,954	79,374	33,238	28,276
Adjustments for:						
Depreciation		7,101	8,047	6,695	3,294	2,880
Amortisation	*7(c)*	361	368	368	184	184
Net loss/(gain) on disposal of non-current assets	*5*	151	(1,979)	(80)	(20)	56
Net gain on disposal of a subsidiary	*5*	—	(2,035)	—	—	—
Impairment losses on trade and other receivables and contract assets	*6*	18,168	27,942	64,369	1,696	14,738
Finance costs	*7(a)*	24,671	36,991	41,135	20,729	18,933
Net foreign exchange loss/(gain)	*5*	—	520	(685)	(200)	(65)
Interest income		(15,014)	(15,357)	(11,628)	(6,745)	(2,414)
Investment income	*5*	(237)	(22)	—	—	—
Income from financial guarantees issued	*5*	—	—	(1,231)	—	(1,605)
Share of profits of an associate		(1,119)	(2,978)	(4,911)	(1,597)	(1,188)
Share of profits of a joint venture		—	(6,379)	(9,161)	(5,630)	(2,937)
COVID-19-related rent concessions received	*5*	—	—	—	—	(220)
Changes in working capital:						
Decrease/(increase) in restricted bank deposits		200	(15,400)	—	14,990	14,999
(Increase)/decrease in inventories and other contract costs		(30,442)	(24,262)	41,742	(35,043)	(21,952)
(Increase)/decrease in contract assets		(221,434)	(126,437)	(121,696)	55,382	(65,415)
(Increase)/decrease in trade receivables		(60,573)	(110,821)	(25,382)	49,470	(60,547)
(Increase)/decrease in prepayments, deposits and other receivables		(8,469)	7,523	1,501	(6,520)	(7,315)
Increase/(decrease) in trade and bills payables		101,312	130,458	41,605	(70,587)	28,350
Increase/(decrease) in accrued expenses and other payables		16,267	4,373	1,953	(9,791)	(12,386)
Increase/(decrease) in contract liabilities		9,239	47,588	(23,970)	(12,271)	13,141
Cash (used in)/generated from operations		(87,456)	56,094	79,998	30,579	(54,487)
Income tax paid	*28(a)*	(25,318)	(20,080)	(39,869)	(34,328)	(19,502)
Net cash (used in)/generated from operating activities		(112,774)	36,014	40,129	(3,749)	(73,989)

	Note	For the year ended 31 December			For the six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from investing activities						
Payments for purchase of non-current assets		(4,366)	(3,207)	(767)	(361)	(449)
Capital contributions to an associate		(20,300)	(15,896)	(13,432)	(484)	—
Capital contributions to a joint venture		—	(75,000)	(33,869)	(28,369)	(8,550)
Capital contributions to other equity investment		—	(4,530)	—	—	—
Proceeds from disposal of subsidiary, net of cash disposed of		—	(848)	5,643	—	—
Net proceeds from disposal of non-current assets		107	6,481	1,646	1,414	(50)
Payments for purchase of other equity investment		—	—	—	—	(408)
Payments for advances and loans granted to related parties		—	—	(156,302)	(74,443)	—
Proceeds from repayment of advances and loans granted to related parties		—	—	110,227	48,368	46,075
Interest received		3,323	5,071	385	208	527
Net cash (used in)/generated from investing activities		(21,236)	(87,929)	(86,469)	(53,667)	37,145
Cash flows from financing activities						
Capital contributions from non-controlling equity shareholders		—	1,861	187,600	—	4,000
Proceeds from the issuance of shares	*29(b)*	99,707	17,754	15,661	5,101	—
Proceeds from bank and other loans	*23(b)*	285,000	494,741	565,000	230,000	220,000
Proceeds from loans from related parties	*23(b)*	119,600	149,400	18,708	—	—
Proceeds from advances from third parties	*23(b)*	—	32,000	137,600	—	69,000
Repayment of bank loans	*23(b)*	(127,500)	(445,000)	(582,786)	(155,286)	(185,864)
Repayment of loans from related parties	*23(b)*	(110,600)	(159,000)	(3,500)	—	(15,062)
Repayment of advances from third parties	*23(b)*	—	(30,000)	(44,000)	(2,000)	(69,000)
Capital element of lease rentals paid	*23(b)*	(4,870)	(3,803)	(3,751)	(1,980)	(1,613)
Interest element of lease rentals paid	*23(b)*	(332)	(238)	(323)	(38)	(16)
(Increase)/decrease in restricted deposits		—	(2,557)	2,557	2,557	—
(Increase)/decrease in guarantee deposits		(2,500)	(12,400)	8,650	1,100	(1,300)
Interest paid	*23(b)*	(23,723)	(35,981)	(40,678)	(20,338)	(18,449)
Deemed contribution arising from the Reorganisation	*1*	—	—	12,362	—	—
Deemed distribution arising from the Reorganisation	*1*	(2,500)	(17,754)	(205,100)	—	—
Payments for share issuance expenses		—	—	(3,562)	—	(1,531)
Net cash generated from/(used in) financing activities		232,282	(10,977)	64,438	59,116	165

	Note	For the year ended 31 December			For the six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Net increase/(decrease) in cash and cash equivalents		98,272	(62,892)	18,098	1,700	(36,679)
Cash and cash equivalents at 1 January	*23(a)*	20,363	118,635	55,230	55,230	73,615
Effect of foreign exchange rate changes		—	(513)	287	173	5
Cash and cash equivalents at 31 December/30 June	*23(a)*	118,635	55,230	73,615	57,103	36,941

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of Historical Financial Information

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 Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below (the "**Reorganisation**"). The Company and its subsidiaries (together, the "**Group**") are principally engaged in landscaping, ecological restoration and other related projects (the "**Listing Business**").

Prior to the incorporation of the Company, the principal business of the Group has been operated under Zonbong Huize Landscape Environmental Construction Limited ("**Zonbong Landscape**") and its subsidiaries which were ultimately controlled by Mr. Sun Juqing ("**Mr. Sun**") and Ms. Zhao Hongyu (the "**Controlling Parties**").

During the Track Record Period, the Listing Business of the Group were conducted through Zonbong Landscape and its subsidiaries and Zonbong Shanshui Planning and Design Limited ("**Zonbong Shanshui**"). Both entities were held by Zhongqing Investment Holding Group Limited Liability Company ("**ZIHG**"). As part of the Reorganisation, the details of which are described in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, Zonbong Landscape acquired the entire equity interests in Zonbong Shanshui at a cash consideration of RMB17,754,000 in August 2018. As Zonbong Landscape and Zonbong Shanshui were controlled by the same controlling party before and after this transaction, the transaction has been accounted for as a restructuring of entities under common control in accordance with the principles of merger basis of accounting. For the purpose of presentation of the Historical Financial Information of the Group, the net assets of the combining entities are combined using the existing book values. The consideration of RMB17,754,000 in connection with the acquisition of Zonbong Shanshui are recorded within equity as deemed distribution arising from the Reorganisation in August 2018.

In June 2019, Jilin Zonbong Ecological Environmental Limited ("**Jilin Zonbong**"), through its wholly-owned subsidiary, Beijing Zhongke Zonbong Ecological Technology Limited ("**Zhongke Zonbong**"), acquired the entire equity interests of Zonbong Landscape, and the cash consideration of RMB200,000,000 has been paid in August 2019.

In August 2019, Wing Tak International Investment Limited ("**Wing Tak Investment**", a wholly-owned subsidiary of the pre-IPO investor), through its wholly-owned subsidiary, paid RMB10,560,000 to Jilin Zonbong for 5% interest in Jilin Zonbong. The Company, through its wholly-own subsidiary, acquired the remaining 95% equity interest in Jilin Zonbong from the then shareholders at a cash consideration of RMB5,100,000. In October 2019, the Company issued 5.26 shares to the shareholder of Wing Tak Investment and obtained the entire interest of Wing Tak Investment. Upon the completion of the above transactions, the Company became the holding company of the Group.

As the Company and Zonbong Landscape were owned by substantially the same group of shareholders before and after the Reorganisation and there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting certain investment holding companies with no substantive operations as the new holding companies of Zonbong Landscape. Accordingly, the Reorganisation has been accounted for using the principles of merger basis of accounting. The consideration of RMB200,000,000 and RMB5,100,000 paid in this connection are accounted for as deemed distributions arising from the Reorganisation in June 2019 and August 2019, respectively.

To finance the settlement of the deemed distributions in the above transactions, in October 2019, Jilin Shengyi Engineering Consulting Limited ("**Jilin Shengyi**", a company held by the same group of shareholders of ZIHG) contributed RMB187,600,000 to Zhongke Zonbong in return for 1% interest in Zhongke Zonbong. The Group's interest in Zhongke Zonbong was diluted to 99%.

Prior to October 2019, Zonbong Landscape held the entire interests in Jilin Zonbong Miaomu Limited, which is engaged in seedling cultivation business and delineated from the Listing Business (the "**Carve-Out Entity**"). The Carve-Out Entity is maintained by separate management personnel. As part of the Reorganisation, Zonbong Landscape's equity interest in the Carve-Out Entity was transferred to Jilin Shengyi in October 2019 at a consideration of RMB12,362,000. The Historical Financial Information excludes the assets, liabilities and results of operations of the Carve-Out Entity whose business are, in the opinion of the directors of the Company, clearly delineated from the Listing Business of the Group and whose assets, liabilities, revenue and expenses are clearly identifiable. The capital contribution to the Carve-Out Entity of RMB2,500,000 during the year ended 31 December 2017, is recorded as a deemed distribution within equity during the Track Record Period. The consideration of RMB12,362,000 received from the disposal of the Carve-Out Entity and related tax effect of RMB2,460,000 are recorded as a deemed contribution within equity in October 2019.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period as set out in the Historical Financial Information include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2017, for the period from the date of incorporation/establishment to 30 June 2020).

The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 as set out in the Historical Financial Information have been prepared to present the financial position of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable.

Intra-group balances, transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	The Group's effect interest upon completion of the Reorganisation	Principal activities	Name of statutory auditor
Zonbong Landscape (中邦匯澤園林環境建設有限公司) (i), (ii), (iii)	The PRC 22 December 2008	RMB 325,000,000	99%	Landscape design and gardening	2017: BDO Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) 2018: Jilin Zhiyuan Certified Public Accountants (吉林摯遠會計師事務所) 2019: Jilin Zhengze Certified Public Accountants (吉林正則會計師事務所)
Zonbong Shanshui (中邦山水規劃設計有限公司) (i), (ii), (iv)	The PRC 3 June 2009	RMB 20,000,000	99%	Design	2017: Jilin Zhongcheng Certified Public Limited Corporation (吉林眾誠會計師事務所有限公司) 2018: Jilin Zhiyuan Certified Public Accountants (吉林摯遠會計師事務所 2019: Jilin Zhengze Certified Public Accountants (吉林正則會計師事務所)
Zhongke Zonbong (北京中科中邦生態科技有限公司) (i), (ii)	The PRC 14 April 2016	RMB 5,151,500	99%	Consulting	2017: BDO Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) 2018: Jilin Zhiyuan Certified Public Accountants (吉林摯遠會計師事務所)

Notes:

(i) The official names of the entities are in Chinese. The English translation of the names is for identification only.

(ii) These companies are domestic limited liability companies established in the PRC.

(iii) On 10 December 2018, this company changed its name from Zonbong Landscape Co., Ltd. (中邦園林股份有限公司) to Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司).

(iv) On 28 March 2018, this company changed its name from Jilin Province Zhongsheng Design and Consulting Company Limited (吉林省中盛設計諮詢股份有限公司) to Jilin Province Zhongsheng Design and Consulting Limited (吉林省中盛設計諮詢有限公司). On 7 December 2018, this company further changed its name to Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司).

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (the “**IASB**”). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs, including IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from contracts with customers*, and IFRS 16, *Leases*, that are effective for the accounting period beginning on or before 1 January 2020, consistently throughout the Track Record Period. Except for Amendment to IFRS 16, *Covid-19-Related Rent Concessions*, the Group has not adopted any revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2020, the details of which are set out in Note 37.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— other equity investments (see Note 2(f)); and

— derivative financial instruments (see Note 2(g)).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs 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 IFRSs that have significant effect on Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combinations under common control

Business combinations of entities under common control are accounted for using the principle of merger accounting, under which, the Historical Financial Information incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. The differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded (net of any reserves of the acquired entities) have been recognised directly in equity as other reserve. Acquisition costs are expensed as incurred.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(p) or 2(q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(iii)).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(f)).

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("**FVOCI**") — non-recycling, such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other net income in accordance with the policy set out in Note 2(u)(iv).

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Useful life
Buildings	20 years
Construction equipment	10 years
Motor vehicles	4 years
Other equipment	3-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)(iii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, which are determined based on the economic useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Useful life
Patents	10 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation/amortisation and impairment losses (see Notes 2(h) and 2(k)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and
- contract assets as defined in IFRS 15 (see Note 2(m)).

Financial assets measured at fair value, including other investment in equity securities measured at FVOCI (non-recycling) and derivative financial instruments are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based 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 at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "accrued expenses and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where financial guarantees in relation to loans of a joint venture or an associate are provided for no such consideration received or receivable, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see Note 2(u)(vii)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "accrued expenses and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(k)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets;

— intangible assets; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(l) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are assigned to specific construction contracts, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(l)(i)), property, plant and equipment (see Note 2(h)) or intangible assets (see Note 2(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to subcontractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(u).

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(n)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)(v)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(k)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on landscaping or ecological restoration projects under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(t)(ii).

(ii) Contracts for services

The Group recognises its revenue from rendering of services progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs, when the Group provide the services in accordance with the customer's specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed. Otherwise, a performance obligation is satisfied at point in time, the Group shall recognise revenue when (or as) the customer obtains control of relevant service.

(iii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

(vii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see Note 2(k)(ii)).

(v) Translation of foreign currencies

The Company has its functional currency in Hong Kong dollar ("**HKD**"). As the Group's operations are conducted by the subsidiaries of the Group in mainland China in RMB, the Historical Financial Information is presented in RMB.

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

The results of group entities which have a functional currency other than RMB, the Group's presentation currency, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

(a) Sources of estimation uncertainty

Note 30 contains information about the assumptions and their risk factors relating to fair value of other equity investments and derivative financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Revenue recognition

As explained in policy Note 2(u), 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.

(ii) 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.

(iii) 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.

