



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



Interim Report

2022

Contents

Corporate Information	2
Management Discussion and Analysis	4
Other Information	12
Consolidated Statement of Profit or Loss	18
Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	22
Condensed Consolidated Cash Flow Statement	24
Notes to the Unaudited Interim Financial Report	25
Review Report to the Board of Directors of ZONBONG LANDSCAPE Environmental Limited	50
Definitions and Glossary of Technical Terms	51

This Interim Report (“**Report**”) in both English and Chinese version, is available on the Company’s website of www.zonbong.com (the “**Company Website**”) and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Haitao (劉海濤)
(Chairman and Chief Executive Officer)
Mr. Wang Xudong (王旭東)
Ms. Wang Yan (王彥)

Non-executive Directors

Mr. Sun Juqing (孫舉慶)
Ms. Lyu Hongyan (呂鴻雁)
Mr. Shao Zhanguang (邵占廣)

Independent Non-executive Directors

Mr. Gao Xiangnong (高向農)
Mr. Yin Jun (尹軍)
Mr. Lee Kwok Tung Louis (李國棟)

COMPANY SECRETARY

Mr. Tsui Hin Chi

AUTHORISED REPRESENTATIVES

Mr. Liu Haitao
Mr. Tsui Hin Chi

AUDIT COMMITTEE

Mr. Lee Kwok Tung Louis (Chairman)
Mr. Gao Xiangnong
Mr. Yin Jun

REMUNERATION COMMITTEE

Mr. Yin Jun (Chairman)
Mr. Gao Xiangnong
Mr. Lee Kwok Tung Louis

NOMINATION COMMITTEE

Mr. Gao Xiangnong (Chairman)
Mr. Lee Kwok Tung Louis
Mr. Yin Jun

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with
Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

COMPLIANCE ADVISER

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

LEGAL ADVISER

As to Hong Kong law
Eric Chow & Co. in Association with
Commerce & Finance Law Offices
29th Floor
238 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKS

(In Alphabetical order)

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

China Everbright Bank Co., Ltd
Changchun Branch
No.2677, Jiefang Road
Changchun City
Jilin Province, PRC

China Merchants Bank,
Changchun Branch
No. 3577 Dongfeng Road
Changchun City
Jilin Province, PRC

Industrial Bank Co., Ltd.
Changchun Branch
4–5/F, Building #1, Hengxingguojicheng, Nangan District
Changchun City
Jilin Province, PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3/F, Zhongqing Building
No.5888 Fuzhi Road
Jingyue High-tech Industrial Development Zone
Changchun City
Jilin Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 18, 9/F, Block B
HI-TECH Industrial Centre
491-501 Castle Peak Road
Tsuen Wan, Hong Kong

REGISTERED OFFICE

71 Fort Street
PO Box 500, George Town
Grand Cayman KY1-1106
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500, George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F., 148 Electric Road
North Point
Hong Kong

STOCK CODE

1855

COMPANY WEBSITE

www.zonbong.com

DATE OF LISTING

6 January 2021

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.

Management Discussion and Analysis

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 occurring 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:

Business segments	2022			2021		
	Revenue RMB million	No. of projects completed during 1H2022	No. of projects in progress as at 30 June 2022	Revenue RMB million	No. of projects completed during 1H2021	No. of projects in progress as at 30 June 2021
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.



Management Discussion and Analysis

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.

Management Discussion and Analysis

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 profits/(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.



Management Discussion and Analysis

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 a 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 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.

Capital Structure

The capital structure of the Group consists of net debts, which includes bank and other loans, cash and cash equivalents and equity attributable to the owners of the Group, comprising issued share capital, reserves and non-controlling interests.

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.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the acquisition of 20% equity interests in Tianjin Nangang as mentioned in this Report 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 Report, 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 Report 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).



Management Discussion and Analysis

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 Report.

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 payable 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.

Management Discussion and Analysis

Up to the date of this Report, 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 Report:

	Allocation of the net proceeds <i>HKD million</i>	Utilised amount (during the Interim Period) <i>HKD million</i>	Utilised amount as (at the date of this Report) <i>HKD million</i>
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 Integration 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
	<u>54.7</u>	<u>14.9</u>	<u>54.7</u>

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.

Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules, are set out as follows:

(i) Long positions in our shares

Name of Director	Nature of interest	Relevant company	Number of shares held/interested	Approximate percentage of issued share capital
Mr. Sun Juqing	Interest of spouse	Zonqing International Investment Limited (“Zonqing International”)	181,202,166	65.89
Mr. Liu Haitao	Interest in a controlled corporation	Zonbong International Investment Limited (“Zonbong International”)	14,054,104	5.11

Notes:

- Mr. Sun Juqing is the spouse of Ms. Zhao Hongyu. 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. Accordingly, Mr. Sun is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.
- Given that Mr. Liu Haitao 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.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporations	Capacity	Long position/Short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Sun Juqing	Zonqing International	Beneficial owner	Long position	62	62%
Mr. Liu Haitao	Zonqing International	Beneficial owner	Long position	5	5%
Mr. Liu Haitao	Zonbong International	Beneficial owner	Long position	6,011	60.11%
Mr. Shao Zhanguang	Zonqing International	Beneficial owner	Long position	5	5%

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the date of this Report.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during 1H2022 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and minor children) to hold any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following Shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name of Shareholders	Nature of interest	Long position/ Short position	Number of shares	Approximate percentage of issued share capital
Zonqing International	Beneficial owner	Long position	181,202,166	65.89%
Ms. Zhao Hongyu	Interest in a controlled corporation	Long position	181,202,166	65.89%
Mr. Sun Juqing	Interest of spouse	Long position	181,202,166	65.89%
Zonbong International	Beneficial owner	Long position	14,054,104	5.11%
Mr. Liu Haitao	Interest in a controlled corporation	Long position	14,054,104	5.11%
Ms. Wang Tiannv	Interest of spouse	Long position	14,054,104	5.11%

Notes:

- 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.
- Mr. Sun Juqing is the spouse of Ms. Zhao Hongyu. Accordingly, Mr. Sun Juqing is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.
- Given that Mr. Liu Haitao is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu Haitao is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.
- Ms. Wang Tiannv is the spouse of Mr. Liu Haitao. Accordingly, Ms. Wang Tiannv is deemed to be interested in the Shares in which Mr. Liu Haitao is interested for the purposes of the SFO.

Saved as disclosed above, as at 30 June 2022, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules during 1H2022.

COMPETING BUSINESS

As disclosed in the Prospectus, the Ultimate Controlling Shareholders, owned the entire equity interest in ZIHG. ZIHG mainly engaged in the infrastructure and municipal construction works business and other businesses, which may be in limited potential competition with the Group's business.

By reasons of the fact that (i) the Group principally engaged in the landscaping business and ecological restoration business, municipal construction works are not the business focus of the Group; (ii) the Company holds the Second-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包貳級) and the scope of municipal construction works the Company was allowed to undertake is limited, whereas ZIHG Group holds the First-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包壹級), which allows the ZIHG Group to undertake all kinds of municipal construction works of any scale and any contract sum, and may engage in a much wider range of municipal public works projects than the Group; (iii) the Company's 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 the Company's revenue, the nature of the municipal public works by the Group is mostly different in nature than that of the ZIHG Group; and (iv) that the Company's Ultimate Controlling Shareholders have already given an undertaking pursuant to a deed of non-competition dated 14 December 2020 (the "**Deed of Non-competition**"), the Group is therefore capable of carrying on its business independently of, and at arms length from, the excluded business as described above.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during 1H2022.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require 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 shall fail 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.

Putting Forward Proposals at General Meetings

Article 113 of the Articles of Association provides that no person, other than a retiring Director, shall, unless recommended by the Board, be eligible for election to the office of the Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such general meeting, there has been a written notice by that person of his willingness to be elected lodged at the Head Office or at the Registration Office as defined in the Articles.

Accordingly, where a Shareholder intends to nominate a person for election as a director of the Company at a general meeting, the following documents shall be validly served at the principal office or at the Hong Kong Share Registrar of the Company, namely: (1) his/her notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of his/her willingness for election; (3) the nominated candidate's information as required be disclosed under Rule 13.51(2) of the Listing Rules; and (4) the nominated candidate's willingness to be elected and written consent to the publication of his/her personal information.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 3/F, Zhongqing Building, No.5888 Fuzhi Road, Jingyue High-tech Industrial Development Zone, Changchun City, Jilin Province, PRC
Email: IR@zonbong.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme ("**Share Option Scheme**") pursuant to the written resolutions of the Shareholders and Directors passed on 14 December 2020 which took effect upon Listing. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus.

