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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)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Directors**") of ZONBONG LANDSCAPE Environmental Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2022 (the "**1H2022**"), together with the comparative figures for the six months ended 30 June 2021 (the "**1H2021**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 — unaudited
*(Expressed in Renminbi (“**RMB**”))*

		Six months ended 30 June	
	Note	**2022**	2021
		RMB'000	*RMB'000*
Revenue	*3*	**227,305**	362,073
Cost of sales		**(189,681)**	(280,876)
Gross profit		**37,624**	81,197
Other net income		**3,340**	5,744
Selling expenses		**(5,364)**	(9,758)
Administrative expenses		**(22,214)**	(31,995)
Impairment losses on trade and other receivables and contract assets		**(46,269)**	(13,399)
(Loss)/profit from operations		**(32,883)**	31,789
Finance costs	*4(a)*	**(19,566)**	(17,268)
Share of profits/(losses) of associates		**1,572**	(115)
Share of profits of a joint venture		**3,526**	5,275
(Loss)/profit before taxation	*4*	**(47,351)**	19,681
Income tax	*5*	**5,827**	(3,194)
(Loss)/profit for the period		**(41,524)**	16,487
Attributable to:			
Equity shareholders of the Company		**(41,112)**	16,331
Non-controlling interests		**(412)**	156
(Loss)/profit for the period		**(41,524)**	16,487
(Loss)/earnings per share (RMB cents)			
Basic and diluted	*6*	**(15)**	6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 — unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(41,524)**	16,487
Other comprehensive income for the 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 reserve	**466**	(33)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	**1,274**	472
Other comprehensive income for the period	**1,740**	439
Total comprehensive income for the period	**(39,784)**	16,926
Attributable to:		
Equity shareholders of the Company	**(39,376)**	16,770
Non-controlling interests	**(408)**	156
Total comprehensive income for the period	**(39,784)**	16,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited
(Expressed in RMB)

	Note	**At 30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**8,166**	8,982
Intangible assets		**2,691**	2,931
Right-of-use assets		**2,585**	5,082
Interest in associates		**83,011**	76,718
Interest in a joint venture		**198,323**	194,797
Other equity investments		**17,415**	16,949
Deferred tax assets		**53,596**	43,355
Non-current portion of trade receivables		**26,074**	34,627
		391,861	383,441
Current assets			
Inventories and other contract costs		**26,241**	30,046
Contract assets	*7(a)*	**748,699**	732,484
Trade and bills receivables	*8*	**864,652**	979,887
Prepayments, deposits and other receivables		**68,885**	68,212
Restricted bank deposits		**22,313**	12,110
Cash and cash equivalents		**29,819**	46,673
		1,760,609	1,869,412
Current liabilities			
Trade and bills payables	*9*	**713,306**	838,448
Accrued expenses and other payables		**166,659**	139,579
Contract liabilities	*7(b)*	**114,677**	148,726
Derivative financial instrument		**–**	1,170
Bank and other loans		**561,790**	479,565
Lease liabilities		**1,232**	3,005
Income tax payable		**4,283**	10,602
		1,561,947	1,621,095
Net current assets		**198,662**	248,317
Total assets less current liabilities		**590,523**	631,758

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2022 — unaudited
(Expressed in RMB)

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Non-current liabilities		
Bank loans	**25,000**	25,000
Lease liabilities	**1,235**	1,661
Deferred tax liabilities	**11,311**	10,336
	37,546	36,997
NET ASSETS	**552,977**	594,761
CAPITAL AND RESERVES		
Share capital	**230**	230
Reserves	**545,705**	585,081
Total equity attributable to equity shareholders of the Company	**545,935**	585,311
Non-controlling interests	**7,042**	9,450
TOTAL EQUITY	**552,977**	594,761

NOTES

(Expressed in RMB unless otherwise indicated)

1. BASIS OF PREPARATION

This interim financial information set out below is derived from the unaudited interim financial report, which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "**IASB**").