4 Revenue and segment reporting

(a) Revenue

The Group is principally engaged in landscaping, ecological restoration and other related projects. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

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

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Disaggregated by major products or service lines					
— Revenue from landscaping	325,912	464,577	439,784	154,478	186,502
— Revenue from ecological restoration	297,801	286,629	402,578	110,070	144,791
— Revenue from others	31,783	58,238	55,124	30,261	26,592
	655,496	809,444	897,486	294,809	357,885

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic information is disclosed in Notes 4(b)(i) and 4(b)(iii), respectively.

Revenue from customers of each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 contributing over 10% of the total revenue of the Group are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 30(a).

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Customer A#	77,159	203,564	118,894	49,825	42,131
Customer B^	210,537	91,029	111,305	57,591	*Note*
Customer C*	*Note*	242,605	95,658	64,551	*Note*
Customer D^	*Note*	*Note*	116,763	*Note*	44,456
Customer E*	*Note*	*Note*	*Note*	*Note*	54,398

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Revenue from ecological restoration and others segments.

^ Revenue from ecological restoration and landscaping segment.

* Revenue from landscaping segment.

(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 and design contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 73 months.

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Remaining performance obligations expected to be satisfied	2,329,068	2,148,215	2,702,998	2,592,114

(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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Landscaping: this segment includes public space landscaping, theme park landscaping, private park landscaping and maintenance projects;

- Ecological restoration: this segment includes treatment of polluted rivers, building urban waterfront parks, restoration of regional water ecology system and mine rehabilitation; and

- Others: this segment includes investigation, survey, design and technical consultancy for municipal construction projects.

(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 are not measured under individual segments. The Group's most senior and 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 during the Track Record Period is set out below.

	For the year ended 31 December 2017			
	Landscaping	**Ecological restoration**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	842	19	9,837	10,698
Over time	325,070	297,782	21,946	644,798
Revenue from external customers and reportable segment revenue	325,912	297,801	31,783	655,496
Reportable segment gross profit	79,742	67,616	12,927	160,285

	For the year ended 31 December 2018			
	Landscaping	**Ecological restoration**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	274	—	9,863	10,137
Over time	464,303	286,629	48,375	799,307
Revenue from external customers and reportable segment revenue	464,577	286,629	58,238	809,444
Reportable segment gross profit	119,094	55,902	21,355	196,351

	For the year ended 31 December 2019			
	Landscaping	Ecological restoration	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	135	2,789	22,343	25,267
Over time	439,649	399,789	32,781	872,219
Revenue from external customers and reportable segment revenue	439,784	402,578	55,124	897,486
Reportable segment gross profit	110,137	102,203	21,031	233,371

	For the six months ended 30 June 2019 (unaudited)			
	Landscaping	Ecological restoration	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	55	—	17,882	17,937
Over time	154,423	110,070	12,379	276,872
Revenue from external customers and reportable segment revenue	154,478	110,070	30,261	294,809
Reportable segment gross profit	38,291	23,523	10,493	72,307

	For the six months ended 30 June 2020			
	Landscaping	Ecological restoration	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	947	2,837	18,462	22,246
Over time	185,555	141,954	8,130	335,639
Revenue from external customers and reportable segment revenue	186,502	144,791	26,592	357,885
Reportable segment gross profit	34,999	34,446	18,060	87,505

(ii) Reconciliation of reportable segment revenues and profit or loss

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Reportable segment revenue and consolidated revenue *(Note 4(b)(i))*	655,496	809,444	897,486	294,809	357,885
Profit					
Total reportable segment gross profit	160,285	196,351	233,371	72,307	87,505
Other net income	15,218	19,354	13,899	7,181	3,872
Selling expenses	(12,359)	(14,827)	(14,215)	(5,772)	(4,508)
Administrative expenses	(49,062)	(47,348)	(62,249)	(25,280)	(29,047)
Impairment losses on trade and other receivables and contract assets	(18,168)	(27,942)	(64,369)	(1,696)	(14,738)
Finance costs	(24,671)	(36,991)	(41,135)	(20,729)	(18,933)
Share of profits of an associate	1,119	2,978	4,911	1,597	1,188
Share of profits of a joint venture	—	6,379	9,161	5,630	2,937
Consolidated profit before taxation	72,362	97,954	79,374	33,238	28,276

(iii) Geographic information

The Group's revenue is generated from the landscaping, ecological restoration and other related projects in the PRC. The Group does not have material assets or operations outside the PRC, no segment analysis based on geographical locations of the customers and assets is presented.

5 Other net income

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on trade and other receivables	14,880	14,768	11,243	6,537	2,191
Interest income on bank deposits	134	589	385	208	223
Government grants	117	80	178	120	274
Investment income on short-term investments	237	22	—	—	—
Net foreign exchange (loss)/gain	—	(520)	685	200	65
Net gain on disposal of a subsidiary	—	2,035	—	—	—
Net (loss)/gain on disposal of non-current assets	(151)	1,979	80	20	(56)
Income from financial guarantees issued *(Note 32)*	—	—	1,231	—	1,605
COVID-19-related rent concessions	—	—	—	—	220
Donations for COVID-19 pandemic	—	—	—	—	(881)
Others	1	401	97	96	231
	15,218	19,354	13,899	7,181	3,872

6 Impairment losses on trade and other receivables and contract assets

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Impairment/(reversal of impairment) losses on trade receivables	1,468	11,100	38,484	(628)	13,437
Impairment losses on contract assets	16,534	16,969	26,540	2,281	2,183
Impairment/(reversal of impairment) losses on prepayments, deposits and other receivables	166	(127)	(655)	43	(882)
	18,168	27,942	64,369	1,696	14,738

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on bank and other loans and loans from related parties	24,338	36,396	40,525	20,315	18,900
Net foreign exchange loss of bank loan	—	3,301	310	310	—
Fair value gain of forward foreign exchange contracts	—	(3,066)	—	—	—
Interest on lease liabilities	333	360	300	104	33
	24,671	36,991	41,135	20,729	18,933

No borrowing costs have been capitalised for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

(b) Staff costs

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages and other benefits	72,274	72,948	74,905	31,608	29,841
Contributions to defined contribution retirement schemes *(Note)*	7,861	8,898	8,096	3,188	689
	80,135	81,846	83,001	34,796	30,530

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. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

(c) Other items

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation of property, plant and equipment *(Note 12)*	2,809	2,759	2,646	1,362	1,176
Depreciation of right-of-use assets *(Note 14)*	4,292	5,288	4,049	1,932	1,704
Amortisation of intangible assets *(Note 13)*	361	368	368	184	184
Leases charges relating to short-term leases and leases of low-value assets	4,867	7,872	5,323	2,292	3,546
COVID-19-related rent concessions received	—	—	—	—	(220)
Listing expenses	—	1,131	16,906	5,164	7,102
Auditor's remuneration	572	393	81	65	94
Cost of inventories *(Note 19(a))*	161,568	208,197	203,167	80,265	100,982

The Group has early adopted the Amendment to IFRS 16, *Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the six months ended 30 June 2020.

8 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represent:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax *(Note 28(a))*					
Provision for the year/period	25,435	37,699	26,738	4,360	15,460
Deferred tax *(Note 28(b))*					
Origination and reversal of temporary differences	(5,104)	(10,558)	3,183	6,279	(8,499)
	20,331	27,141	29,921	10,639	6,961

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

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation	72,362	97,954	79,374	33,238	28,276
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	18,091	24,489	23,988	9,706	8,805
Tax concessions and effect of changes of tax rate *(Note (iv))*	—	—	718	—	(2,464)
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	—	—	3,870	—	—
Tax effect of utilisation of prior periods' unused tax losses previously not recognised	(28)	(303)	—	—	—
Tax effect of unused tax losses and deductible temporary differences not recognised	303	1,700	648	889	465
Tax effect of non-deductible expenses	1,965	1,255	697	44	155
Actual tax expense	20,331	27,141	29,921	10,639	6,961

Notes:

(i) 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.

(ii) The subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% during the Track Record Period. No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the Track Record Period.

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% during the Track Record Period.

(iv) One of the subsidiaries of the Group established in the PRC has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2019 to 2021 and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2019 and the six months ended 30 June 2020. In addition to the preferential PRC Corporate Income Tax rate, this subsidiary entitles an additional tax deductible allowance amounted to 75% of the qualified research and development costs incurred in the PRC by this subsidiary for the year ended 31 December 2019 and the six months ended 30 June 2020.

9 Directors' emoluments

Directors' emoluments are as follows:

	For the year ended 31 December 2017				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Liu Haitao	—	387	44	76	507
Wang Yan	—	189	54	26	269
Wang Xudong	—	321	75	48	444
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
	—	897	173	150	1,220

	For the year ended 31 December 2018				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Liu Haitao	—	472	75	91	638
Wang Yan	—	229	66	34	329
Wang Xudong	—	374	75	54	503
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
	—	1,075	216	179	1,470

	For the year ended 31 December 2019				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Liu Haitao	—	511	391	91	993
Wang Yan	—	304	256	33	593
Wang Xudong	—	400	380	52	832
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
	—	1,215	1,027	176	2,418

	For the six months ended 30 June 2019 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Liu Haitao	—	249	—	49	298
Wang Yan	—	145	—	18	163
Wang Xudong	—	195	—	28	223
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
	—	589	—	95	684

	For the six months ended 30 June 2020				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Liu Haitao	—	251	—	4	255
Wang Yan	—	157	—	2	159
Wang Xudong	—	201	—	2	203
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
	—	609	—	8	617

Mr. Liu Haitao was appointed as a Director of the Company on 8 March 2019 and was redesignated as an executive Director of the Company on 24 September 2019. On 24 September 2019, Mr. Sun, Ms. Lyu Hongyan and Mr. Shao Zhanguang were appointed as non-executive Directors of the Company. On 18 March 2020, Ms. Wang Yan and Mr. Wang Xudong were appointed as executive Directors of the Company. On 14 December 2020, Mr. Gao Xiangnong, Mr. Yin Jun and Mr. Lee Kwok Tung Louis were appointed as independent non-executive Directors.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two, two, two, nil (unaudited) and one are directors whose emolument is disclosed in Note 9 for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. The aggregate of the emoluments in respect of other three, three, three, five (unaudited) and four individuals for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively, are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	1,326	1,864	1,777	1,582	1,025
Discretionary bonuses	72	3	130	—	—
Retirement scheme contributions	109	180	215	173	7
	1,507	2,047	2,122	1,755	1,032

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* *(unaudited)*	*Number of individuals*
HKDNil — HKD1,000,000	3	3	3	5	4

11 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Track Record Period using the basis of preparation as disclosed in Note 1 above.

12 Property, plant and equipment

	Buildings	Construction equipment	Motor vehicles	Other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2017	6,690	8,543	4,162	6,547	25,942
Additions	—	1,658	—	2,564	4,222
Disposals	—	(66)	—	(798)	(864)
At 31 December 2017 and 1 January 2018	6,690	10,135	4,162	8,313	29,300
Additions	1,357	48	—	1,802	3,207
Disposals	(5,249)	—	(733)	(542)	(6,524)
Decrease through the disposal of a subsidiary	(1,441)	—	(178)	(51)	(1,670)
At 31 December 2018 and 1 January 2019	1,357	10,183	3,251	9,522	24,313
Additions	—	25	204	538	767
Disposals	(1,357)	—	(1,987)	(186)	(3,530)
At 31 December 2019 and 1 January 2020	—	10,208	1,468	9,874	21,550
Additions	—	—	—	449	449
Disposals	—	—	—	(51)	(51)
At 30 June 2020	—	10,208	1,468	10,272	21,948

	Buildings	Construction equipment	Motor vehicles	Other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:					
At 1 January 2017	(926)	(1,092)	(2,884)	(2,776)	(7,678)
Charge for the year	(327)	(822)	(485)	(1,175)	(2,809)
Written back on disposals	—	24	—	582	606
At 31 December 2017 and 1 January 2018	(1,253)	(1,890)	(3,369)	(3,369)	(9,881)
Charge for the year	(102)	(966)	(284)	(1,407)	(2,759)
Written back on disposals	844	—	653	315	1,812
Written back through the disposal of a subsidiary	479	—	152	45	676
At 31 December 2018 and 1 January 2019	(32)	(2,856)	(2,848)	(4,416)	(10,152)
Charge for the year	(32)	(971)	(183)	(1,460)	(2,646)
Written back on disposals	64	—	1,797	103	1,964
At 31 December 2019 and 1 January 2020	—	(3,827)	(1,234)	(5,773)	(10,834)
Charge for the period	—	(484)	(24)	(668)	(1,176)
Written back on disposals	—	—	—	45	45
At 30 June 2020	—	(4,311)	(1,258)	(6,396)	(11,965)
Net book value:					
At 30 June 2020	—	5,897	210	3,876	9,983
At 31 December 2019	—	6,381	234	4,101	10,716
At 31 December 2018	1,325	7,327	403	5,106	14,161
At 31 December 2017	5,437	8,245	793	4,944	19,419

As at 31 December 2017 and 2018, property certificates of certain properties with an aggregate net book value of RMB991,000 and RMB1,325,000, respectively, are yet to be obtained.

13 Intangible assets

	Patents
	RMB'000
Cost:	
At 1 January 2017	3,540
Additions	144
At 31 December 2017, 1 January 2018, 31 December 2018, 1 January 2019, 31 December 2019 and 30 June 2020	3,684
Accumulated amortisation:	
At 1 January 2017	(395)
Charge for the year	(361)
At 31 December 2017 and 1 January 2018	(756)
Charge for the year	(368)
At 31 December 2018 and 1 January 2019	(1,124)
Charge for the year	(368)
At 31 December 2019 and 1 January 2020	(1,492)
Charge for the period	(184)
At 30 June 2020	(1,676)
Net book value:	
At 30 June 2020	2,008
At 31 December 2019	2,192
At 31 December 2018	2,560
At 31 December 2017	2,928

The amortisation charge is included in "administrative expenses" in the consolidated statements of profit or loss.