The purpose of the Share Option Scheme is to provide an incentive or reward for 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 the Company or any of its subsidiaries, and any suppliers, clients, consultants, agents and advisers, for their contribution or potential contribution to the Company and/or any of its subsidiaries.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since Listing, and there is no outstanding share option as at 30 June 2022.

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.



Other Information

RELATED PARTIES TRANSACTIONS

The material related party transactions entered into by the Group during 1H2022 are set out in Note 20, including transactions that constitute connected/continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

Save for the contracts described in Note 9, 10 and 14 in this Report, (a) no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its holding company or subsidiaries or fellow subsidiaries was a party and in which a Director and his/her connected party had a material interest, whether directly or indirectly, subsisted at the end of 1H2022 or at any time during 1H2022; and (b) there is no contract of significance (i) between the Company or its subsidiaries and Company's Controlling Shareholders or its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by Company's Controlling Shareholders or its subsidiaries.

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. 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 since the Listing Date (as defined in the Prospectus).

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, the Group further acquired and completed the registration in Changchun Market Supervision and Administration Bureau* (長春市市場監督管理局) in August 2022 of 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 its ultimate beneficial owners are third parties independent of the Company and its 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 Report, 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.

On behalf of the Board

Mr. Liu Haitao

Chairman

Hong Kong, 30 August 2022

Consolidated Statement of Profit or Loss

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

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	4	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	5(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	5	(47,351)	19,681
Income tax	6	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	7	(15)	6

The notes on pages 25 to 49 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 16(b).

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 RMB'000	2021 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

The notes on pages 25 to 49 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2022 — unaudited
(Expressed in RMB)

		At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
	Note		
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	8	83,011	76,718
Interest in a joint venture		198,323	194,797
Other equity investments		17,415	16,949
Deferred tax assets	15(b)	53,596	43,355
Non-current portion of trade receivables	10	26,074	34,627
		391,861	383,441
Current assets			
Inventories and other contract costs		26,241	30,046
Contract assets	9(a)	748,699	732,484
Trade and bills receivables	10	864,652	979,887
Prepayments, deposits and other receivables		68,885	68,212
Restricted bank deposits	11	22,313	12,110
Cash and cash equivalents	11	29,819	46,673
		1,760,609	1,869,412
Current liabilities			
Trade and bills payables	12	713,306	838,448
Accrued expenses and other payables	13	166,659	139,579
Contract liabilities	9(b)	114,677	148,726
Derivative financial instrument		—	1,170
Bank and other loans	14	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

Consolidated Statement of Financial Position

At 30 June 2022 — unaudited

(Expressed in RMB)

		At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Total assets less current liabilities		590,523	631,758
Non-current liabilities			
Bank loans	14	25,000	25,000
Lease liabilities		1,235	1,661
Deferred tax liabilities	15(b)	11,311	10,336
		<u>37,546</u>	<u>36,997</u>
NET ASSETS		552,977	594,761
CAPITAL AND RESERVES	16		
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

Approved and authorised for issue by the Board of directors on 30 August 2022.

Liu Haitao
Director

Wang Yan
Director

The notes on pages 25 to 49 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	1	10,560	315,628	41,178	3,364	1,235	102,269	474,235	9,575	483,810
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	—	—	—	—	—	—	16,331	16,331	156	16,487
Other comprehensive income	—	—	—	—	(33)	472	—	439	—	439
Total comprehensive income	—	—	—	—	(33)	472	16,331	16,770	156	16,926
Capitalisation issue	183	(183)	—	—	—	—	—	—	—	—
Issuance of shares upon listing	46	79,686	—	—	—	—	—	79,732	—	79,732
	229	79,503	—	—	—	—	—	79,732	—	79,732
At 30 June 2021	230	90,063	315,628	41,178	3,331	1,707	118,600	570,737	9,731	580,468

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2022	230	90,063	315,628	44,909	5,579	1,834	127,068	585,311	9,450	594,761
Changes in equity for the six months ended 30 June 2022:										
Loss for the period	—	—	—	—	—	—	(41,112)	(41,112)	(412)	(41,524)
Other comprehensive income	—	—	—	—	462	1,274	—	1,736	4	1,740
Total comprehensive income	—	—	—	—	462	1,274	(41,112)	(39,376)	(408)	(39,784)
Distributions of a subsidiary	—	—	—	—	—	—	—	—	(2,000)	(2,000)
At 30 June 2022	230	90,063	315,628	44,909	6,041	3,108	85,956	545,935	7,042	552,977