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

For the six months ended 30 June 2022, the Group had net loss of RMB41,524,000 and net cash used in operating activities of RMB101,209,000. As at 30 June 2022, the Group had cash and cash equivalents of RMB29,819,000, while the Group had current liabilities of RMB1,561,947,000 including bank and other loans within one year or on demand of RMB561,790,000.

In this regard, the directors of the Company have identified various initiatives to address the Group's liquidity needs, which include the following:

- The Group continues to improve its operating cash flows by accelerating the progress billings and collection of trade receivables, actively participating in bidding, negotiating with suppliers on payment terms, and reduction of operation expenses;

- The Group continues the negotiations with various banks to:

  (i) renew the short-term bank loans upon maturity; and/or

  (ii) provide additional bank facilities to the Group.

- Zhongqing Investment Holding Group Limited Liability Company ("**ZIHG**"), which is controlled by the controlling parties of the Group, has committed to provide the necessary financial support, including but not limited to:

  (i) renewal of the short-term loans from ZIHG and its subsidiaries upon maturity; and/or

  (ii) provision of additional loan facilities from ZIHG and its subsidiaries, as needed.

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

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3, *Reference to the Conceptual Framework*
- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current period have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND 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.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major products or service lines is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Disaggregated by major products or service lines		
— Revenue from landscaping	**195,325**	265,185
— Revenue from ecological restoration	**24,687**	89,971
— Revenue from others	**7,293**	6,917
	227,305	362,073

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b)(i).

(b) Segment reporting

(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 basis:

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

	Six months ended 30 June 2022			
	Landscaping	**Ecological restoration**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	–	–	–	–
Over time	**195,325**	**24,687**	**7,293**	**227,305**
Revenue from external customers and reportable segment revenue	**195,325**	**24,687**	**7,293**	**227,305**
Reportable segment gross profit	**24,741**	**10,685**	**2,198**	**37,624**

	Six months ended 30 June 2021			
	Landscaping	Ecological restoration	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	—	—	1,204	1,204
Over time	265,185	89,971	5,713	360,869
Revenue from external customers and reportable segment revenue	265,185	89,971	6,917	362,073
Reportable segment gross profit	57,989	21,367	1,841	81,197

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue and consolidated revenue *(Note 3(b)(i))*	**227,305**	362,073
(Loss)/profit		
Total reportable segment gross profit	**37,624**	81,197
Other net income	**3,340**	5,744
Selling expenses	**(5,364)**	(9,758)
Administrative expenses	**(22,214)**	(31,995)
Impairment losses on trade and other receivables and contract assets	**(46,269)**	(13,399)
Finance costs	**(19,566)**	(17,268)
Share of profits/(losses) of associates	**1,572**	(115)
Share of profits of a joint venture	**3,526**	5,275
Consolidated (loss)/profit before taxation	**(47,351)**	19,681

(iii) ***Geographic information***

The Group's revenue is generated from the landscaping, ecological restoration and other related projects in the People's Republic of China (the "**PRC**"). The Group does not have material assets or operations outside the PRC, therefore, no segment analysis based on geographical locations of the customers and assets is presented.

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest on bank and other loans and loans from related parties	**19,386**	17,133
Interest on lease liabilities	**143**	135
Net foreign exchange loss of bank loan	**37**	–
	19,566	17,268

(b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**1,103**	1,141
Depreciation of right-of-use assets	**1,021**	535
Amortisation of intangible assets	**240**	184
Leases charges relating to short-term leases and leases of low-value assets	**3,147**	3,770
Research and development costs	**12,948**	20,780
Cost of inventories	**81,176**	126,613

5. INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**3,439**	10,787
Deferred tax		
Origination and reversal of temporary differences	**(9,266)**	(7,593)
	(5,827)	3,194

The Company and subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2022 (six months ended 30 June 2021: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB Nil).

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.

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%).

Two subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2022 (six months ended 30 June 2021: PRC Corporate Income Tax rate of 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries entitle additional tax deductible allowance amounted to 75% of qualified research and development costs for the six months ended 30 June 2022 (six months ended 30 June 2021: 75%).

6. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB41,112,000 (six months ended 30 June 2021: profit of RMB16,331,000), and 275,000,000 ordinary shares in issue during the interim period (six months ended 30 June 2021: 273,177,000 ordinary shares, after adjusting the capitalisation issue occurred), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2022	2021
	No. of shares	*No. of shares*
	'000	*'000*
Shares in issue on 1 January	**275,000**	821
Effect of capitalisation issue *(Note (i))*	**–**	219,179
Effect of issuance of shares *(Note (ii))*	**–**	53,177
At 30 June	**275,000**	273,177

Notes:

(i) The number of ordinary shares outstanding before the capitalisation issue completed on 6 January 2021 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented.

(ii) On 6 January 2021, 55,000,000 new ordinary shares of HKD0.001 each were issued upon the listing of the shares of the Company on the Stock Exchange.

(b) Diluted (loss)/earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2022 and 2021. Hence, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

7. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Contract assets		
— due from ZIHG and its subsidiaries, joint ventures and associates	**101,479**	94,259
— due from a joint venture	**50,615**	51,883
— due from an associate	**37,310**	33,660
— due from a company managed by a key management personnel of ZIHG	**14,889**	16,234
— due from third parties	**699,417**	659,209
	903,710	855,245
Less: loss allowance	**(155,011)**	(122,761)
	748,699	732,484
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" *(Note 8)*	**873,945**	996,053

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.

Notwithstanding the terms of the contracts with customers, the Directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB302,978,000 (31 December 2021: RMB286,576,000), which are expected to be billed after more than one year.

(b) Contract liabilities

	At **30 June 2022** *RMB'000*	At 31 December 2021 *RMB'000*
Contract liabilities		
— due to ZIHG and its subsidiaries, joint ventures and associates	**6,970**	11,779
— due to a joint venture	**19,010**	19,022
— due to an associate	**100**	729
— due to third parties	**88,597**	117,196
	114,677	148,726

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.

All of the contract liabilities are expected to be recognised as revenue within one year, according to the contract terms and working progress estimation.

8. TRADE AND BILLS RECEIVABLES

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates	**152,804**	102,296
— due from a joint venture	**18,480**	17,682
— due from an associate	**16,185**	23,735
— due from a company managed by a key management personnel of ZIHG	**51,579**	96,651
— due from third parties	**751,312**	859,359
	990,360	1,099,723
Bills receivable for contract work	**–**	386
	990,360	1,100,109
Less: loss allowance	**(99,634)**	(85,595)
	890,726	1,014,514
Reconciliation to the consolidated statement of financial position:		
Non-current	**26,074**	34,627
Current	**864,652**	979,887
	890,726	1,014,514

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 analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	**399,559**	631,477
1 to 2 years	**230,803**	175,554
2 to 3 years	**93,459**	50,391
3 to 4 years	**55,575**	61,185
4 to 5 years	**23,413**	41,292
Over 5 years	**87,917**	54,615
	890,726	1,014,514

The Group generally requires customers to settle progress billings in accordance with contracted terms.

9. TRADE AND BILLS PAYABLES

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Trade payables		
— due to ZIHG and its subsidiaries, joint ventures and associates	**3,458**	5,756
— due to third parties	**703,148**	827,192
Bills payables	**6,700**	5,500
	713,306	838,448

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

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 1 year	**372,487**	339,953
1 to 3 years	**271,319**	424,767
Over 3 years	**69,500**	73,728
	713,306	838,448

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

10. DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The Directors of the Company do not recommend the payment of dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HKD Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

No final dividend in respect of the previous financial year has been approved during the six months ended 30 June 2022 (six months ended 30 June 2021: HKDNil).

11. 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. Since the outbreak of COVID-19 pandemic in Jilin Province in March 2022, preventive and control measures such as working from home, travel restrictions and quarantine were adopted by local governments of Jilin Province.