14 Right-of-use assets

	Leasehold land	Leasehold premises	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2017	—	4,594	4,594
Additions	3,224	5,513	8,737
At 31 December 2017 and 1 January 2018	3,224	10,107	13,331
Additions	—	1,948	1,948
Expiration of lease term	—	(5,086)	(5,086)
At 31 December 2018 and 1 January 2019	3,224	6,969	10,193
Additions	—	7,871	7,871
Expiration of lease term	—	(6,636)	(6,636)
At 31 December 2019 and 1 January 2020	3,224	8,204	11,428
Additions	—	695	695
Expiration of lease term	—	(235)	(235)
Early termination of lease term	(3,224)	(7,092)	(10,316)
At 30 June 2020	—	1,572	1,572
Accumulated depreciation:			
At 1 January 2017	—	(839)	(839)
Charge for the year	(147)	(4,145)	(4,292)
At 31 December 2017 and 1 January 2018	(147)	(4,984)	(5,131)
Charge for the year	(220)	(5,068)	(5,288)
Expiration of lease term	—	5,086	5,086
At 31 December 2018 and 1 January 2019	(367)	(4,966)	(5,333)
Charge for the year	(220)	(3,829)	(4,049)
Expiration of lease term	—	6,636	6,636
At 31 December 2019 and 1 January 2020	(587)	(2,159)	(2,746)
Charge for the period	(36)	(1,668)	(1,704)
Expiration of lease term	—	235	235
Early termination of lease term	623	3,060	3,683
At 30 June 2020	—	(532)	(532)
Net book value:			
At 30 June 2020	—	1,040	1,040
At 31 December 2019	2,637	6,045	8,682
At 31 December 2018	2,857	2,003	4,860
At 31 December 2017	3,077	5,123	8,200

The Group has obtained the right to use the leasehold land and premises as its office through tenancy agreements. The leases typically run for an initial period of 2 to 15 years.

The Group does not have the option to renew and earlier terminate the lease and there are no significant restrictions or covenants imposed to the lease. None of the leases includes variable lease payments.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 27, respectively.

Details of expense items in relation to leases recognised in profit or loss are set out in Notes 7(a) and (c).

15 Interest in an associate

Name of associate	Place of establishment and business	Particulars of paid-up capital	Proportion of ownership interest held by a subsidiary	Principal activity
長春市現邦市政園林有限責任公司 (Changchun Xianbang Municipal and Landscape Limited) ("**Changchun Xianbang**")	The PRC	RMB99,256,000 *(Note (ii))*	50% *(Note (iii))*	Project management *(Note (i))*

Changchun Xianbang, the only associate in which the Group participates, is unlisted and quoted market price is not available. Changchun Xianbang is accounted for using the equity method in the Historical Financial Information.

Summarised financial information of Changchun Xianbang, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts of the associate				
Current assets	275	6,598	97,576	50,274
Non-current assets	103,534	165,351	325,765	387,040
Current liabilities	(52,847)	(98,186)	(149,948)	(117,694)
Non-current liabilities	—	—	(130,879)	(169,345)
Equity	50,962	73,763	142,514	150,275
Revenue	101,545	66,987	159,158	51,566
Profit and total comprehensive income for the year/period	2,662	5,405	9,821	2,376
Reconciled to the Group's interests in the associate				
Gross amounts of net assets of the associate	50,962	73,763	142,514	150,275
Group's effective interest	42.03%	55.10%	50.00%	50.00%
Group's share of net assets of the associate	21,419	40,293	71,321	75,201
Carrying amount in the Historical Financial Information	21,419	40,293	71,321	75,201

Notes:

(i) Changchun Xianbang is responsible for financing, developing, operating and maintaining a Public-Private-Partnership ("**PPP**") project.

(ii) As at 31 December 2017, 2018 and 2019 and 30 June 2020, the paid-in capital of Changchun Xianbang is approximately RMB48,300,000, RMB65,696,000, RMB99,256,000 and RMB99,256,000, respectively, of which approximately RMB20,300,000, RMB36,196,000, RMB49,628,000 and RMB49,628,000, respectively, was injected by the Group. Due to the timing of capital injection by the investors of Changchun Xianbang, the effective interest at the end of each reporting period varies from the agreed percentage of 50%.

During the year ended 31 December 2019 and the six months ended 30 June 2020, approximately RMB25,370,000 and RMB5,385,000 was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Changchun Xianbang, of which approximately RMB12,685,000 and RMB2,692,000 was contributed by the Group. This financial guarantee will not be released prior to or upon the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

(iii) According to the articles of association of Changchun Xianbang, the resolutions in relation to material financial and operating decisions have to be passed by more than half of directors. As the Group only has rights to appoint two out of five of directors of Changchun Xianbang, the Group only has significant influence over the financial and operating policies of Changchun Xianbang.

16 Interest in a joint venture

Name of joint venture	Place of establishment and business	Particulars of paid-up capital	Proportion of ownership interest held by subsidiaries	Principal activity
烏蘭浩特市天驕天駿旅遊開發有限公司 (Ulanhot Tianjiao Tianjun Tourism Development Limited) ("**Tianjun Tourism**") *(Note (iv))*	The PRC	RMB153,319,000 *(Note (ii))*	75% *(Note (iii))*	Project management *(Note (i))*

Tianjun Tourism is an unlisted entity whose quoted market price is not available. Tianjun Tourism is accounted for using the equity method in the Historical Financial Information.

Summarised financial information of Tianjun Tourism, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts of the joint venture				
Current assets	—	24,148	11,512	66,291
Non-current assets	—	321,174	569,889	588,661
Current liabilities	—	(236,817)	(114,296)	(142,481)
Non-current liabilities	—	—	(264,299)	(297,281)
Equity	—	108,505	202,806	215,190
Included in the above assets and liabilities:				
Cash and cash equivalents	—	24,148	6,673	22,587
Current financial liabilities (excluding trade and other payables and provisions)	—	2,835	6	—
Revenue	—	71,928	184,749	43,472
Profit and total comprehensive income for the year/period	—	8,505	12,182	3,834
Included in the above profit:				
Depreciation and amortisation	—	—	32	336
Interest income	—	5,375	27,809	17,775
Interest expense	—	—	(6,944)	(9,547)
Income tax expense	—	2,835	4,561	1,705

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciled to the Group's interests in the joint venture				
Gross amounts of net assets of the joint venture	—	108,505	202,806	215,190
Group's interest held by subsidiaries	—	75.00%	75.20%	76.58%
Group's share of net assets of the joint venture	—	81,379	152,424	163,911
Carrying amount in the Historical Financial Information	—	81,379	152,424	163,911

Notes:

(i) Tianjun Tourism is responsible for financing, developing, operating and maintaining a PPP project.

(ii) As at 31 December 2018 and 2019 and 30 June 2020, the paid-in capital of Tianjun Tourism is approximately RMB100,000,000, RMB144,769,000 and RMB153,319,000, respectively, of which approximately RMB75,000,000, RMB108,869,000 and RMB117,419,000, respectively, was injected by the Group. Due to the timing of capital injection by the investors of Tianjun Tourism, the interest held by subsidiaries at the end of each reporting period varies from the agreed percentage of 75%.

During the year ended 31 December 2019, approximately RMB37,353,000 was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Tianjun Tourism, of which approximately RMB28,015,000 was contributed by the Group. This financial guarantee will not be released prior to or upon listing of the Company's shares on the Stock Exchange.

(iii) According to the articles of association of Tianjun Tourism, the resolutions in relation to significant financial and operating decisions have to be approved by all shareholders. Therefore, the Group does not have the power to control the financial and operating policies of Tianjun Tourism.

(iv) On 5 July 2019, this company changed its name from Ulanhot Shenjunshan Tourism Investment Development Limited (烏蘭浩特市神駿山旅遊投資開發有限公司) to Ulanhot Tianjunshan Tourism Investment Development Limited (烏蘭浩特市天駿山旅遊投資開發有限公司). On 16 September 2020, this company changed its name from Ulanhot Tianjunshan Tourism Investment Development Limited (烏蘭浩特市天駿山旅遊投資開發有限公司) to Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司).

17 Other equity investments

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments, at FVOCI (non-recycling)				
— 長春城投城鎮化建設投資有限公司 (Changchun Chengtou Urbanisation Construction Investment Limited) ("**Changchun Chengtou**") *(Note (i))*	2,402	1,514	2,806	3,269
— 潤德建設投資 (長春) 有限公司 (Runde Construction Investment Changchun Co., Ltd.) ("**Runde Construction**") *(Note (ii))*	4,685	2,547	5,793	5,404
— 梅河口市慶豐建設項目管理有限公司 (Meihekou Qingfeng Construction Project Management Co., Ltd.) ("**Meihekou Qingfeng**") *(Note (iii))*	—	3,576	5,549	5,913
	7,087	7,637	14,148	14,586

The Group designated its unlisted equity investments in Changchun Chengtou, Runde Construction and Meihekou Qingfeng at FVOCI (non-recycling), as the investments are held for strategic purposes. No dividend were received from the above investments during the Track Record Period. The investments are classified as Level 3 fair value measurement, and the fair value was determined by the directors with reference to a valuation report issued by a third party valuer using the market approach or income approach. Further details are disclosed in Note 30(e).

Notes:

(i) Changchun Chengtou is a private company engaged in development, investment, construction, maintenance, operation and management of urban infrastructure construction projects in the PRC. The directors of the Company consider the Group does not have significant influence over Changchun Chengtou.

(ii) Runde Construction is a private company engaged in development, design, construction, investment of urban infrastructure projects in the PRC. The directors of the Company consider the Group does not have significant influence over Runde Construction.

(iii) Meihekou Qingfeng is a private company engaged in project management, which is responsible for financing, developing, operating and maintaining the PPP project in the PRC. The directors of the Company consider the Group does not have significant influence over Meihekou Qingfeng.

18 Derivative financial instrument

Derivative financial instrument represents a forward foreign exchange contract entered to manage the currency risk of bank loan denominated in United States dollar ("**USD**"). Change in the fair value of the forward foreign exchange contract is recognised in profit or loss.

19 Inventories and other contract costs

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories				
Construction materials	9,544	17,220	11,006	20,048
Other contract costs	29,304	45,890	10,362	23,272
	38,848	63,110	21,368	43,320

(a) The analyses of the amount of inventories recognised as an expense and included in profit or loss are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Carrying amount of inventories used in construction contracts	161,568	208,197	203,167	80,265	100,982

(b) Contract costs

Capitalised contract costs relate to costs incurred to fulfil a contract if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, and are expected to be recovered. Contract costs are recognised as part of "cost of sales" in the consolidated statements of profit or loss in the period in which revenue from the related sales is recognised. The amount of capitalised costs recognised in profit or loss during each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 were RMB660,000, RMB949,000, RMB38,276,000, RMB10,632,000 (unaudited) and RMB5,997,000, respectively.

The amounts of capitalised contract costs that is expected to be recovered after more than one year as at 31 December 2017, 2018 and 2019 and 30 June 2020, are RMB28,355,000, RMB2,729,000 and RMB6,741,000 and RMB2,589,000, respectively.

Incremental costs of obtaining a contract are immaterial during the Track Record Period.

20 Contract assets and contract liabilities

(a) Contract assets

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets				
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(d))*	37,050	54,546	81,655	87,583
— due from a joint venture *(Note 33(d))*	—	99,353	48,683	74,359
— due from an associate *(Note 33(d))*	43,795	29,477	42,996	16,062
— due from a company managed by a key management personel of ZIHG *(Note 33(d))*	—	—	—	36,446
— due from third parties	397,910	421,816	553,554	577,853
	478,755	605,192	726,888	792,303
Less: loss allowance	(52,240)	(69,209)	(95,749)	(97,932)
	426,515	535,983	631,139	694,371
Reconciliation to the consolidated statements of financial position:				
Non-current	17,423	5,344	—	2,390
Current	409,092	530,639	631,139	691,981
	426,515	535,983	631,139	694,371
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" *(Note 21)*	449,027	548,743	566,273	614,957

The Group's construction contracts and design contracts include payment schedules which require stage payments over the design 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 recognised during the periods from performance obligations satisfied (or partially satisfied) in previous periods during each of the years ended 31 December 2017, 2018 and 2019 and 30 June 2020, are RMB7,343,000, RMB1,504,000, RMB34,038,000 and RMB(3,018,000), respectively, 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 at 31 December 2017, 2018 and 2019 and 30 June 2020, except for the amounts of RMB175,678,000, RMB278,046,000, RMB346,735,000 and RMB286,043,000, respectively, which are expected to be billed after more than one year.

(b) Contract liabilities

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(d))*	14,532	17,702	14,904	8,564
— due to an associate *(Note 33(d))*	—	2,671	12,874	4,518
— due to third parties	28,402	70,149	38,774	66,611
	42,934	90,522	66,552	79,693

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

Movements in contract liabilities

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	33,695	42,934	90,522	66,552
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(10,418)	(18,691)	(55,048)	(26,474)
Increase in contract liabilities as a result of billing in advance of construction and design activities	19,657	66,279	31,078	39,615
Balance at 31 December/30 June	42,934	90,522	66,552	79,693

All of the contract liabilities are expected to be recognised as revenue within one year, according to the contract terms and working progress estimation.

21 Trade receivables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(d))*	9,406	28,499	155,502	136,983
— due from a joint venture *(Note 33(d))*	—	53,310	1,933	1,873
— due from an associate *(Note 33(d))*	3,118	51,962	7,452	20,326
— due from third parties	477,594	476,804	450,391	518,966
	490,118	610,575	615,278	678,148
Less: loss allowance	(10,524)	(21,624)	(29,264)	(42,701)
	479,594	588,951	586,014	635,447
Reconciliation to the consolidated statements of financial position:				
Non-current	196,700	149,582	97,418	94,963
Current	282,894	439,369	488,596	540,484
	479,594	588,951	586,014	635,447

All of the current trade 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 analyses of trade receivables, based on the invoice date and net of loss allowance, are as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	208,431	309,269	314,923	316,662
1 to 2 years	256,753	84,372	96,597	137,414
2 to 3 years	12,780	189,669	59,721	46,023
3 to 4 years	1,323	4,722	112,858	102,160
4 to 5 years	307	919	1,915	33,188
	479,594	588,951	586,014	635,447

The Group generally requires customers to settle progress billings in accordance with contracted terms. Further details on the Group's credit policy and credit risk arising from trade receivable are set out in Note 30(a).

22 Prepayments, deposits and other receivables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(d))*	—	—	30,304	—
Amounts due from an associate *(Note 33(d))*	—	—	16,075	—
Amounts due from key management personnel of ZIHG *(Note 33(d))*	—	5,643	—	—
Advances to third parties	3,550	5,869	1,880	363
Advances to staff	799	1,347	310	816
Tax recoverable	11,183	1,345	5,298	2,223
Prepayments for costs incurred in connection with the proposed initial listing of the Company's shares *(Note (i))*	—	777	4,219	5,750
Prepayments for purchase of raw materials	3,866	4,348	4,026	6,949
Deposits of bidding and performance for construction and design contracts	9,344	2,739	3,618	7,161
Deposits to secure the guarantees by third parties *(Note 26(d))*	2,500	14,900	6,250	7,550
Others	5,232	5,755	5,992	8,308
	36,474	42,723	77,972	39,120
Less: loss allowance	(3,130)	(2,976)	(1,077)	(195)
	33,344	39,747	76,895	38,925

All of the prepayments, deposits, and other receivables are expected to be recovered, recognised as expenses or transferred to equity within one year.