The notes on pages 25 to 49 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the period ended 30 June 2022 — unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations		(91,497)	(76,348)
Income tax paid		(9,712)	(19,991)
Net cash used in operating activities		(101,209)	(96,339)
Cash flows from investing activities			
Payments for purchase of non-current assets		(310)	(603)
Capital contributions to an associate	8	(4,721)	—
Net proceeds from disposal of non-current assets		—	(1)
Payments for loans granted to an associate		(6,582)	(310)
Interest received		5,254	3,588
Net cash (used in)/generated from investing activities		(6,359)	2,674
Cash flows from financing activities			
Gross proceeds from the issuance of shares		—	91,662
Proceeds from bank and other loans		596,603	316,451
Proceeds from advances from third parties		180,300	53,600
Proceeds from advances from related parties		70,510	—
Repayment of bank and other loans		(515,585)	(272,620)
Repayment of advances from third parties		(144,500)	(103,600)
Repayment of advances from related parties		(66,700)	—
Capital element of lease rentals paid		(882)	(542)
Interest element of lease rentals paid		(104)	(90)
Increase in restricted deposits		(3,710)	(2,500)
Increase in guarantee deposits		(6,990)	(2,600)
Interest paid		(18,230)	(22,625)
Payments for share issuance expenses		—	(3,782)
Net cash generated from financing activities		90,712	53,354
Net decrease in cash and cash equivalents		(16,856)	(40,311)
Cash and cash equivalents at 1 January	11	46,673	143,997
Effect of foreign exchange rate changes		2	(5)
Cash and cash equivalents at 30 June	11	29,819	103,681

The notes on pages 25 to 49 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 CORPORATE 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 shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 January 2021. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in landscaping, ecological restoration and other related projects.

2 BASIS OF PREPARATION

This interim financial report 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, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “**IASB**”). It was authorised for issue on 30 August 2022.

The interim financial report 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 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report 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. KPMG’s independent review report to the board of directors of the Company is included on page 50.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2021 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 May 2022.

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

2 BASIS OF PREPARATION (CONTINUED)

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 (see Note 14(a)); 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 (see Note 14(a)); 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 report on a going concern basis.

3 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 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
	<u>227,305</u>	<u>362,073</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b)(i).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 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 for the six months ended 30 June 2022 and 2021 is set out below.

	Six months ended 30 June 2022			
	Landscaping RMB'000	Ecological restoration RMB'000	Others RMB'000	Total 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	<u>195,325</u>	<u>24,687</u>	<u>7,293</u>	<u>227,305</u>
Reportable segment gross profit	<u>24,741</u>	<u>10,685</u>	<u>2,198</u>	<u>37,624</u>
	Six months ended 30 June 2021			
	Landscaping RMB'000	Ecological restoration RMB'000	Others RMB'000	Total 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	<u>265,185</u>	<u>89,971</u>	<u>6,917</u>	<u>362,073</u>
Reportable segment gross profit	<u>57,989</u>	<u>21,367</u>	<u>1,841</u>	<u>81,197</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(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 4(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 (losses)/profits of associates	1,572	(115)
Share of profits of a joint venture	3,526	5,275
Consolidated 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 ("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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

5 (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	–
	<u>19,566</u>	<u>17,268</u>

(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
	<u>81,176</u>	<u>126,613</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

6 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 (Note 15(a))		
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%).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

7 (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
	Number	Number
	of shares	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
	<hr/>	<hr/>
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.

8 INTEREST IN ASSOCIATES

During the six months ended 30 June 2022, the Group acquired 20% ownership in Tianjin Nangang Municipal Garden Engineering Limited (“Nangang Municipal”) through injecting new capital of RMB4,721,000 to Nangang Municipal. According to the articles of association of Nangang Municipal, the resolutions in relation to material financial and operating decisions have to be approved by more than half of directors. As the Group only has rights to appoint one out of three of directors of Nangang Municipal, the Group only has significant influence over the financial and operating policies of Nangang Municipal.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9 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 (Note 20(c))	101,479	94,259
— due from a joint venture (Note 20(c))	50,615	51,883
— due from an associate (Note 20(c))	37,310	33,660
— due from a company managed by a key management personnel of ZIHG (Note 20(c))	14,889	16,234
— due from third parties	699,417	659,209
	<u>903,710</u>	<u>855,245</u>
Less: loss allowance	(155,011)	(122,761)
	<u>748,699</u>	<u>732,484</u>
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" (Note 10)	<u>873,945</u>	<u>996,053</u>