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 and decrease in new contracts. The Group has expedited the projects' progress and actively participated in bidding 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 and bills receivables during the six months ended 30 June 2022.

The exact progress of the projects, the results of the Group's effort in securing new contracts and impact of repayment abilities of the Group's customers 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.

MANAGEMENT DISCUSSION AND ANALYSIS

In 1H2022, the Group actively consolidated its corporate resources, expanded its market in the regions beyond the Three Northeast Provinces, vigorously developed its intelligent ecology business, and maintained its original bidding capacity and continued to undertake external projects. In 1H2022, the Group submitted a total of 128 tenders with a successful rate of approximately 17.2% and recorded a newly awarded contract value of approximately RMB160.2 million.

In 1H2022, the Group won tender for the Phase III Shixi River Landscape Zone and Urban Street Greening Enhancement Project in Shuangyang District, Changchun City (長春市雙陽區石溪河三期景觀帶及城區街路綠化提升工程) with a bid price of approximately RMB111.6 million; its intelligent ecology business won tender for the Changchun Xinlicheng Reservoir Drinking Water Source (Jinyue District) Ecological Environment Protection Project – Non-point Source Pollution and Internal Source Pollution Treatment Project (長春新立城水庫飲用水水源地（淨月區）生態環境保護工程 – 面源污染及內源污染治理工程設計) with a bid price of approximately RMB4.28 million; its operation beyond the Three Northeast Provinces won tender for the section of the Construction Exhibition Area Landscape Works of the TOD Integrated Development Project (Phase I) of Chengdu Wuhou Baifuqiao Station (成都武侯白佛橋站TOD綜合開發項目(一期)施工展示區景觀工程標段) with a bid price of approximately RMB5.61 million.

In 1H2022, the Group's Ecological Protection and Restoration Project in Mehekou City, Jilin Province (Phase I of Huifa River Basin Water Environment Comprehensive Treatment Project) (吉林省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一期工程)項目) was awarded the "Jilin Municipal Golden Cup Award for Demonstration Project (吉林省市政金杯示範工程)" by the Jilin Municipal Engineering Association (吉林省市政工程協會) and the "Exemplary Construction Enterprise Award in Jilin (吉林省優秀施工企業)" by the Jilin Construction Association (吉林省建築業協會).

Additionally, in 1H2022, the Group was newly awarded a Grade A Qualification for Engineering Design and Municipal Industry (Except Gas Engineering and Rail Transportation Engineering) (工程設計市政行業(燃氣工程、軌道交通工程除外)甲級資質), which the Company believes will benefit its business operations greatly in the second half of 2022 and beyond.

RISK MANAGEMENT

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure to the Group's business such as investment risk, interest rate risk and liquidity risk, participates in formulating appropriate risk management and internal control measures and to ensure their implementation in daily operational management. There was no material deficiency in the Group's internal control over financial reporting during 1H2022.

PROSPECTS

Looking ahead to the second half of 2022, the Group's business focus will be to continue to consolidate its product lines, expand its ecology and intelligence business. In July 2022, relying on the Company's existing 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), the Group has successfully won the tender of a public work project, namely Section 2 of the Road Drainage Project in Changchun Automobile Economic and Technological Development Zone C8 Road (C17 Street - B4 Road) (長春汽車經濟技術開發區丙八路(丙十七街－乙四路)道路排水工程二標段) (contract value of approximately RMB25.2 million). The Group expects to continue taking advantages of its existing qualifications to obtain public work from local governments and other public sector entities, in particular, the Group will continue to attempt to obtain new business projects with its 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). The Group also plans to join hands with various co-operative partners to participate in tenders and develop the national market, so as to achieve complementary advantages and expand its reach to whole process consulting business. The Group will consolidate its base in Changchun and expand its business nationwide by expanding the respective operations of its branches in Beijing, Shandong and Guangzhou. At the same time, it will maintain and enhance its corporate credentials, ensure AAA corporate credentials, apply for national, provincial and municipal design awards, consider obtaining First-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包壹級資質) and enhancing design qualification resources, enhance its corporate governance structure. The Group may consider adjusting and optimising the names of the Group and certain of its companies that reflect the respective products and/or services they provide in order to highlight their respective characteristic with an aim to develop an overall brand image and to serve as solid foundation to its continued growth.