Note:

(i) The balance at 31 December 2018 and 2019 and 30 June 2020 will be transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange.

23 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	118,836	73,388	89,216	37,543
Less: restricted bank deposits *(Note (i))*	(201)	(18,158)	(15,601)	(602)
Cash and cash equivalents in the consolidated statements of financial position and consolidated statements of cash flows	118,635	55,230	73,615	36,941

The Group's business operations in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Note:

(i) Restricted bank deposits mainly represent deposits placed at bank for bank loans and bills issued by the Group. The restriction on deposits would release after the repayment of bank loans and the payment of bills.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Note	**Bank and other loans**	**Interest payable**	**Loans from related parties**	**Lease liabilities**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 26)	*(Note 25)*	*(Note 25)*	*(Note 27)*	
At 1 January 2017		305,000	—	942	1,885	307,827
Changes from financing cash flows:						
Proceeds from new loans		285,000	—	119,600	—	404,600
Repayment of loans		(127,500)	—	(110,600)	(4,870)	(242,970)
Interest paid		—	(23,486)	(237)	(332)	(24,055)
Total changes from financing cash flows		157,500	(23,486)	8,763	(5,202)	137,575
Other changes:						
Increase in lease liabilities from entering into new leases during the year		—	—	—	8,737	8,737
Interest expenses	*7(a)*	—	23,570	768	333	24,671
Total other changes		—	23,570	768	9,070	33,408
At 31 December 2017		462,500	84	10,473	5,753	478,810

	Note	Bank and other loans	Interest payable	Loans from related parties	Amounts due to third parties	Lease liabilities	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 26)	*(Note 25)*	*(Note 25)*	*(Note 25)*	*(Note 27)*	
At 1 January 2018		462,500	84	10,473	—	5,753	478,810
Changes from financing cash flows:							
Proceeds from new loans		494,741	—	149,400	32,000	—	676,141
Repayment of loans		(445,000)	—	(159,000)	(30,000)	(3,803)	(637,803)
Interest paid		—	(35,920)	(61)	—	(238)	(36,219)
Total changes from financing cash flows		49,741	(35,920)	(9,661)	2,000	(4,041)	2,119
Exchange adjustments		3,301	—	—	—	—	3,301
Other changes:							
Increase in lease liabilities from entering into new leases during the year		—	—	—	—	1,948	1,948
Interest expenses	*7(a)*	—	36,208	188	—	360	36,756
Total other changes		—	36,208	188	—	2,308	38,704
At 31 December 2018		515,542	372	1,000	2,000	4,020	522,934

	Note	Bank and other loans	Interest payable	Loans from related parties	Amounts due to third parties	Lease liabilities	Dividends payable	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 26)	*(Note 25)*	*(Note 25)*	*(Note 25)*	*(Note 27)*	*(Note 25)*	
At 1 January 2019		515,542	372	1,000	2,000	4,020	—	522,934
Changes from financing cash flows:								
Proceeds from new loans		565,000	—	18,708	137,600	—	—	721,308
Repayment of loans		(582,786)	—	(3,500)	(44,000)	(3,751)	—	(634,037)
Interest paid		—	(40,678)	—	—	(323)	—	(41,001)
Total changes from financing cash flows		(17,786)	(40,678)	15,208	93,600	(4,074)	—	46,270
Exchange adjustments		(2,756)	(4)	(104)	—	—	—	(2,864)
Other changes:								
Increase in lease liabilities from entering into new leases during the year		—	—	—	—	7,871	—	7,871
Interest expenses	*7(a)*	—	40,525	—	—	300	—	40,825
Increase in dividends payable		—	—	—	—	—	307	307
Total other changes		—	40,525	—	—	8,171	307	49,003
At 31 December 2019		495,000	215	16,104	95,600	8,117	307	615,343

	Note	Bank and other loans	Interest payable	Loans from related parties	Amounts due to third parties	Lease liabilities	Dividends payable	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 26)	*(Note 25)*	*(Note 25)*	*(Note 25)*	*(Note 27)*	*(Note 25)*	
At 1 January 2020		495,000	215	16,104	95,600	8,117	307	615,343
Changes from financing cash flows:								
Proceeds from new loans		220,000	—	—	69,000	—	—	289,000
Repayment of loans		(185,864)	—	(15,062)	(69,000)	(1,613)	—	(271,539)
Interest paid		—	(18,449)	—	—	(16)	—	(18,465)
Total changes from financing cash flows		34,136	(18,449)	(15,062)	—	(1,629)	—	(1,004)
Exchange adjustments		—	—	(42)	—	—	—	(42)
Other changes:								
Increase in lease liabilities from entering into new leases during the period		—	—	—	—	695	—	695
Interest expenses	*7(a)*	—	18,900	—	—	33	—	18,933
Early termination of lease term		—	—	—	—	(6,231)	—	(6,231)
COVID-19-related rent concessions received		—	—	—	—	(220)	—	(220)
Total other changes		—	18,900	—	—	(5,723)	—	13,177
At 30 June 2020		529,136	666	1,000	95,600	765	307	627,474

	Note	Bank and other loans	Interest payable	Loans from related parties	Amounts due to third parties	Lease liabilities	Total
		RMB'000 (Note 26)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 25)	RMB'000 (Note 27)	RMB'000
(unaudited)							
At 1 January 2019		515,542	372	1,000	2,000	4,020	522,934
Changes from financing cash flows:							
Proceeds from new loans . . .		230,000	—	—	—	—	230,000
Repayment of loans		(155,286)	—	—	(2,000)	(1,980)	(159,266)
Interest paid		—	(20,338)	—	—	(38)	(20,376)
Total changes from financing cash flows.		74,714	(20,338)	—	(2,000)	(2,018)	50,358
Exchange adjustments		(2,756)	(4)	—	—	—	(2,760)
Other changes:							
Increase in lease liabilities from entering into new leases during the period . .		—	—	—	—	201	201
Interest expenses	7(a)	—	20,315	—	—	104	20,419
Total other changes		—	20,315	—	—	305	20,620
At 30 June 2019.		587,500	345	1,000	—	2,307	591,152

(c) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows represent leases rental paid and comprise the following:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating cash flows	(5,018)	(482)	(12,109)	(5,380)	(2,177)
Within financing cash flows	(5,202)	(4,041)	(4,074)	(2,018)	(1,629)
	(10,220)	(4,523)	(16,183)	(7,398)	(3,806)

24 Trade and bills payables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(d))*	913	3,551	3,620	2,525
— due to third parties	330,787	442,557	484,093	513,538
Bills payables	—	15,000	15,000	15,000
	331,700	461,108	502,713	531,063

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

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	258,088	379,480	375,235	388,284
1 to 3 years	57,681	66,945	104,009	120,691
Over 3 years	15,931	14,683	23,469	22,088
	331,700	461,108	502,713	531,063

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

25 Accrued expenses and other payables

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to ZIHG and its subsidiaries, joint ventures and associates	6,595	7,432	1,378	2,241
Loans from ZIHG and its subsidiaries, joint ventures and associates	10,473	1,000	1,000	1,000
Loans from equity shareholders of the Company *(Note 33(d))*	—	—	15,104	—
Amounts due to third parties *(Note (i))*	—	2,000	95,600	95,600
Payables for staff related costs	30,001	18,252	22,496	10,757
Dividends payable	—	—	307	307
Interest payable	84	372	215	666
Payables for costs incurred in connection with the proposed initial listing of the Company's shares	—	1,043	3,045	4,822
Others	1,903	5,165	2,081	1,819
Financial liabilities measured at amortised cost	49,056	35,264	141,226	117,212
Financial guarantees issued *(Note 32)*	—	—	39,469	40,556
Payables for miscellaneous taxes	4,025	15,239	19,260	15,700
	53,081	50,503	199,955	173,468

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) As at 31 December 2019 and 30 June 2020, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB36,258,000 and RMB34,653,000, respectively. All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

26 Bank and other loans

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

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:				
Guaranteed by related parties	195,000	117,500	90,000	105,000
Guaranteed by third parties *(Note 26(d))*	25,000	—	—	195,000
Guaranteed by related parties and third parties *(Note 26(d))*	80,000	125,000	105,000	—
Guaranteed by related parties and secured by trade receivables and contract assets of the Group *(Note 26(c))*	162,500	273,042	275,000	209,136
Unguaranteed and unsecured	—	—	5,000	—
	462,500	515,542	475,000	509,136
Other loan:				
Unguaranteed and unsecured	—	—	20,000	20,000
	462,500	515,542	495,000	529,136

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

At 31 December 2017, 2018 and 2019 and 30 June 2020, the bank and other loans were repayable as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	302,000	415,542	420,000	454,136
After 1 year but within 2 years	60,500	25,000	25,000	25,000
After 2 years but within 5 years	75,000	75,000	50,000	50,000
After 5 years	25,000	—	—	—
	160,500	100,000	75,000	75,000
	462,500	515,542	495,000	529,136

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

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables and contract assets .	117,406	169,243	246,557	273,190

(d) The short-term bank loans are guaranteed by third parties, where the Controlling Parties and Mr. Liu Haitao provide counter-guarantee to these third parties, and the Group placed deposits amounting to RMB2,500,000, RMB14,900,000, RMB6,250,000 and RMB7,550,000 to these third parties, as of 31 December 2017, 2018 and 2019 and 30 June 2020 (Note 22).

(e) At 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's banking facilities amounting to RMB120,000,000, RMB190,000,000, RMB140,000,000 and RMB70,000,000, were utilised to the extent of RMB85,000,000, RMB140,000,000, RMB135,000,000 and RMB55,000,000, respectively.

(f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 30(b). At 31 December 2017, 2018 and 2019 and 30 June 2020, none of the covenants relating to the bank loans had been breached.

(g) All guarantees and counter-guarantees provided by the related parties for the Group's bank loans will be released prior to or upon the listing of the Company's shares on the Stock Exchange.

27 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities as of the end of the reporting period:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,659	2,744	1,949	1,987	3,945	4,075	503	521
After 1 year but within 2 years	1,147	1,242	17	18	1,926	2,084	262	285
After 2 years but within 5 years	1,162	1,494	1,220	1,476	1,358	1,546	—	—
After 5 years	785	1,376	834	1,376	888	1,281	—	—
	3,094	4,112	2,071	2,870	4,172	4,911	262	285
	5,753	6,856	4,020	4,857	8,117	8,986	765	806
Less: total future interest expenses		(1,103)		(837)		(869)		(41)
Present value of lease liabilities		5,753		4,020		8,117		765

28 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net balance of income tax payable at 1 January	7,853	7,970	25,457	9,866
Provision for the year/period *(Note 8(a))*	25,435	37,699	26,738	15,460
Income tax paid	(25,318)	(20,080)	(39,869)	(19,502)
Decrease through the disposal of a subsidiary	—	(132)	—	—
Tax effect of the disposal of the Carve-Out Entity	—	—	(2,460)	—
Net balance of income tax payable at 31 December/30 June	7,970	25,457	9,866	5,824
Represented by:				
Income tax recoverable (included in tax recoverable) *(Note 22)*	(2,143)	(49)	(2,797)	(172)
Income tax payable	10,113	25,506	12,663	5,996
	7,970	25,457	9,866	5,824

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Accrued payables	Credit loss allowance	Fair value adjustments in connection with the acquisition of subsidiaries	Equity method investment income	Derivative financial instrument measured at FVPL	Unused tax losses	Unrealised gains and losses	Withholding tax on distributable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017.	2,728	11,932	(936)	—	—	1,976	—	—	15,700
Credited/(charged) to profit or loss.	250	4,541	101	(280)	—	492	—	—	5,104
At 31 December 2017 and 1 January 2018	2,978	16,473	(835)	(280)	—	2,468	—	—	20,804
Credited/(charged) to profit or loss	4,764	6,979	95	(2,339)	(767)	1,826	—	—	10,558
Decrease through the disposal of a subsidiary	—	—	135	—	—	—	—	—	135
At 31 December 2018 and 1 January 2019	7,742	23,452	(605)	(2,619)	(767)	4,294	—	—	31,497
(Charged)/credited to profit or loss	(1,508)	7,094	87	(3,827)	767	(2,059)	133	(3,870)	(3,183)
At 31 December 2019 and 1 January 2020	6,234	30,546	(518)	(6,446)	—	2,235	133	(3,870)	28,314
Credited/(charged) to profit or loss	2,151	3,865	44	(1,436)	—	428	1,377	2,070	8,499
At 30 June 2020	8,385	34,411	(474)	(7,882)	—	2,663	1,510	(1,800)	36,813

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets	20,947	32,973	35,998	43,318
Net deferred tax liabilities	(143)	(1,476)	(7,684)	(6,505)
	20,804	31,497	28,314	36,813

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and deductible temporary differences arising from certain subsidiaries of the Group of RMB3,071,000, RMB8,659,000, RMB11,252,000 and RMB13,111,000 as of 31 December 2017, 2018 and 2019 and 30 June 2020, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The year of expiry of unused tax losses and deductible temporary differences not recognised is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year of expiry:				
2021	1,858	1,858	1,858	1,858
2022	1,213	—	—	—
2023	—	6,801	6,801	6,801
2024	—	—	2,593	2,593
2025	—	—	—	1,859
	3,071	8,659	11,252	13,111

(d) Deferred tax liabilities not recognised

Pursuant to the corporate income tax law, a 10% withholding tax is levied on dividends declared to foreign investors. As at 31 December 2019 and 30 June 2020, temporary difference unrecognised for deferred tax liabilities relating to undistributed profits of subsidiaries amounted to RMB29,758,000 and RMB59,752,000, respectively. Deferred tax liabilities of RMB2,976,000 and RMB5,975,000, respectively have not been recognised in this respect as it is probable that such profits will not be distributed in the foreseeable future.