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(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 (Note 20(c))	6,970	11,779
— due to a joint venture (Note 20(c))	19,010	19,022
— due to an associate (Note 20(c))	100	729
— due to third parties	88,597	117,196
	<u>114,677</u>	<u>148,726</u>

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 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 (Note 20(c))	152,804	102,296
— due from a joint venture (Note 20(c))	18,480	17,682
— due from an associate (Note 20(c))	16,185	23,735
— due from a company managed by a key management personnel of ZIHG (Note 20(c))	51,579	96,651
— due from third parties	751,312	859,359
	<u>990,360</u>	<u>1,099,723</u>
Bills receivable for contract work	—	386
	<u>990,360</u>	<u>1,100,109</u>
Less: loss allowance	(99,634)	(85,595)
	<u>890,726</u>	<u>1,014,514</u>
Reconciliation to the consolidated statement of financial position:		
Non-current	26,074	34,627
Current	864,652	979,887
	<u>890,726</u>	<u>1,014,514</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 TRADE AND BILLS RECEIVABLES (CONTINUED)

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
	<u>890,726</u>	<u>1,014,514</u>

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

11 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Cash at bank and on hand	52,132	58,783
Less: restricted bank deposits	<u>(22,313)</u>	<u>(12,110)</u>
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	<u>29,819</u>	<u>46,673</u>

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.

Restricted bank deposits mainly represent deposits placed to secure the issuance of bills and bank loans by the Group. The restriction on deposits would release after the payment of bills or repayment of loans.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

12 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 (Note 20(c))	3,458	5,756
— due to third parties	703,148	827,192
Bills payables	6,700	5,500
	<u>713,306</u>	<u>838,448</u>

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

	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
	<u>713,306</u>	<u>838,448</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Amounts due to ZIHG and its subsidiaries, joint ventures and associates (Note 20(c))	9,642	4,135
Distribution payable to non-controlling interests	2,000	—
Amounts due to third parties (Note (i))	57,039	21,239
Payables for staff related costs	29,634	38,364
Dividends payable	307	307
Interest payable	3,723	2,567
Others	9,422	13,971
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	111,767	80,583
Financial guarantees issued (Note 19)	33,552	35,303
Payables for miscellaneous taxes	21,340	23,693
	<hr/>	<hr/>
	166,659	139,579
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) As at 30 June 2022, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB30,050,000 (31 December 2021: RMB31,801,000). All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

14 BANK AND OTHER LOANS

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank loans:		
Guaranteed by related parties	149,000	5,000
Guaranteed by third parties (Note 14(d))	174,825	178,485
Guaranteed by related parties and third parties (Note 14(d))	76,937	75,383
Guaranteed by a third party and secured by trade receivables and contract assets of the Group (Note 14(c))	—	47,723
Guaranteed by a third party and secured by bank deposits of the Group (Notes 14(c) and 14(d))	48,808	49,974
Secured by trade receivables and contract assets of the Group (Note 14(c))	50,000	128,000
Secured by bank deposits of the Group (Note 14(c))	6,220	—
	<u>505,790</u>	<u>484,565</u>
Other loans:		
Unguaranteed and unsecured loans from a third party	20,000	20,000
Unguaranteed and unsecured loans from ZIHG and its subsidiaries, joint ventures and associates (Note 20(c))	61,000	—
	<u>61,000</u>	<u>—</u>
	<u>586,790</u>	<u>504,565</u>

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

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year or on demand	<u>561,790</u>	<u>479,565</u>
After 1 year but within 2 years	<u>25,000</u>	<u>25,000</u>
	<u>586,790</u>	<u>504,565</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

14 BANK AND OTHER LOANS (CONTINUED)

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade receivables and contract assets	202,384	287,819
Bank deposits	<u>8,720</u>	<u>2,500</u>

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Counter-guarantee by related parties	87,466	149,297
Trade and bills receivables and contract assets	195,233	43,836
Guarantee deposits	<u>15,890</u>	<u>8,900</u>