We intended to keep expanding the markets in Northern China, Eastern China, and Southwest China. However, we have limited industry experience in these regions and the ecological environment, administrative regulations, business practices and other conditions in these regions may be different from those in the Three Northeast Provinces. Furthermore, we have to compete with local competitors who have a longer history of operation in these regions. As a result, there may be uncertainties in the expansion plans.

The Company will continue to uphold its core philosophy of "Customer centric, Fighter-oriented" (以客戶為中心，以奮鬥者為本) and realise its corporate mission of "Greening China to share the future (綠美中國 • 共享未來)" to achieve healthy and sustainable development. In addition to becoming a leading brand of integrated operation service provider in ecological environment construction and cultural and tourism operations, the Company intends to complete a comprehensive transformation and upgrade driven by the double engines of "design + operation".

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 37.2% or approximately RMB134.8 million from approximately RMB362.1 million for 1H2021 to approximately RMB227.3 million for 1H2022. The Group's revenue for 1H2022 was significantly affected by the implementation of control and lockdown measures to combat the COVID-19 outbreak in Changchun city from 11 March 2022, which were started to lift around mid of May 2022. Due to the control and lockdown period occuring during peak construction season in 1H2022, the effective construction period of the Group was shortened resulting in a reduction in revenue due to lower volume of work completed, and the tendering process has been delayed, and the newly awarded contracts in 1H2022 has decreased as compared to 1H2021. In 1H2022, the Group submitted a total of 128 tenders with a successful rate of approximately 17.2% and recorded a newly awarded contract value of approximately RMB160.2 million; whereas in 1H2021, among the 80 tenders submitted, the successful rate was approximately 20.0% with a newly awarded contract value of approximately RMB287.8 million.

The revenue, the number of projects completed and the number of projects in progress as at 30 June 2022 as compared with those of 1H2021 were as follows:

	2022			2021		
Business segments	**Revenue**	**No. of projects completed during 1H2022**	**No. of projects in progress as at 30 June 2022**	Revenue	No. of projects completed during 1H2021	No. of projects in progress as at 30 June 2021
	RMB million			*RMB million*		
Landscaping	195.3	23	77	265.2	15	74
Ecological restoration	24.7	8	26	90.0	4	33
Others	7.3	5	147	6.9	13	98
Total	227.3	36	250	362.1	32	205

Compared with 1H2021, overall number of projects for 1H2022 increased, including projects completed during 1H2022 and projects in progress as at 30 June 2022, was mainly attributable to the increase in new design and survey projects under others segment and the increase in number of projects in progress caused by the lower volume of work completed during 1H2022.

Landscaping

The Group recorded a decrease in revenue from the landscaping segment, from approximately RMB265.2 million for 1H2021 to approximately RMB195.3 million for 1H2022, representing a decrease of approximately 26.4% or approximately RMB69.9 million, which was mainly due to the implementation of lockdown measures in Changchun, resulting in a reduction in the effective construction period and a lower volume of work completed and decrease in newly awarded contracts in 1H2022.

Ecological restoration

The Group recorded a decrease in revenue from the ecological restoration segment, from approximately RMB90.0 million for 1H2021 to approximately RMB24.7 million for 1H2022, representing a decrease of approximately 72.6% or approximately RMB65.3 million, which was mainly due to the completion of large projects while the decrease in newly awarded contracts and the fewer ecological restoration project tenders in 1H2022.