29 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 8 March 2019 (date of incorporation)	1	—	—	—	1
Changes in equity:					
Loss for the period	—	—	—	(19,535)	(19,535)
Other comprehensive income for the period	—	—	(758)	—	(758)
Total comprehensive income for the period	—	—	(758)	(19,535)	(20,293)
Issuance of shares *(Note 29(b))*	—	10,560	—	—	10,560
At 31 December 2019	1	10,560	(758)	(19,535)	(9,732)
At 1 January 2020	1	10,560	(758)	(19,535)	(9,732)
Changes in equity:					
Loss for the period	—	—	—	(6,660)	(6,660)
Other comprehensive income for the period	—	—	(290)	—	(290)
Total comprehensive income for the period	—	—	(290)	(6,660)	(6,950)
At 30 June 2020	1	10,560	(1,048)	(26,195)	(16,682)

	Share capital	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 8 March 2019 (date of incorporation)	1	—	—	1
Changes in equity (unaudited):				
Loss for the period (unaudited)	—	—	(8,552)	(8,552)
Other comprehensive income for the period (unaudited)	—	(22)	—	(22)
Total comprehensive income for the period (unaudited)	—	(22)	(8,552)	(8,574)
At 30 June 2019 (unaudited)	1	(22)	(8,552)	(8,573)

(b) Share capital

	As at 31 December 2019 and 30 June 2020	
	No. of shares	*HKD'000*
Authorised:		
Ordinary shares of HKD0.001 each	390,000,000	390

	As at 31 December 2019 and 30 June 2020			
	USD shares		HKD shares	
	No. of shares	*RMB'000*	*No. of shares*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 8 March 2019 (date of incorporation)	100.00	1	—	—
Issuance of shares *(Note 29(b))*	5.26	—	—	—
Issuance of shares *(Note 29(b))*	—	—	821,028	1
Repurchase and cancellation of shares	(105.26)	(1)	—	—
At 31 December 2019 and 30 June 2020	—	—	821,028	1

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 8 March 2019 with authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. Immediately after its incorporation, the Company issued 100 shares.

For the purpose of the Historical Financial Information, the share capital as at 1 January 2017, 31 December 2017 and 2018 represented the paid-up capital of Zonbong Landscape, and the share capital as at 31 December 2019 and 30 June 2020 represented the paid-up capital of the Company.

During the year ended 31 December 2017, Zonbong Landscape issued 32,786,000 new ordinary shares at a cash consideration of RMB99,997,000. The excess of the aggregate cash consideration of RMB99,997,000 over the increase in share capital of RMB32,786,000, net of transaction costs of RMB290,000, amounting to RMB66,921,000 was credited to the other reserve.

During the year ended 31 December 2017, Zonbong Landscape further increased its share capital by transferring other reserve of RMB69,406,000 to share capital. The share capital of Zonbong Landscape increased from RMB53,970,000 to RMB156,162,000 in 2017.

During the year ended 31 December 2018, Zonbong Landscape issued 8,840,000 new ordinary shares at a cash consideration of RMB17,754,000. The excess of the aggregate cash consideration of RMB17,754,000 over the increase in share capital of RMB8,840,000, amounting to RMB8,914,000 was credited to the other reserve. The share capital of Zonbong Landscape increased from RMB156,162,000 to RMB165,002,000.

During the year ended 31 December 2019, Zonbong Landscape increased its share capital from RMB165,002,000 to RMB325,000,000 by transferring retained profits of RMB159,998,000 to share capital.

On 29 September 2018, Jilin Zonbong issued 5,100,000 shares with par value of RMB1 per share. The cash consideration of RMB5,100,000 has been paid on 25 April 2019.

In August 2019, Wing Tak Investment, through its wholly-owned subsidiary, paid RMB10,560,000 to Jilin Zonbong for 5% interest in Jilin Zonbong. On 3 October 2019, the Company issued 5.26 shares with par value of USD1 per share to the shareholder of Wing Tak Investment and obtained the entire interest of Wing Tak Investment .

On 15 October 2019, the Company increased the authorised share capital to the aggregate of (i) USD50,000 divided into 50,000 shares of USD1.00 each; and (ii) HKD390,000 divided into 390,000,000 shares of HKD0.001 each. Accordingly, the Company issued 821,028 shares to the existing equity shareholders. Immediately after the above allotment and issuance of shares, the Company repurchased and cancelled the 105.26 shares denominated in USD with a par value of USD1.00 each.

Following the repurchase and cancellation of the above USD shares, the authorised share capital of the Company was redenominated as HKD390,000 divided into 390,000,000 shares of HKD0.001 each.

(c) Dividends

During the Track Record Period, subsidiaries of the Group made the following distribution to its equity shareholders:

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Zonbong Landscape	—	—	45,307	—	—
Zhongke Zonbong	—	—	30,755	—	—
Jilin Zonbong	—	—	—	—	20,700

The Company did not declare any dividends to the equity shareholders of the Company during the Track Record Period.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Act (as revised) of the Cayman Islands.

(ii) Other reserve

The other reserve comprises: (i) the differences between the considerations received and the nominal amount of shares issued by Zonbong Landscape; (ii) the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of a business under common control; (iii) the difference between the carrying value of non-controlling interests and the consideration received from the non-controlling shareholder; (iv) deemed contribution and distribution arising from the Reorganisation and (v) the paid-in capital of Zonbong Shanshui prior to August 2018.

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Group's subsidiary established in the PRC is required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to statutory reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held during the Track Record Period (see Note 2(f)).

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the companies comprising the Group into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 2(v).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and derivative financial assets is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 32, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees as at 31 December 2017, 2018 and 2019 and 30 June 2020 is disclosed in Note 32.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2017, 2018 and 2019 and 30 June 2020, 18.3%, 20.2%, 20.9% and 16.0% of the total trade receivables and contract assets, respectively, were due from the Group's largest debtor, and 64.4%, 66.4%, 56.2% and 50.4% of the total trade receivables and contract assets, respectively, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables and contract assets for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2017, 2018 and 2019 and 30 June 2020:

At 31 December 2017	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.3%	413,575	5,312
Within 1 year past due	4.5%	399,643	18,112
1 to 2 years past due	17.5%	117,821	20,665
2 to 3 years past due	41.6%	30,021	12,492
Over 3 years past due	79.1%	7,813	6,183
		968,873	62,764

At 31 December 2018	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.7%	535,760	8,849
Within 1 year past due	3.3%	441,398	14,475
1 to 2 years past due	13.0%	129,381	16,763
2 to 3 years past due	33.2%	79,085	26,244
Over 3 years past due	81.3%	30,143	24,502
		1,215,767	90,833

At 31 December 2019	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.6%	536,236	8,612
Within 1 year past due	3.7%	550,581	20,162
1 to 2 years past due	14.5%	114,180	16,607
2 to 3 years past due	34.3%	63,565	21,796
Over 3 years past due	74.5%	77,604	57,836
		1,342,166	125,013

At 30 June 2020	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	4.5%	537,874	24,139
Within 1 year past due	5.0%	662,498	33,058
1 to 2 years past due	12.0%	141,154	16,902
2 to 3 years past due	35.9%	67,097	24,107
Over 3 years past due	68.6%	61,828	42,427
		1,470,451	140,633

Expected loss rates are based on actual loss experience over the past 3 to 6 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables and contract assets during the year/period are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	44,762	62,764	90,833	125,013
Impairment losses recognised during the year/period *(Note (i))*	18,002	28,069	65,024	15,620
Written off of impairment losses	—	—	(30,844)	—
Balance at 31 December/30 June	62,764	90,833	125,013	140,633

Note:

(i) The impairment losses recognised are contributed to the origination of new trade receivables and contract assets net of those settled and the increase in days past due.

(b) Liquidity risk

The treasury function is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of loans to cover expected cash demands.

The Group's policy is to regularly monitor its liquidity requirements and its 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 longer term.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2017					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	331,700	—	—	—	331,700	331,700
Accrued expenses and other payables measured at amortised cost	49,056	—	—	—	49,056	49,056
Bank and other loans	315,532	75,274	86,698	26,077	503,581	462,500
Lease liabilities	2,744	1,242	1,494	1,376	6,856	5,753
	699,032	76,516	88,192	27,453	891,193	849,009

	As at 31 December 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	461,108	—	—	—	461,108	461,108
Accrued expenses and other payables measured at amortised cost	35,264	—	—	—	35,264	35,264
Bank and other loans	435,036	30,307	82,457	—	547,800	515,542
Lease liabilities	1,987	18	1,476	1,376	4,857	4,020
	933,395	30,325	83,933	1,376	1,049,029	1,015,934

	As at 31 December 2018
	Contractual undiscounted cash outflow
	Within 1 year or on demand
	RMB'000
Derivatives settled gross:	
Forward foreign exchange contracts:	
— outflow	(45,115)
— inflow	48,184

	As at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	502,713	—	—	—	502,713	502,713
Accrued expenses and other payables measured at amortised cost	141,226	—	—	—	141,226	141,226
Bank and other loans	439,069	28,894	53,562	—	521,525	495,000
Lease liabilities	4,075	2,084	1,546	1,281	8,986	8,117
	1,087,083	30,978	55,108	1,281	1,174,450	1,147,056

	As at 30 June 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	531,063	—	—	—	531,063	531,063
Accrued expenses and other payables measured at amortised cost	117,212	—	—	—	117,212	117,212
Bank and other loans	476,783	28,894	53,562	—	559,239	529,136
Lease liabilities	521	285	—	—	806	765
	1,125,579	29,179	53,562	—	1,208,320	1,178,176

The maximum amount guaranteed in relation to the financial guarantees issued is dislosed in Note 32.

(c) 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.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	As at 31 December						As at 30 June 2020	
	2017		2018		2019			
	Effective interest rate %	*RMB'000*	*Effective interest rate* %	*RMB'000*	*Effective interest rate* %	*RMB'000*	*Effective interest rate* %	*RMB'000*
Fixed rate borrowings:								
Bank and other loans	5.22%-6.65%	180,000	6.13%-8.01%	217,500	6.53%-8.01%	210,000	5.00%-9.00%	349,136
Lease liabilities	6.18%-6.37%	5,753	6.18%-6.37%	4,020	6.18%-6.37%	8,117	6.18%-6.37%	765
		185,753		221,520		218,117		349,901
Variable rate borrowings:								
Bank loans	5.00%-6.28%	282,500	3.84%-6.96%	298,042	5.22%-6.96%	285,000	5.22%-5.64%	180,000
Total borrowings		468,253		519,562		503,117		529,901
Fixed rate borrowings as a percentage of total borrowings		39.7%		42.6%		43.4%		66.0%

(ii) Sensitivity analysis

At 31 December 2017, 2018 and 2019 and 30 June 2020 it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB2,119,000, RMB2,235,000, RMB2,138,000 and RMB675,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through a bank loan that is denominated in USD. The Group uses forward foreign exchange contracts to manage its currency risk until the settlement date of the bank loan denominated in USD.

Changes in the fair value of forward foreign exchange contracts that economically hedge monetary liabilities denominated in foreign currencies are recognised in profit or loss (see Note 7(a)). The net fair value of forward foreign exchange contracts used by the Group as economic hedges of monetary liabilities denominated in foreign currencies at 31 December 2017, 2018 and 2019 and 30 June 2020 were RMBNil, RMB3,066,000, RMBNil and RMBNil respectively, recognised as derivative financial instruments (see Note 18).

(e) Fair value measurement

(i) Assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Other equity investments.	7,087	—	—	7,087

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Other equity investments.	7,637	—	—	7,637
Derivative financial instrument:				
— Forward foreign exchange contracts	3,066	—	3,066	—

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Other equity investments.	14,148	—	—	14,148

	Fair value at 30 June 2020	Fair value measurements as at 30 June 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Other equity investments.	14,586	—	—	14,586

During each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the PRC government yield curve as at the end of the reporting period plus an adequate constant credit spread.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability	30%
	Discounted cashflow approach (bb)	Discount rate	8%-9%

(aa) The fair value of the non-listed shares is determined by using enterprise value per earnings before interest, taxes, depreciation and amortisation of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2017, 2018 and 2019 and 30 June 2020 it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB101,000, RMB59,000, RMB123,000 and RMB124,000, respectively.

(bb) The fair value of the non-listed shares is determined by discounting projected cash flow. The valuation takes into account the expected cash flow according to the PPP agreement. The discount rate used has been adjusted to reflect specific risks relating to respective investees. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2018 and 2019 and 30 June 2020 it is estimated that with all other variables held constant, a decrease in discount rate by 1% would have increased the Group's other comprehensive income by RMB722,000, RMB529,000 and RMB501,000, respectively, and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB647,000, RMB482,000 and 459,000, respectively.

The movements during each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 in the other equity investments balance of these Level 3 fair value measurements are as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Unlisted equity securities:					
At 1 January	7,673	7,087	7,637	7,637	14,148
Payment for purchases	—	4,530	—	—	—
Net unrealised (losses)/gains recognised in other comprehensive income during the year/period	(586)	(3,980)	6,511	552	438
At 31 December/30 June	7,087	7,637	14,148	8,189	14,586

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017, 2018 and 2019 and 30 June 2020.

31 Commitments

(a) Capital commitments outstanding at 31 December 2017, 2018 and 2019 and 30 June 2020 not provided for in the Historical Financial Information were as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	33,858	13,432	24,500	15,950
Authorised but not contracted for	3,609	1,175	24	22

(b) At 31 December 2017, 2018 and 2019 and 30 June 2020 the total future minimum lease payments under non-cancellable short-term leases are payable as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	286	1,305	866	3,739

The lease commitments other than the short-term lease and leases of low-value assets commitments were not included in the above disclosures as the amounts were recognised as lease liabilities in the statements of financial position (see Note 27) in accordance with the policies set out in Note 2(j).

32 Contingent liabilities

As at 31 December 2019 and 30 June 2020, 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 2019 and 30 June 2020, the balances of the bank loan are RMB310,449,000 and RMB339,200,000, respectively. 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. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2019 and 30 June 2020, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB26,891,000 and RMB25,931,000, respectively.

As at 31 December 2019 and 30 June 2020, 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 2019 and 30 June 2020, the balances of the bank loan are RMB150,000,000 and RMB197,000,000, respectively. 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 the six months ended 30 June 2020. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2019 and 30 June 2020, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB12,578,000 and RMB14,625,000, respectively.

The directors do not believe it 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. Financial guarantees to a joint venture and an associate will not be released prior to or upon listing of the Company's shares on the Stock Exchange.

33 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	4,123	5,529	5,137	3,254	2,520
Discretionary bonuses	711	562	2,352	—	—
Contributions to defined contribution retirement schemes	405	625	633	375	28
	5,239	6,716	8,122	3,629	2,548

Total remuneration is included in "staff costs" (see Note 7(b)).