- (e) All of the Group's banking facilities were utilised as of 30 June 2022 and 31 December 2021.
- (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. At 30 June 2022, none of the covenants relating to the bank loans had been breached (31 December 2020: None).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

15 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Accrued payables RMB'000	Credit loss allowance RMB'000	Fair value adjustments in connection with the acquisition of subsidiaries RMB'000	Equity method investment income RMB'000	Derivative financial instrument measured at FVPL RMB'000	Unused tax losses RMB'000	Unrealised gains and losses RMB'000	Withholding tax on distributable profits RMB'000	Total RMB'000
At 1 January 2021	5,854	25,095	(430)	(8,321)	—	2,247	466	(1,800)	23,111
Credited/(charged) to profit or loss	6,250	6,384	87	(2,459)	175	(529)	—	—	9,908
At 31 December 2021 and 1 January 2022	12,104	31,479	(343)	(10,780)	175	1,718	466	(1,800)	33,019
Credited/(charged) to profit or loss	2,607	6,991	44	(1,438)	(175)	1,237	—	—	9,266
At 30 June 2022	14,711	38,470	(299)	(12,218)	—	2,955	466	(1,800)	42,285

(b) Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Net deferred tax assets	53,596	43,355
Net deferred tax liabilities	(11,311)	(10,336)
	42,285	33,019

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2022 and 31 December 2021	
	No. of shares	HKD'000
Authorised:		
Ordinary shares of HKD0.001 each	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid ordinary shares:		
At 31 December 2021 and 30 June 2022	<u>275,000,000</u>	<u>230</u>

(b) 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: HKDNil).

(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).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

(i) 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 measurements categorised into Level 3

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Recurring fair value measurements		
Assets:		
Other equity investments	<u>17,415</u>	<u>16,949</u>

During the six months ended 30 June 2022 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: None). 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

(i) Fair value hierarchy (Continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability: 25% (2021: 25%)
	Discounted cashflow approach (bb)	Discount rate: 9.3% (2021: 9.3%)

(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 30 June 2022, 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 RMB198,000 (2021: RMB189,000).

(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 Public-Private-Partnership 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 30 June 2022, 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 RMB71,000 (2021: RMB30,000), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB69,000 (2021: RMB15,000).

The movements in the other equity investments balance of these Level 3 fair value measurements are as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Unlisted equity securities:		
At 1 January	16,949	14,711
Net unrealised losses recognised in other comprehensive income during the period	466	(33)
At 30 June	<u>17,415</u>	<u>14,678</u>

(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 30 June 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

18 COMMITMENTS

Capital commitments outstanding at 30 June 2022 and 31 December 2021 not provided for in the interim financial report were as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Authorised but not contracted for	<u>1,544</u>	<u>4,504</u>

19 CONTINGENT LIABILITIES

As at 30 June 2021, the Group has issued a guarantee in respect of a bank loan of Ulanhot Tianjiao Tianjun Tourism Development Limited (“**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 30 June 2022, the balance of the bank loan is RMB345,000,000 (31 December 2021: RMB360,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. 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 RMB22,091,000 (31 December 2021: RMB23,051,000).

As at 30 June 2021, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang Municipal and Landscape Limited (“**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 30 June 2022, the balance of the bank loan is RMB214,200,000 (31 December 2021: RMB193,850,000). The fair value of the financial guarantee provided by the Group was initially estimated RMB12,685,000 and RMB2,692,000 was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. 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 RMB11,461,000 (31 December 2021: RMB12,252,000).

Financial guarantees provided by the Group for long-term bank loans of Tianjun Tourism and Changchun Xianbang will be released upon the maturity and repayment of the bank loans in 2029 and 2033, 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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries and other emoluments	3,501	2,932
Contributions to defined contribution retirement schemes	263	246
	<u>3,764</u>	<u>3,178</u>

(b) Other transactions with related parties

(i) Transactions with ZIHG and its subsidiaries, joint ventures and associates

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rendering of construction, survey, design, technical consultancy and other services	9,102	3,161
Receiving services	85	15
Purchase of goods	238	971
Lease charges relating to short-term leases and leases of low-value assets	1,358	1,334
Loan received from related parties	144,800	—
Loan repaid to related parties	83,800	—
Proceeds from advances from related parties	70,510	—
Repayment of advances from related parties	66,700	—
Guarantees provided by related parties for the Group's bank loans outstanding at the end of the reporting period	225,937	76,000