Others

The Group's revenue from the others segment was mainly derived from investigation, survey, design and technical consultancy for municipal construction projects, and it recorded an increase of approximately 5.8% or approximately RMB0.4 million from approximately RMB6.9 million for 1H2021 to approximately RMB7.3 million for 1H2022. The Group's revenue from the others segment remains stable for 1H2022 as compared to 1H2021.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 53.7% or approximately RMB43.5 million from approximately RMB81.2 million for 1H2021 to approximately RMB37.6 million for 1H2022. The decrease in gross profit was primarily due to (i) the effect of the drop in revenue of approximately RMB134.8 million in 1H2022 under the negative impact of COVID-19 outbreak as highlighted above; and (ii) the extended payment and measurement cycle from project owners, therefore the impairment loss on trade and other receivables and contract assets in 1H2022 has increased for approximately RMB32.9 million. Gross profit margin decreased from approximately 22.4% for 1H2021 to approximately 16.5% for 1H2022, which was mainly attributable to the implementation of lockdown measures in Changchun, as a result, a larger portion of revenue was generated from regions outside of the Three Northeast Provinces, which are relatively new regional market for the Group and generally has a lower gross profit margin.

Other net income

The Group's other net income decreased by approximately 42.1% or approximately RMB2.4 million from approximately RMB5.7 million for 1H2021 to approximately RMB3.3 million for 1H2022. The decrease was mainly attributable to the grant of RMB2.0 million by the local government of the Changchun New District in Jilin for supporting enterprises which has entered into capital market by listing in Hong Kong in 1H2021.

Selling expenses

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

The selling expenses decreased by approximately 44.9% or approximately RMB4.4 million from approximately RMB9.8 million for 1H2021 to approximately RMB5.4 million for 1H2022. The impact of the COVID-19 outbreak in 1H2022 limited the travel activities of marketing personnel for market development and resulted in relatively low business hospitality and travel expenses.

Administrative expenses

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

The administrative expenses decreased by approximately 30.6% or approximately RMB9.8 million from approximately RMB32.0 million for 1H2021 to approximately RMB22.2 million for 1H2022, which was mainly due to the decrease in the number of staff of the Group in 1H2022 as compared to 1H2021 and the consequential decrease in manpower costs; and the significant decrease in business entertainment expenses, travel expenses and vehicle usage expenses as a result of the implementation of lockdown measures in Changchun for almost two months to combat the COVID-19 pandemic.

Finance costs

The Group's finance costs mainly represented interest expenses on bank and other loans, and increased by approximately 13.3% or approximately RMB2.3 million from approximately RMB17.3 million for 1H2021 to approximately RMB19.6 million for 1H2022, which was mainly due to the amount of the bank and other loans increased.

Share of profits/(losses) of associates

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

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

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

During 1H2022, results of associates attributable to the Group increased by approximately RMB1.7 million from share of loss of approximately RMB0.1 million for 1H2021 to share of profit of approximately RMB1.6 million for 1H2022. The fluctuation was mainly attributable to the loan balance and finance costs of Changchun Xianbang has been decreased during 1H2022.

Share of profits of a joint venture

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

During 1H2022, profits of a joint venture attributable to the Group decreased by approximately 34.0% or approximately RMB1.8 million from approximately RMB5.3 million for 1H2021 to approximately RMB3.5 million for 1H2022. The fluctuation was mainly due to the the decrease in the related interested income.

Income tax

The Group's income tax decreased by approximately RMB9.0 million from approximately RMB3.2 million for 1H2021 to approximately RMB–5.8 million for 1H2022, which was mainly due to the Group's loss in 1H2022, hence causing a decrease in income tax expense.

Net current assets

The Group's net current assets decreased by approximately 20.0% or approximately RMB49.6 million from approximately RMB248.3 million as at 31 December 2021 to approximately RMB198.7 million as at 30 June 2022. This was primarily due to the Group's loss of RMB41.5 million in 1H2022.

Liquidity and financial resources

As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately RMB29.8 million (31 December 2021: approximately RMB46.7 million). As at 30 June 2022, the Group had borrowings of approximately RMB586.8 million (31 December 2021: approximately RMB504.6 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB561.8 million (31 December 2021: approximately RMB479.6 million) of the borrowings are payable within one year. Some of the borrowings were secured and guaranteed by controlling shareholders, trade receivables and contract assets and bank deposits of the Group, related parties or third-party guarantee companies.