(b) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period:

Names of related parties	Nature of relationship
Sun Juqing	One of the Controlling Parties
Zhao Hongyu	One of the Controlling Parties
Liu Haitao	Key management personnel of the Group
Shan Dejiang	Key management personnel of ZIHG
Wang Xuelian	Key management personnel of ZIHG
Xu Fei	Key management personnel of ZIHG
ZIHG	Controlled by the Controlling Parties
Changchun Urban Construction and Maintenance Company Limited	Subsidiary of ZIHG
Hunchun Urban Utility Tunnel Construction Management Limited	Subsidiary of ZIHG
Jilin Huayi Highway Construction Group Limited	Subsidiary of ZIHG
Jilin Zonbong Miaomu Limited	Subsidiary of ZIHG
Meihekou Qingfeng	Subsidiary of ZIHG
Songyuan Utility Tunnel Construction Investment Limited	Subsidiary of ZIHG
Zhongqing Construction Limited Liability Company	Subsidiary of ZIHG
Tianjun Tourism	Joint venture of the Group
Changchun Xianbang	Associate of the Group

ZONQING International Investment Limited ("Zonqing International")	One of the equity shareholders of the Company
ZONBONG International Investment Limited ("Zonbong International")	One of the equity shareholders of the Company
Wing Tak Group Holdings Limited	One of the equity shareholders of the Company
Jilin Shengyi	Company held by the same group of shareholders of ZIHG and the non-controlling equity shareholder of Zhongke Zonbong
Jilin Zhongqing Shenlu Cultural Tourism Investment Limited	Subsidiary of ZIHG before January 2020, and a company managed by a key management personnel of ZIHG after January 2020

(c) Transactions with related parties during the Track Record Period

(i) Transactions with ZIHG and its subsidiaries, joint ventures and associates

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rendering of construction, survey, design, technical consultancy and other services.	50,876	253,157	197,119	74,770	32,561
Receiving services	—	—	8,536	6,803	—
Purchase of goods	2,335	5,164	2,419	1,505	—
Loans received from related parties	119,600	149,400	3,500	—	—
Loans repaid to related parties	110,600	159,000	3,500	—	—
Interest expenses on loan from a related party	768	188	—	—	—
Service income	234	15	138	3	—
Lease charges relating to short-term leases and leases of low-value assets	3,592	5,211	2,936	1,541	1,405
Guarantees provided by related parties for the Group's bank loans at the end of the reporting period	437,500	515,542	470,000	547,500	314,136
Sales of non-current assets	—	—	76	61	—
Advances granted to related parties	—	—	9,859	75	—
Repayment of advances granted to related parties	—	—	9,859	—	—
Net increase in advances received from a related party	1,378	—	—	—	—
Loan granted to a related party	—	—	30,000	—	—
Repayment of loan granted to a related party	—	—	—	—	30,000
Interest income on loan granted to a related party	—	—	304	—	—

(ii) Transactions with a joint venture

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rendering of construction services	—	66,397	109,481	57,591	30,925
Advances granted to a related party	—	—	74,368	74,368	—
Repayment of advances granted to a related party	—	—	74,368	48,368	—
Service income	—	—	1,824	—	1,085
Income from financial guarantee issued	—	—	1,123	—	960
Guarantee provided by the Group for the joint venture's bank loan at the end of the reporting period	—	—	310,449	100,000	339,200

(iii) Transactions with an associate

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rendering of construction services	64,621	46,523	27,935	8,073	8,677
Advances granted to a related party	—	—	42,075	—	—
Repayment of advances granted to a related party	—	—	26,000	—	16,075
Income from financial guarantee issued	—	—	108	—	645
Guarantee provided by the Group for the associate's bank loan at the end of the reporting period	—	—	150,000	—	197,000

(iv) Transactions with key management personnel of ZIHG and a company managed by a key management personnel of ZIHG

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Disposal of subsidiary	—	5,643	—	—	—
Rendering of construction service	—	—	—	—	54,398

Pursuant to an equity transfer agreement entered in July 2018, the Group disposed of its 100% equity interests in Jilin Zhonghe Construction Drawing Review Limited to key management personnel of ZIHG for a consideration of RMB5,643,000. The carrying value of the net assets disposed of amounted to RMB3,608,000. The consideration was received by the Group in September 2019.

(v) Transactions with the equity shareholders of the Company

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loans received from related parties	—	—	15,208	—	—
Repayment of loans from related parties	—	—	—	—	15,062

The directors of the Company expect the above transactions in the form of (i) rendering of construction, survey, design, technical consultancy and other services; (ii) service income; (iii) income from financial guarantees issued; (iv) receiving infrastructure construction services; and (v) lease charges to be continued after the listing of the Company's shares on the Stock Exchange.

All guarantees and counter-guarantees provided by the related parties for the Group's bank loans will be released prior to or upon the listing of the Company's shares on the Stock Exchange.

Financial guarantees provided by the Group for long-term bank loans of an associate and a joint venture will be released upon the maturity and repayment of the bank loans in 2029 and 2033, respectively.

(d) Balances with related parties as at the end of each reporting period:

(i) Due from or due to ZIHG and its subsidiaries, joint ventures and associates

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature:				
Contract assets *(Note 20(a))*	37,050	54,546	81,655	87,583
Trade receivables *(Note 21)*	9,406	28,499	155,502	136,983
Trade and bills payables *(Note 24)*	913	3,551	3,620	2,525
Contract liabilities *(Note 20(b))*	14,532	17,702	14,904	8,564
Accrued expenses and other payables *(Note 25)*	5,217	6,055	—	1,405
Non-trade in nature:				
Prepayments, deposits and other receivables *(Note 22)*	—	—	30,304	—
Accrued expenses and other payables *(Note 25)*	11,851	2,377	2,378	1,836

(ii) Due from a joint venture

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature:				
Contract assets *(Note 20(a))*	—	99,353	48,683	74,359
Trade receivables *(Note 21)*	—	53,310	1,933	1,873

(iii) Due from or due to an associate

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature:				
Contract assets *(Note 20(a))*	43,795	29,477	42,996	16,062
Trade receivables *(Note 21)*	3,118	51,962	7,452	20,326
Contract liabilities *(Note 20(b))*	—	2,671	12,874	4,518
Non-trade in nature:				
Prepayments, deposits and other receivables *(Note 22)*	—	—	16,075	—

(iv) Due from key management personnel of ZIHG and a company managed by a key personnel of ZIHG

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature:				
Contract assets *(Note 20(a))*	—	—	—	36,446
Non-trade in nature:				
Prepayments, deposits and other receivables *(Note 22)*	—	5,643	—	—

(v) Due to the equity shareholders of the Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Accrued expenses and other payables *(Note 25)*	—	—	15,104	—

All of the advances granted to related parties and advances received from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. All of the loans from related parties are unsecured, interest bearing and have fixed terms of repayment. All of the amounts due to/from the related parties that are non-trade in nature will be fully settled subsequent to the end of the Track Record Period.

34 Immediate and ultimate controlling party

At 30 June 2020, the directors consider the immediate parent of the Group to be ZONQING International Investment Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

At 30 June 2020, the directors consider the ultimate controlling party of the Group is the Controlling Parties.

35 Subsequent events after the reporting period

Save as disclosed elsewhere in the Historical Financial Information, the following events took place after 30 June 2020.

Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 14 December 2020 as detailed in "Appendix IV — Statutory and General Information" set out in the Prospectus, the Directors are authorised to allot and issue a total of 219,178,972 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 14 December 2020 by way of capitalisation of the sum of HKD219,178.972 standing to the credit of the share premium account of the Company, and these shares to be allotted and issued shall rank *pari passu* in all respects with the shares in issue.

36 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group's businesses and has put in place various contingency measures. These contingency measures include but not limited to revisiting the progress of ongoing projects, reassessing the adequacy and suitability of the Group's existing raw material suppliers and labour or professional subcontractors, the expanding of the Group's supplier and subcontractor base in a view to procure suitable raw materials and workforce or specialty services, negotiating with customers on possible delay in construction timetables, increase monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers and subcontractors on payment extensions.

As far as the Group's businesses are concerned, the COVID-19 pandemic has caused delays on progress of projects, but such impact has been reduced by the Group's expedition of the projects' progress upon the resumption of work. In addition, the COVID-19 pandemic has also impacted the repayment abilities of the Group's debtors, which in turn has resulted in additional impairment losses on contract assets and trade receivables during the six months end 30 June 2020. In addition to the above, the Group also received rent concession of RMB220,000 and waive or reduction of contributions to defined contribution retirement plan and other social insurances of RMB4,022,000 and made donation of RMB881,000 during the six months ended 30 June 2020.

The exact progress of the projects and impact of repayment abilities of the Group's debtors in future periods are still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the directors of the Company are optimistic that the COVID-19 pandemic will eventually be under control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary, in a view to reduce the impacts from the COVID-19 pandemic.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2020

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards, which are not yet effective for the accounting period beginning on 1 January 2020, and which have not been adopted in the Historical Financial Information. These include the following.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*	1 January 2021
Annual Improvements to IFRS *Standards 2018-2020*	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous contracts — Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2020.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2020 as if the Global Offering had taken place on 30 June 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2020 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2020(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company as at 30 June 2020	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HKD(4)*
Based on an Offer Price of HKD1.90 per Share	421,780	65,392	487,172	1.77	2.10
Based on an Offer Price of HKD2.42 per Share	421,780	88,316	510,096	1.85	2.19

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2020 is arrived at after deducting intangible assets attributable to the equity shareholders of the Company of RMB1,988,000 from the consolidated total equity attributable to the equity shareholders of the Company as at 30 June 2020 of RMB423,768,000 as shown in "Appendix I — Accountants' Report" to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HKD1.90 per Share (being the minimum Offer Price) and HKD2.42 per Share (being the maximum Offer Price), after deduction of the underwriting fees and other related expenses payable by the Group (excluding the listing expenses that have been charged to profit or loss up to 30 June 2020) and the issuance of 55,000,000 Shares and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted under the Share Option Scheme. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HKD1.185 to RMB1.00 prevailing on 13 December 2020. No representation is made that Hong Kong dollars amount have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company by 275,000,000 Shares, being the number of shares expected to be in issue assuming that the Capitalisation Issue and the Global Offering were completed on 30 June 2020, and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any options granted under the Share Option Scheme.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB1.00 to HKD1.185 prevailing on 13 December 2020. No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ZONBONG LANDSCAPE ENVIRONMENTAL LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of ZONBONG LANDSCAPE Environmental Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 22 December 2020 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "**Global Offering**") on the Group's financial position as at 30 June 2020 as if the Global Offering had taken place at 30 June 2020. As part of this process, information about the Group's financial position as at 30 June 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
22 December 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2019 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 14 December 2020 and will come into effect upon Listing. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting statement of financial position and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 8 March 2019 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Act;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from 17 October 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2019. We have established a principal place of business in Hong Kong at Room 18, 9/F, Block B, HI-TECH Industrial Centre, 491-501 Castle Peak Road, Tsuen Wan, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 October 2019. Ms. Chu Wing Yin of 1/F, No. 98 Chung Mei Lo UK Village, Tsing Yi, New Territories, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operations are subject to the Companies Act and our constitution, which comprises the Memorandum of Association and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Companies Act is set out in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation, our Company had an authorised share capital of US$50,000 divided into 50,000 Shares of a nominal or par value of US$1.00 each.

The following alterations in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

(a) on the date of incorporation, one Share, credited as fully paid, was allotted and issued to the initial subscriber, which was transferred to Zonqing International on the same day;

(b) on the date of incorporation, 90.96 Shares of par value of US$1.00 each, credited as fully paid, were allotted and issued to Zonqing International;

(c) on the date of incorporation, 8.04 Shares of par value of US$1.00 each, credited as fully paid, were allotted and issued to Zonbong International;

(d) on 3 October 2019, 5.26 Shares of par value of US$1.00 each, credited as fully paid, were allotted and issued to Wing Tak Group;

(e) Pursuant to the resolutions of the shareholders of the Company dated 15 October, 2019, the authorised share capital of the Company was increased from US$50,000 divided into 50,000 shares with a par value of US$1.00 each to the aggregate of (i) US$50,000 divided into 50,000 shares with a par value of US$1.00 each; and (ii) HKD390,000 divided into 390,000,000 shares with a par value of HKD0.001 each by the creation of 390,000,000 new shares of a par value of HKD0.001 each. 717,288, 62,712 and 41,028 Shares with a par value of HKD0.001 each in the Company were allotted and issued as fully paid to Zonqing International, Zonbong International and Wing Tak Group, respectively.

(f) Immediately after the above allotment and issue having been effected, the Company has repurchased 91.96, 8.04 and 5.26 Shares denominated in US$ (the "**USD Shares**") with a par value of US$1.00 each in issue with the consideration of US$91.96, US$8.04 and US$5.26 from Zonqing International, Zonbong International and Wing Tak Group, respectively. Following the repurchase, the authorised but unissued share capital of the Company was reduced by the cancellation of 105.26 USD Shares of a par value of US$1.00 each, such that the authorised share capital of the Company will become HKD390,000 divided into 390,000,000 Shares with a par value of HKD0.001 each (the "**Redenomination Exercise**").

(g) on 14 December 2020, pursuant to the written resolutions of our Shareholders, the authorised share capital of our Company was increased from HKD390,000 divided into 390,000,000 Shares of par value HKD0.001 each to HKD10,000,000 divided into 10,000,000,000 Shares of par value HKD0.001 each by the creation of an additional 9,610,000,000 Shares of par value HKD0.001 each. Such shares shall rank *pari passu* in all respects.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme), the issued share capital of our Company will be HKD275,000 divided into 275,000,000 Shares, all fully paid or credited as fully paid.

Save as aforesaid and as disclosed in the paragraph headed "— 3. Resolutions in writing of our Shareholders passed on 14 December 2020" in this Appendix below, there has been no alteration in the issued share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 14 December 2020

Pursuant to the written resolutions passed by the Shareholders of our Company on 14 December 2020, the following resolutions, among others, were duly passed:

(a) the Memorandum of Association was approved and adopted with effect from the Listing Date;

(b) the Articles of Association was conditionally approved and adopted with effect from the Listing Date;

(c) the authorised share capital of our Company was increased from HKD390,000 divided into 390,000,000 Shares of par value HKD0.001 each to HKD10,000,000 divided into 10,000,000,000 Shares of par value HKD0.001 each by the creation of an additional 9,610,000,000 Shares of par value HKD0.001 each. Such Shares shall rank *pari passu* in all respects;

(d) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (ii) the Offer Price having been determined; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise:

    (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;

    (ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue such number of Shares as may be required to be allotted and issued pursuant to the exercise of the Over-allotment Option;

    (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "— D. Share Option Scheme" in this Appendix below, were approved and adopted by our Company and our Directors and/or renumeration committee were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

(e) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HKD219,178.972 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 219,178,972 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of the passing of this resolution (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) in accordance to their then existing holdings in our Company and so that such Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(f) a general unconditional mandate was granted to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangements or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the total number of issued Shares immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme);

(g) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme;

(h) the general unconditional mandate mentioned in paragraph (f) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (g) above; and

(i) Each of the general mandates referred to in paragraphs (f), (g) and (h) above will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held;

(c) the passing of an ordinary resolution by our Shareholders in general meeting varying, revoking or renewing the mandate.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise the business and the structure of our Group in preparation for the Listing. Please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus for details on the steps involved in the Reorganisation.