(ii) Transactions with a joint venture

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rendering of construction services	—	4,212
Service income	—	542
Income from financial guarantee issued (Note 19)	960	960
Guarantee provided by the Group for the joint venture's bank loan outstanding at the end of the reporting period (Note 19)	345,000	375,000

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties: (Continued)

(iii) Transactions with an associate

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rendering of construction services	9,540	7,192
Loans granted to a related party	6,582	310
Income from financial guarantee issued (Note 19)	791	791
Guarantee provided by the Group for the associate's bank loan outstanding at the end of the reporting period (Note 19)	214,200	224,050

(iv) Transactions with a company managed by a key management personnel of ZIHG

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Rendering of construction service	431	8,280

(c) Balances with related parties as at the end of the reporting period:

(i) Due from or due to ZIHG and its subsidiaries, joint ventures and associates

	At	At
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade in nature:		
Contract assets (Note 9(a))	101,479	94,259
Trade and bills receivables (Note 10)	152,804	102,296
Trade and bills payables (Note 12)	3,458	5,756
Contract liabilities (Note 9(b))	6,970	11,779
Accrued expenses and other payables (Note 13)	4,877	3,180
Non-trade in nature:		
Accrued expenses and other payables (Note 13)	4,765	955
Bank and other loans (Note 14(a))	61,000	—

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties as at the end of the reporting period: (Continued)

(ii) Due from or due to a joint venture

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade in nature:		
Contract assets (Note 9(a))	50,615	51,883
Trade and bills receivables (Note 10)	18,480	17,682
Contract liabilities (Note 9(b))	19,010	19,022
	<u> </u>	<u> </u>

(iii) Due from or due to an associate

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade in nature:		
Contract assets (Note 9(a))	37,310	33,660
Trade and bills receivables (Note 10)	16,185	23,735
Contract liabilities (Note 9(b))	100	729
Non-trade in nature:		
Prepayments, deposits and other receivables	20,012	13,430
	<u> </u>	<u> </u>

(iv) Due from or due to a company managed by a key management personnel of ZIHG

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade in nature:		
Contract assets (Note 9(a))	14,889	16,234
Trade and bills receivables (Note 10)	51,579	96,651
	<u> </u>	<u> </u>

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 and loans to related parties are unsecured, interest bearing and have fixed terms of repayment.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

21 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In July 2022, the Group acquired the entire equity interests of Jilin Jinghe Design from ZIHG and a third party at considerations of RMB12,207,000 and RMB378,000, respectively. Jilin Jinghe Design becomes a subsidiary of the Group upon the completion of the acquisition and the acquisition will be accounted for as a business combination under common control.

22 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 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.

Review Report to the Board of Directors of ZONBONG LANDSCAPE Environmental Limited



REVIEW REPORT TO THE BOARD OF DIRECTORS OF ZONBONG LANDSCAPE Environmental Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 49 which comprises the consolidated statement of financial position of ZONBONG LANDSCAPE Environmental Limited as of 30 June 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2022

Definitions and Glossary of Technical Terms

“1H2021”	the six months ended 30 June 2021
“1H2022”	the six months ended 30 June 2022
“Articles of Association” or “Articles”	the amended and restated articles of association of the Company conditionally adopted on 14 December 2020
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chief Executive Officer”	the chief executive office of the Company
“China”, “Mainland China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this Interim Report, Hong Kong, Macau Special Administration Region and Taiwan
“Company”, “the Company” or “We”	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
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this Report, means the controlling shareholders of the Company, being Zongqing International, Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
“Director(s)”	the director(s) of the Company
“Executive Director(s)”	the executive director(s) of the Company
“Group” or “the Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company
“Listing” or “IPO”	the listing of the Shares on the Main Board of the Stock Exchange on 6 January 2021
“Listing Date”	6 January 2021, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

Definitions and Glossary of Technical Terms

“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Non-executive Director(s)”	the non-executive director(s) of the Company
“Prospectus”	the prospectus issued by the Company dated 22 December 2020
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary shares with a nominal value of HKD0.001 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollar(s)”, “USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“Ultimate Controlling Shareholder(s)”	refers to Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
“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 the Company
“ZIHG Group”	ZIHG together with its subsidiaries and associates as defined under the Listing Rules
“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 the Company

In this Report, capitalised terms used shall have the same meanings as those defined in the Prospectus, unless the context otherwise requires.

* For identification purpose only