As at 30 June 2022, there was no breach of loan covenants relating to the bank and other loans.

Gearing ratio

The gearing ratio increased from 0.9 times as at 31 December 2021 to 1.1 times as at 30 June 2022, primarily due to the impact of the decrease of total equity as a result of the Group's loss of RMB41.5 million in 1H2022 and increase in bank and other loans.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the acquisition of 20% equity interests in Tianjin Nangang as mentioned in this announcement and 97% equity interests in Jilin Province Jinghe Design Engineering Co., Ltd. (吉林省境和設計工程有限公司) as disclosed in the announcements dated 18 February 2022 and 10 March 2022, which was completed in July 2022, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures in 1H2022.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2022, except for the associates and the joint venture as mentioned in this announcement, the Group did not hold any significant investments.

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

CONTINGENT LIABILITIES

As at 30 June 2022, 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 approximately RMB410.0 million, among which approximately RMB310.0 million (including principal and interest) is to be guaranteed by the Group. As at 30 June 2022, the balance of the bank loan is approximately RMB345.0 million (31 December 2021: approximately RMB360.0 million). The fair value of the financial guarantee provided by the Group was initially estimated at approximately RMB28.0 million 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 30 June 2022, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to approximately RMB22.1 million (31 December 2021: approximately RMB23.1 million).

As at 30 June 2022, 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 approximately RMB300.0 million, among which approximately RMB330.0 million (including principal and interest) is to be guaranteed by the Group. As at 30 June 2022, the balance of the bank loan is approximately RMB214.2 million (31 December 2021: approximately RMB193.9 million). The fair value of the financial guarantee provided by the Group was initially estimated at approximately RMB12.7 million and approximately RMB2.7 million 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 years ended 31 December 2019 and 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 30 June 2022, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to approximately RMB11.5 million (31 December 2021: approximately RMB12.3 million).

FINANCIAL GUARANTEES ISSUED

The Group's financial guarantees issued amounted to approximately RMB33.6 million and approximately RMB35.3 million as at 30 June 2022 and 31 December 2021, respectively, which was provided for the guarantees provided by the Group for the bank loans borrowed by an associate of the Group and the project company of the EDZ Project, namely Changchun Xianbang, and a joint venture of the 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 the 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group does not have any concrete plans for material investments or capital assets as at the date of this announcement.

Foreign Exchange Risk

The Group's loan in June 2021 was denominated in United States Dollar ("**USD**"). The Group is therefore exposed to foreign currency translation risk. The Group has entered into forward foreign exchange contracts of RMB against USD in an aggregate value of approximately USD7.59 million in July 2021 to mitigate foreign exchange risk, including the potential exchange loss as a result of the depreciation of RMB against USD. The Company has repaid its foreign currency borrowings by the end of June 2022. The Company will continue to monitor its foreign exchange risk to best protect interests of the Shareholders.

USE OF PROCEEDS FROM THE LISTING

On 6 January 2021, the shares of the Company were subsequently listed on the Main Board of the Stock Exchange. The shares were issued to the public at HKD2.00 per share, and the Group received net proceeds of approximately HKD54.7 million from the global offering of its shares (the "**Global Offering**") after deduction of the underwriting fees and commissions and other expenses payables by the Group in connection with the Global Offering.

On 24 January 2022, the Board announced that it has resolved to change the use of the net proceeds. The Board resolved that (i) the change in use of proceeds to reallocate the net proceeds originally intended for the establishment of the regional design office in Shanghai to the regional office in Beijing; and (ii) the change in use of proceeds – from investment in Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) to investment in the Construction Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I).

For details, please refer to the Company's announcement dated 24 January 2022.