5. Further information of our operating subsidiaries

A summary of the corporate information and the particulars of our operating subsidiaries are set out in "Appendix I — Accountants' Report" to this prospectus.

Save as disclosed in the paragraph headed "History, Reorganisation and Corporate Structure — Our Company and our Operating Subsidiaries" in this prospectus, there has been no alteration in the share capital of our operating subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution in general meeting, which may be by way of general mandate, or by special resolution in relation to specific transactions. As mentioned in the paragraph headed "— A. Further information about Our Company — 3. Resolutions in writing of our Shareholders passed on 14 December 2020" in this Appendix, the Directors were granted the repurchase mandate on 14 December 2020.

(ii) Sources of funds

Repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum, the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, our Company may make repurchases out of the profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company or out of our Company's share premium account, or out of capital if authorised by the Articles of Association and subject to the Companies Act.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of Shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

As required by the Listing Rules, certain information relating to repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the best interests of our Company and Shareholders. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the Listing Rules and the applicable laws of Cayman Islands.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) if the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 275,000,000 Shares in issue after the completion of the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme, could accordingly result in up to approximately 27,500,000 Shares being repurchased by us during the period prior to whichever is the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which our next annual general meeting is required by the Articles, the Companies Act or any other applicable laws of the Cayman Islands to be held; or

(iii) the revocation or variation of the repurchase mandate by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue, could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus which are or may be material:

(a) the equity transfer agreement dated 17 June 2019 entered into between Jilin Shengyi and Zhongke Zonbong, pursuant to which Zhongke Zonbong agreed to acquire 100% equity interest in Zonbong Landscape from Jilin Shengyi at a consideration of RMB200,000,000;

(b) the capital increase agreement dated 24 July 2019 entered into between Wing Tak Global HongKong Limited, Jilin Zonbong, and the then existing shareholders of Jilin Zonbong, namely ZIHG, Mr. Liu Haitao, Mr. Sun Juqing, Mr. Shao Zhanguang, Ms. Lyu Hongyan, Mr. Hou Baoshan, Ms. Wang Yumei, Mr. Wang Peng, Mr. Wang Xuesong*, Ms. Wang Yan, Mr. Xu Liangjin, Mr. Wang Shiwei, Mr. Sun Lipeng, Ms. Wang Xu, Mr. Dong Lei and Mr. Wang Xuesong*, pursuant to which Wing Tak Global HongKong Limited agreed to inject capital in the sum of RMB10,559,763 into Jilin Zonbong;

(c) the loan agreement dated 9 August 2019 entered into between Zhongke Zonbong and Jilin Pengkun Greening Engineering Limited (吉林省鵬坤景觀綠化工程有限公司), pursuant to which Zhongke Zonbong agreed to obtain a loan of RMB200,000,000 from Jilin Pengkun Greening Engineering Limited (吉林省鵬坤景觀綠化工程有限公司);

(d) the capital increase agreement dated 8 October 2019 entered into between Jilin Shengyi and Zhongke Zonbong pursuant to which Jilin Shengyi agreed to subscribe for 1% equity interest in Zhongke Zonbong by contributing RMB187,600,000 to Zhongke Zonbong;

(e) the Deed of Indemnity;

(f) the Deed of Non-competition; and

(g) the Hong Kong Underwriting Agreement.

* *There are two individuals with the same name.*

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, we were the registered owner of the following trademarks which are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	12903308	44	Zonbong Landscape	PRC	7 December 2014	6 December 2024
ZONBONG LANDSCAPE	12902588	42	Zonbong Landscape	PRC	14 December 2014	13 December 2024
ZONBONG LANDSCAPE	12902674	44	Zonbong Landscape	PRC	7 February 2015	6 February 2025
	12903243A	42	Zonbong Landscape	PRC	14 June 2015	13 June 2025
中邦环境 ZONBONG ENVIRONMENT	304956562	37, 42, 44	Zonbong Landscape	Hong Kong	12 June 2019	11 June 2029

(b) Patents

As at the Latest Practicable Date, we had been granted the following patents in the PRC which are material to our business:

	Name of Patent	Patent Number	Patent Owner	Patent Type	Application Date	Date of grant	Expiry Date
1	A type of cultivation method and growth medium for Hemerocallis (一種多倍體大花萱草組培方法及培養基)	ZL201310405775.2	Zonbong Landscape and Changchun University	Invention	9 September 2013	1 April 2015	8 September 2033
2	A type of system for treating kitchen sewage (一種廚房污水處理系統)	ZL201510372306.4	Zonbong Landscape	Invention	29 June 2015	11 July 2017	28 June 2035

	Name of Patent	Patent Number	Patent Owner	Patent Type	Application Date	Date of grant	Expiry Date
3	A type of system for treating Class C medical wastewater (一種醫療廢水三級處理工藝)	ZL201510377052.5	Zonbong Landscape	Invention	29 June 2015	7 July 2017	28 June 2035
4	A type of safety device used for tree planting during greening (一種綠化園林用種植穴安全防護裝置)	ZL201820434555.0	Zonbong Landscape	Utility Model	29 March 2018	6 November 2018	28 March 2028
5	A type of management system for sponge city in controlling rainwater at the initial-stage (一種海綿城市初期雨水控制設施)	ZL201720378745.0	Zonbong Landscape	Utility Model	12 April 2017	2 January 2018	11 April 2027
6	A type of purification device for treating coking wastewater (一種焦化污水淨化處理裝置)	ZL201621299043.5	Zonbong Landscape	Utility Model	30 November 2016	4 July 2017	29 November 2026
7	A type of purification device for heavily-polluted water (一種小型黑臭水體淨化設備)	ZL201621071188.X	Zonbong Landscape	Utility Model	22 September 2016	29 March 2017	19 September 2026
8	A type of cultivating device for seedlings used for construction (一種工程苗木用的容器栽培裝置)	ZL201420807635.8	Zonbong Landscape	Utility Model	19 December 2014	10 June 2015	18 December 2024
9	A type of tree transplanting device for landscaping (一種園林用樹木移栽起苗裝置)	ZL201320173735.5	Zonbong Landscape	Utility Model	9 April 2013	15 January 2014	8 April 2023

	Name of Patent	Patent Number	Patent Owner	Patent Type	Application Date	Date of grant	Expiry Date
10	A type of walking tractor combined with a trencher and impeller (一種手扶拖拉機用組合式葉輪開溝機裝置)	ZL201320348653.X	Zonbong Landscape	Utility Model	18 June 2013	20 November 2013	17 June 2023
11	A type of device for treating printing and dyeing wastewater (一種用於處理印染廢水的設備)	ZL201320296895.9	Zonbong Landscape	Utility Model	26 May 2013	16 October 2013	25 May 2023
12	A multi-functional flower pot tray (多功能花盆託盤)	ZL201220481728.7	Zonbong Landscape	Utility Model	20 September 2012	6 March 2013	19 September 2022
13	A type of tree supporting device for landscaping (一種園林綠化用樹木支撐裝置)	ZL201220257509.0	Zonbong Landscape	Utility Model	4 June 2012	5 December 2012	3 June 2022
14	A tree supporting device (樹木支撐裝置)	ZL201430166192.4	Zonbong Landscape	Design	5 June 2014	1 April 2015	4 June 2024

As at the Latest Practicable Date, we had applied for registration of the following patent which is material to our business:

	Name of Patent	Patent Number	Patent Owner	Patent Type	Filing Date	Status
1	A type of management system for sponge city in controlling rainwater at the initial-stage (一種海綿城市初期雨水控制設施)	ZL 201710235771.2	Zonbong Landscape	Invention	12 April 2017	In progress

(c) Copyrights

As at the Latest Practicable Date, we had registered the following software copyrights which we consider to be material to our business:

	Software	Proprietor	Registration Date	Registration Certificate Number
1	A simulation software for water supply and drainage designs V1.0 (給排水模擬設計軟體 V1.0)	Zonbong Landscape	7 January 2019	2020SR0618963
2	A calculation software for the amount of earthworks V1.0 (土方工程量計算軟體 V1.0)	Zonbong Landscape	8 May 2017	2020SR0618971
3	An aiding design tool system for landscaping V1.0 (園林輔助設計工具系統 V1.0)	Zonbong Landscape	5 March 2019	2020SR0613987
4	A landscaping layout design platform V1.0 (園林景觀佈局設計平台 V1.0)	Zonbong Landscape	16 March 2017	2020SR0613979
5	A BIM application software for landscaping designs V1.0 (基於BIM對景觀小品設計的應用軟件V1.0)	Zonbong Shanshui	27 December 2019	2020SR0368315
6	A decision support system for emergency response to water pollution incidents V1.0 (突發水污染事件應急處置決策支援系統 V1.0)	Zonbong Shanshui	30 September 2019	2020SR0368159
7	A BIM software for earthwork calculation V1.0 (利用BIM技術對土石方計算軟件V1.0)	Zonbong Shanshui	30 September 2019	2020SR0374525
8	An application software for remote sensing technology in environmental restoration V1.0 (遙感技術在環境修復中的應用軟體V1.0)	Zonbong Shanshui	25 December 2019	2020SR0368164
9	A detection system for pipeline collision in utility tunnels V1.0 (綜合管廊內管線碰撞檢測系統 V1.0)	Zonbong Shanshui	30 December 2019	2020SR0376812

	Software	Proprietor	Registration Date	Registration Certificate Number
10	A processing and analysis platform for geotechnical testing data V1.0 (土工試驗數據處理分析平台V1.0)	Zonbong Shanshui	30 July 2019	2020SR0374523
11	A traffic prediction method and prediction system V1.0 (交通預測方法和預測系統V1.0)	Zonbong Shanshui	30 September 2019	2020SR0375654
12	A roadbed settlement system V1.0 (道路路基沉降系統V1.0)	Zonbong Shanshui	12 November 2016	2019SR0572167
13	A pipeline synthesis software V1.0 (管線綜合設計軟件V1.0)	Zonbong Shanshui	10 December 2017	2019SR0498244
14	A calculation software for water storage of sponge city in Northeast China V1.0 (東北地區海綿城市蓄水量計算軟件V1.0)	Zonbong Shanshui	16 March 2018	2019SR0499267
15	A surveying and mapping platform V1.0 (工程勘察製圖平台V1.0)	Zonbong Shanshui	21 February 2017	2019SR0571934
16	A calculation software for frames of tunnel V1.0 (單孔管廊封閉框架法計算軟件V1.0)	Zonbong Shanshui	23 August 2017	2019SR0499768
17	A calculation software for urban utility tunnel V1.0 (城市綜合管廊內管線碰撞複核計算軟件V1.0)	Zonbong Shanshui	20 September 2017	2019SR0499780
18	A recognition and conversion software for 2D, 3D designs V1.0 (二、三維景觀設計成果識別及轉換軟件V1.0)	Zonbong Shanshui	28 April 2017	2019SR0504753
19	A GIS analysis system on identifying the source of pollution V1.0 (基於GIS系統的現狀污染源分析系統V1.0)	Zonbong Shanshui	15 November 2017	2019SR0512494
20	A design and analysis software for roads V1.0 (道路設計與分析軟件V1.0)	Zonbong Shanshui	30 July 2016	2019SR0503422

	Software	Proprietor	Registration Date	Registration Certificate Number
21	A calculation software for surface water pollution in Northeast China V1.0 (用於東北地區地表水體的污染負荷計算軟件V1.0)	Zonbong Shanshui	30 September 2016	2019SR0503178
22	A quantitative management system for water environment V1.0 (水環境實時調控與數字化管理系統V1.0)	Zonbong Shanshui	22 June 2017	2019SR0502426
23	A road traffic simulation system V1.0 (城市道路與交通流量仿真分析系統V1.0)	Zonbong Shanshui	5 April 2018	2019SR0498234
24	A monitoring system for sewage treatment facility V1.0 (污水廠處理污水監測系統V1.0)	Zhongke Zonbong	21 October 2016	2016SR403246
25	A stimulation system on the management process of small-scale sewage treatment facility V1.0 (小型污水處理設施過程管理仿真系統V1.0)	Zhongke Zonbong	21 October 2016	2016SR402086
26	An automatic monitoring system for the water quality of river and lake V1.0 (河湖水體水質自動監測系統V1.0)	Zhongke Zonbong	13 October 2016	2016SR401881
27	A water eutrophication warning system V1.0 (水體富營養化預警系統V1.0)	Zhongke Zonbong	25 November 2016	2016SR401818
28	A system for the automatic water quality monitoring equipment V1.0 (水質自動監測儀系統V1.0)	Zhongke Zonbong	25 November 2016	2016SR401836
29	A monitoring system for sewage purification V1.0 (污水淨化處理監控系統 V1.0)	Zhongke Zonbong	18 November 2016	2016SR402092
30	A computerised monitoring system for sewage treatment V1.0 (污水處理計算機監控系統V1.0)	Zhongke Zonbong	9 September 2016	2016SR402200
31	A data transfer platform on sewage treatment facilities data V1.0 (污水處理設施數據傳輸控制平台V1.0)	Zhongke Zonbong	25 November 2016	2016SR401841

	Software	Proprietor	Registration Date	Registration Certificate Number
32	A remote control system for sewage treatment V1.0 (污水遠程處理系統V1.0)	Zhongke Zonbong	14 October 2016	2016SR401846
33	A stimulation system for the process of sewage treatment V1.0 (污水處理工藝仿真軟件V1.0)	Zhongke Zonbong	12 August 2016	2016SR401656
34	A monitoring system for the process of sewage treatment V1.0 (污水處理過程監管系統V1.0)	Zhongke Zonbong	26 August 2016	2016SR402077
35	A controlling software for the operation of decentralised sewage treatment facility V1.0 (分散式污水處理設施運行控制系統V1.0)	Zhongke Zonbong	1 December 2016	2016SR399681
36	A warning system for the water quality of lake and riverV1.0 (河湖水體水質預警系統V1.0)	Zhongke Zonbong	14 October 2016	2016SR401991
37	A monitoring system for sewage drainage treatment V1.0 (污水處理排水管監控系統V1.0)	Zhongke Zonbong	12 August 2016	2016SR401725
38	A data analytical system on the stimulation of sewage treatment V1.0 (污水處理仿真數據分析系統V1.0)	Zhongke Zonbong	20 August 2016	2016SR401720

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Interests of our Directors and chief executives in our share capital and our associated corporations following the Global Offering

Immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives in the share capital, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed, will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares(1)	Approximate shareholding percentage
Mr. Liu	Interest in a controlled corporation(2)	14,054,104 (L)	5.11%
Mr. Sun.	Interest of spouse(3)	181,202,166 (L)	65.89%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Given that Mr. Liu is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.

(3) Mr. Sun's spouse, Ms. Zhao Hongyu, is the beneficial owner of 35% shareholding in Zonqing International and therefore Ms. Zhao Hongyu is deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO. By virtue of the SFO, Mr. Sun is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested.

(b) Particulars of service agreements and letters of appointment

Our executive Directors, Mr. Liu, Ms. Wang Yan and Mr. Wang Xudong, have entered into service agreements with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party.

Each of our non-executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party.

Each of our independent non-executive Directors has signed a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party.

Save as disclosed above, none of our Directors has or is proposed to have a service contract or a letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

(c) Directors' remuneration

Under their service agreements, each of our executive Directors, Mr. Liu, Ms. Wang Yan and Mr. Wang Xudong, has agreed not to receive any director's fee in respect of his/her position as executive Director. The aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits schemes, allowances and other benefits in kind) paid to our executive Directors for the year ending 31 December 2020 is expected to be approximately RMB1,116,000.

Under their respective service agreements, unless otherwise determined by the Board or the remuneration committee, each of our non-executive Directors has agreed not to receive any director's fee in respect of his/her position as non-executive Director.

Under their respective appointment letters, each of our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of HKD180,000 per annum to each of Mr. Yin Jun, Mr. Gao Xiangnong and Mr. Lee Kwok Tung Louis. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, contributions to retirement schemes, allowances and other benefits in kind) of our Directors for the year ending 31 December 2020 is estimated to be approximately RMB1,116,000.

2. Substantial Shareholders

Interests and/or short positions of the substantial shareholders in the Shares which are disclosable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in this prospectus, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming that Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options granted under the Share Option Scheme), have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

		Immediately following completion of the Global Offering	
Name	**Capacity/Nature of Interest**	**Number of Shares(1)**	**Approximate shareholding percentage**
Zonqing International	Beneficial owner	181,202,166 (L)	65.89%
Ms. Zhao Hongyu	Interest in a controlled corporation(2)	181,202,166 (L)	65.89%
Mr. Sun	Interest of spouse(3)	181,202,166 (L)	65.89%
Zonbong International	Beneficial owner	14,054,104 (L)	5.11%
Mr. Liu	Interest in a controlled corporation(4)	14,054,104 (L)	5.11%
Ms. Wang Tiannv	Interest of spouse(5)	14,054,104 (L)	5.11%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Ms. Zhao Hongyu is the beneficial owner of 35% shareholding in Zonqing International and is therefore deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO.

(3) By virtue of the SFO, Mr. Sun is deemed to be interested in the Shares held by his spouse, Ms. Zhao Hongyu.

(4) Given that Mr. Liu is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.

(5) Ms. Wang is the spouse of Mr. Liu. Accordingly, Ms. Wang is deemed to be interested in the Shares in which Mr. Liu is interested for the purposes of the SFO.

3. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;

(b) none of our Directors or experts referred to the paragraph headed "— E. Other Information — 8. Qualification of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO, or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(f) none of the experts referred to under the paragraph headed "— E. Other Information — 8. Qualification of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) save as disclosed in this prospectus, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to our Company and/or any of its subsidiaries.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board of our Company may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries, and any suppliers, clients, consultants, agents and advisers who, in the sole opinion of the Board has contributed or will contribute to our Group (collectively, the "**Eligible Participants**") and whom the Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect conditional upon and is subject to:

(i) the passing of the necessary resolutions by the Board and the Shareholders to approve and adopt the rules of the Share Option Scheme;

(ii) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme;

(iii) the obligations of the Underwriters (under the Underwriting Agreements) becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Sole Sponsor, acting for and on behalf of the Underwriters) and not being terminated in accordance with their terms or otherwise; and

(iv) the commencement of dealings in the Shares on the Stock Exchange, (the "**Conditions**").

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period commencing on the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of the Shareholders of our Company and ending on the tenth anniversary of the Listing Date (both dates inclusive) (the "**Scheme Period**"), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

4. Grant of options

(a) Making of offer

An offer shall be made to an Eligible Participant by an offer document in such form as our Board may from time to time determine, requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (the "**Offer Document**").

(b) Acceptance of offer

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "**Grantee**") and to have taken effect upon the issue of an option certificate after the duplicate Offer Document constituting acceptance of the option duly signed by the Grantee together with a remittance in favour of our Company of HKD1.00 by way of consideration for the grant of the option is received by our Company on or before the last day for acceptance set out in the Offer Document above. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the "**Offer Date**").

(c) Restrictions on time of grant

(i) No grant of options shall be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of its results for any year or half-year period under the Listing Rules or quarterly or any other interim period where our Company has elected to publish them (whether or not required under the Listing Rules),

and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) For so long as the shares are listed on the Stock Exchange, no options may be granted to a Director on any day which financial results of our Company are published and:

(1) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

(e) Grant to Substantial Shareholders and independent non-executive Directors

Without prejudice to the paragraph headed 4(c) above, any grant of options to a Substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates shall be subject to, in addition to the approval of the independent non-executive Directors of our Company in the paragraph headed (d) above, the issue of a circular by our Company to its Shareholders and the approval of the Shareholders of our Company in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the 12 month period up to and including the Offer Date:

(i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Offer Date; and

(ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HKD5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 4. Grant of options — (e) Grant to Substantial Shareholders and independent non-executive Directors" in this Appendix above, all connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

Our Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. Exercise Price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Exercise Price**") shall, subject to any adjustment pursuant to the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 7. Capital restructuring" in this Appendix below, be determined by the Board in its sole discretion but in any event shall be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date; and

(iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 5. Exercise Price — (ii)" in this Appendix above where the Shares have been listed on the Stock Exchange for less than five Business Days preceding the Offer Date, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each Business Day falling within the period before the listing of the Shares on the Stock Exchange.

6. Maximum number of Shares available for subscription

(a) Scheme Limit

Subject to the paragraphs headed "— (b) Renewal of Scheme limit" and "— (c) Grant of options beyond Scheme Limit" in this Appendix below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme, and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the Share Option Scheme) (the "**Scheme Limit**") which is expected to be 27,500,000. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of Scheme Limit

Our Company may seek approval by our Shareholders in general meeting for increasing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Limit as increased from time to time must not exceed 10% of the total number of Shares in issue as at the date of the shareholders' approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this the paragraph headed 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) Grant of options beyond Scheme Limit

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by the Board before such approval is sought.

For the purpose of seeking the approval of our Shareholders under the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 6. Maximum number of Shares available for subscription — (c) Grant of options beyond Scheme Limit" in this Appendix, our Company must send a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued pursuant to the Share Option Scheme

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not in aggregate exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted under any schemes of our Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any 12 month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Adjustment

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as our Company's independent financial advisor shall certify to the Board to be appropriate, fair and reasonable in accordance with the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 7. Capital restructuring" in this Appendix but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 6. Maximum number of Shares available for subscription — (d) Maximum number of Shares issued pursuant to the Share Option Scheme" in this Appendix.

7. Capital restructuring

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of Shares subject to any outstanding option;

(ii) the Exercise Price; and/or

(iii) the number of Shares subject to the Share Option Scheme,

as the approved independent financial adviser shall at the request of our Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

(b) Independent financial advisor confirmation

In respect of any adjustments required by the above the paragraph headed 7(a), other than any made on a capitalisation issue, the approved independent financial advisor shall certify in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 9. Assignment of options" in this Appendix. Where our Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in the paragraphs headed "— C. Further Information about Directors and Substantial Shareholders — 6. Maximum number of shares available for subscription — (a) Scheme Limit", "— C. Further Information about Directors and Substantial Shareholders — 6. Maximum number of shares available for subscription — (b) Renewal of Scheme Limit" and "— C. Further Information about Directors and Substantial Shareholders — 6. Maximum number of shares available for subscription — (c) Grant of options beyond Scheme Limit" in this Appendix.

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name the Shares issued pursuant to the Share Option Scheme may be registered).

10. Rights attached to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue.

Accordingly, the Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the "**Registration Date**") other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. Exercise of options

Unless otherwise provided in the respective Grantee's Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by the Board during which the Grantee may exercise his option(s) (the "**Option Period**") provided that:

(a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 12. Lapse of options — (v)" below in this appendix, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with the Company or any of its subsidiaries, the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not);

(b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 12. Lapse of options — (v)" has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);

(c) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them as shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

(d) if a compromise or arrangement between the Company and its Shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Act, the Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to Shareholders and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and

(e) in the event a notice is given by the Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in the paragraphs headed "— C. Further Information about Directors and Substantial Shareholders — 11. Exercise of options — (b) to (e)";

(iii) the date on which the scheme of arrangement of our Company referred to in the paragraph headed 11(d) above becomes effective;

(iv) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 11. Exercise of options — (e)";

(v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

(vi) the date that is thirty (30) days after the date on which a Grantee is terminated by our Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 12. Lapse of options — (v)" to this Appendix;

(vii) the date on which a Grantee commits a breach of the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 9. Assignment of options" above or the options are cancelled in accordance with the paragraph headed "— C. Further Information about Directors and Substantial Shareholders — 8. Cancellation of options" above; or

(viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. Alteration of the Share Option Scheme

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of the Board except that:

(a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Listing Rule 17.03, including without limitation, the definitions of "**Eligible Participant**", "**Expiry Date**", "**Grantee**" and "**Option Period**" contained in the Share Option Scheme; or

(b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of the Board in respect of alteration of the Share Option Scheme, must be made with the prior approval of the Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules and no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

    (i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or

    (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. Termination

We may by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

As at the Latest Practicable Date, no option had been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Deed of Indemnity

Each of our Controlling Shareholders entered into the Deed of Indemnity in favour of our Group on 14 December 2020 to provide the following indemnities.

Tax indemnities

Under the Deed of Indemnity, amongst others, our Controlling Shareholders jointly and severally undertake to fully indemnify the Company and each of the other members of our Group against, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;

(b) any taxation falling on our Group resulting from or by reference to, inter alia, any income profits or gains earned on or before the Listing Date; and

(c) all reasonable costs which our Group may properly incur in connection with any taxation claim against our Group.

The indemnity will not cover any taxation claim, to the extent that, among others:

(a) full provision or allowance has been made for such taxation in the audited accounts of our Group up to 30 June 2020;

(b) subject to (a) above, such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;

(c) the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, our Group which is/are carried out or effected in the ordinary course of business; and

(d) any provision or reserve made for such taxation in the audited accounts of our Group up to 30 June 2020 which is finally established to be an over-provision or an excessive reserve.

Non-compliance with and/or breach of laws, rules and regulations

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, inter alia, against all claims, losses, demands, proceedings, damages, costs, fees, penalties or other liabilities suffered or incurred by our Group as a result of any non-compliance with the applicable laws, rules and regulations by our Group on or before the Listing Date.

The above indemnity does not apply to any liabilities arising out of any retrospective change in the law coming into force after the Listing Date.

Indemnity and undertaking in relation to the leased properties

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, inter alia, against all claims, losses, demands, proceedings, damages, costs, fees, penalties or other liabilities suffered or incurred by our Group as a result of the non-availability of the land use rights certificates and building ownership title certificates from the relevant competent governmental authorities in the PRC for the leased properties of our Group (including any current or previous subsidiary of any member of our Group) on or before the Listing Date.

The above indemnity does not apply to any liabilities arise after the date when the conditions of the Deed of Indemnity are fulfilled or waived in accordance with the terms of the Deed of Indemnity.

2. Litigation

Save as disclosed in the paragraph headed "Business — Legal proceedings and compliance" in this prospectus, as at the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened by or against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive a fee of HKD5.2 million for acting as the sponsor for the Listing.

4. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately HKD51,700.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Group within the two years immediately preceding the date of this prospectus.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of or of the fair value of, the Shares being sold or transferred whichever is higher. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties, involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Tonghai Capital Limited	Licensed corporation under the SFO and permitted to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Appleby	Legal adviser to our Company as to the laws of the Cayman Islands
Dentons Law Offices	Legal adviser to our Company as to the laws of the PRC
China Insights Industry Consultancy Limited	Industry consultant

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn their respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included in the form and context in which it respectively appears.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscriber for or nominate persons to subscribe for any shares of securities in any member of our Group.

11. Particulars of the Selling Shareholders

Name:	Zonqing International
Place of incorporation:	BVI
Date of incorporation:	18 February 2019
Registered office:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Number of the Sale Shares to be sold:	11,000,000
Name:	Zonbong International
Place of incorporation:	BVI
Date of incorporation:	18 February 2019
Registered office:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Number of the Sale Shares to be sold:	2,750,000

12. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2020, being the date to which the latest audited financial statements of our Group were made, and up to the date of this prospectus.

13. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

14. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no Share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no Share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2020 (being the date which the latest audited consolidated financial information of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

(e) the principal register of members of our Company will be maintained in the Cayman Islands by Appleby Global Services (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law;

(h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures;

(i) there is no arrangement under which future dividends are waived or agreed to be waived; and

(j) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

15. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance Provisions) Notice, (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Appendix IV — Statutory and General Information — E. Other Information — 9. Consents of experts" hereof;

(c) copies of the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about the Business of our Group — 1. Summary of material contracts"; and

(d) the statement of the particulars of the Selling Shareholders.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Dentons Hong Kong LLP at 3201, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and the Articles;

(b) the Accountants' Report on the historical financial information of our Group for FY2017, FY2018, FY2019 and 6M2020, and the report on the unaudited pro forma financial information as at 30 June 2020 of our Group received from KPMG, the texts of which are set out in Appendices I and II to this prospectus;

(c) the consolidated financial statements of the companies comprising our Group for FY2017, FY2018, FY2019 and 6M2020;

(d) the letter of advice prepared by Appleby, our legal adviser on Cayman Islands law, in relation to certain aspects of the Cayman Islands Company Law referred to in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this prospectus;

(e) the legal opinions prepared by Dentons Law Offices, our PRC Legal Adviser, in relation to certain aspects of our Group, the property interests of our Group in the PRC and the summary of the applicable laws and regulations of the PRC in relation to the business of our Group in the PRC set out in this prospectus;

(f) the Companies Act;

(g) the industry report prepared by China Insights Industry Consultancy Limited;

(h) the written consents referred to under "Appendix IV — Statutory and General Information — E. Other Information — 9. Consents of experts";

(i) the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about the Business of our Group — 1. Summary of material contracts";

(j) the service contracts and the letters of appointment with our Directors referred to in "Appendix IV — C. Further Information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment"; and

(k) the statement of the particulars of the Selling Shareholders.

ZONBONG LANDSCAPE ENVIRONMENTAL LIMITED
中邦园林环境股份有限公司