Up to the date of this announcement, all net proceeds has been utilised. Set out below are details of the allocation of the net proceeds, the utilised amount during the Interim Period and the utilised amounts of the net proceeds as at the date of this announcement:

	Allocation of the net proceeds *HKD million*	**Utilised amount (during the Interim Period)** *HKD million*	**Utilised amount as (at the date of this announcement)** *HKD million*
Establishment of regional design offices in Beijing and Chongqing	8.1	—	8.1
Upfront costs of the construction work of the Changchun Zoo Project	13.0	—	13.0
Investment in Construction Project for Changchun New District Beihu Cultural and Tourism Industry Intergration and Upgrade (Phase I) (長春新區北湖文旅產業融合提升一期工程建設項目)	14.3	14.3	14.3
Acquisition of a centralised ERP system	4.0	—	4.0
Repayment of bank loan	9.8	—	9.8
General working capital of the Group	5.5	0.6	5.5
	54.7	14.9	54.7

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of an interim dividend for 1H2022.

Employees and remuneration policies

As at 30 June 2022, the Group has 485 employees. The Group's Remuneration Management Policy and Fringe Benefits System has been formulated to establish a systematic remuneration system, which enabling the employees to have full vision and understanding of the Group's human resources management function, human resources management policies and system, composition and accounting of remuneration and fringe benefits etc., so as to ensure and enhance the transparency and fairness. The remuneration committee of the Company (the "**Remuneration Committee**") was set up for reviewing the Group's remuneration policy and structure of the Directors, senior management and employees of the Group. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Yin Jun, Mr. Lee Kwok Tung Louis and Mr. Gao Xiangnong, and Mr. Yin Jun is the chairman of the Remuneration Committee.

Purchase, sale and redemption of listed securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during 1H2022.

Securities transactions by the Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms in accordance to the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout 1H2022.

Events after the reporting period

In July 2022, the Group completed the acquisition of 97% equity interests in Jilin Jinghe Design from ZIHG. Jilin Jinghe Design has since become a subsidiary of the Group. For details of the acquisition, please refer to the announcements dated 18 February 2022 and 10 March 2022. Subsequent to the completion of the acquisition and after commercial negotiation between the Group and Blue Bird Advisory Limited ("**Blue Bird**"), the 3% minority shareholder of Jilin Jinghe Design, in August 2022, the Group further acquired such remaining 3% equity interests in Jilin Jinghe Design from Blue Bird at approximately RMB0.38 million, representing 3% of the net asset value of Jilin Jinghe Design as at 31 December 2020. Blue Bird and it's ultimate beneficial owners are third parties independent of the Company and it's connected persons. After completion of such acquisition of remaining interests in Jilin Jinghe Design, it has become a wholly-owned subsidiary of the Company and the Company has since been able to exercise full control over it.

Corporate governance practices

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

The Company has adopted the code provisions as set out in Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Under Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be segregated and performed by different individuals. As at the date of this announcement, the positions of the Chairman of the Board ("**Chairman**") and the chief executive officer have been held by the same individual, namely, Mr. Liu Haitao. Although the positions of the Chairman and the chief executive officer are not separately held, the Board is of the view that this is the most appropriate arrangement in the interest of the shareholders of the Company as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises of three independent non-executive Directors who will continue to provide their views and comments to Mr. Liu Haitao as the Chairman and the chief executive officer of the Company.

Save as disclosed above, the Company complied with the requirements under all provisions of the CG Code. The Company will continue to review and enhance its corporate governance to ensure compliance with the CG Code.

Review of interim financial information

The interim financial report for the six months ended 30 June 2022 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The interim results have also been reviewed and approved by the audit committee of the Company, comprising all the three independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Gao Xiangnong and Mr. Yin Jun.

Publication of interim results announcement and interim report

This interim results announcement is published on the website of the Company at www.zonbong.com and the website of the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2022 will be dispatched to the shareholders of the Company and will be available on the above websites in due course.

By order of the Board
ZONBONG LANDSCAPE Environmental Limited
Liu Haitao
Chairman and executive Director

Hong Kong, 30 August 2022

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

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