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ZONBONG LANDSCAPE Environmental Limited

中邦园林环境股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1855)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS
AND NEW CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

Reference is made to the announcement of ZONBONG LANDSCAPE Environmental Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 October 2022 in relation to the New Continuing Connected Transactions (the “**CCT Announcement**”). Unless otherwise specified, capitalised terms used herein shall have the same meaning as those defined in the CCT Announcement.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide the following supplementary information in respect of the continuing connected transactions as disclosed in the CCT Announcement.

A. NEW EQUIPMENT USAGE FRAMEWORK AGREEMENT

Pricing Principles

In order to ensure that the price offered to the ZIHG Connected Persons in the individual agreements under the New Equipment Usage Framework Agreement is no less favourable than those offered to Independent Third Parties, the water sprinkling vehicle management team of the Group would retrieve at least three sets of historical prices offered by the Group to Independent Third Parties in respect of comparable water sprinkling vehicle leasing services, and pass such information to the cost department of the Group for comparing the gross margin offered to such Independent Third Parties with that in the proposed transactions with the ZIHG Connected Persons.

In the event that the gross margin offered to the Independent Third Parties is higher than that offered to the ZIHG Connected Persons, the water sprinkling vehicle management team would negotiate with the ZIHG Connected Persons with a view to secure a more favourable price. The Group would only enter into individual agreements under the New Equipment Usage Framework Agreement with the ZIHG Connected Persons if the cost department confirms that the gross margin of the proposed transactions with the ZIHG Connected Persons are higher than, or at least equivalent to the gross margin offered to Independent Third Parties.

Basis for the Determination of Relevant Proposed Caps

As disclosed in the CCT Announcement, the relevant Proposed Caps are determined after considering, among others, the following factors:

- (i) the status of the existing projects and projects in pipeline. Currently the Group has two ongoing projects with the ZIHG Connected Persons for the leasing of water sprinkling vehicles, namely (a) a project for West Lake Park (西湖公園) where water sprinkling vehicles are used in the maintenance of greenings and roads. This project commenced in July 2022 and the scale of plantations of the park is expected to further increase by approximately 13,838 sq.m. in 2023, and such project is expected to generate revenue of not less than RMB300,000 annually for the Group from 2023 onwards; and (b) a regular winter festival carnival operated by a ZIHG Connected Person where water sprinkling vehicles are used in the casting and maintenance of the ice sculptures and ice rink which is expected to generate revenue of not less than RMB300,000 annually for the Group from 2023 onwards. This winter festival carnival is recurring in nature and is expected to be held at or around the Lunar Chinese New Year every year and would usually last for around two months;
- (ii) the anticipated equipment usage demand of the ZIHG Connected Persons, in particular the potential needs of water sprinkling vehicles for other winter festivals and events which the ZIHG Connected Persons plan to take up, particularly in light of the anticipated growth of the snow and ice industry set out in paragraph (iv) below;

- (iii) the business growth of the Group, by making reference to the historical increase in revenue of the Group and assuming that a similar compound annual growth rate (“**CAGR**”) of not less than 8.0% will be maintained from 2023 to 2025, such that the Group expects the aggregate revenue generated from equipment leasing services to show a steady increase in the near future; and
- (iv) the prevailing market prices and market trend, in particular taking into consideration the expected increase in demand for water sprinkling vehicles in relation to snow and ice festivals and events in the future due to the popularity and expansion of the snow and ice industry in the PRC. According to the 2022 Report on Trend Development of China’s Snow & Ice Industry (2022年中國冰雪產業趨勢發展白皮書), the market size of China’s snow and ice industry is expected to increase from RMB800.0 billion in 2022 to RMB1,000 billion in 2025, in particular under the influence of the recent Beijing Olympic Winter Games.

Given the reasons and benefits of the New Equipment Usage Framework Agreement as set out in the CCT Announcement and the above supplemental information regarding the pricing principles and the basis of the relevant Proposed Caps, the Directors are of the view that it is in the interest of the Group and the Shareholders as a whole to enter into the New Equipment Usage Framework Agreement with ZIHG.

B. NEW SURVEY AND DESIGN SERVICES FRAMEWORK AGREEMENT

Recent Update in relation to the Group's transactions with certain ZIHG Connected Persons

On 31 May 2021, the Company published an announcement in relation to the revision of annual cap for the Survey and Design Services Framework Agreement (the “**Revision of Cap Announcement**”). As disclosed in the Revision of Cap Announcement, the annual cap for the Survey and Design Services Framework Agreement was revised by the Group in light of the anticipated re-start of a municipal construction project in Changchun city, Jilin Province (the “**Changchun Project**”), with Changchun Chengtou Urbanisation and Construction Investment Limited* (長春城投城鎮化建設投資有限公司) (“**Changchun Chengtou**”), and/or its associate, Changchun Lvyuan Chengtai Construction Engineering Co., Ltd.* (長春市綠園區城泰建設工程有限公司) (“**Lvyuan Chengtai**”), both being ZIHG Connected Persons, acting as the proposed new outsourcers of the Changchun Project.

Subsequent to the Revision of Cap Announcement, due to the sustained outbreak and prolonged impact of COVID-19 pandemic and shortage of funds of the project owner, during the second half of 2021, the Group and other relevant stakeholders of the Changchun Project were informed that the project would be postponed until further notice. To the best knowledge of the Company based on the communication with the relevant stakeholders and authorities, the Changchun Project is expected to re-start in 2023.

Besides the Changchun Project, the Group entered into one new transaction in each of 2021 and 2022 with Lvyuan Chengtai for the provision of survey and design services, with contract sums of approximately RMB1.67 million and RMB0.2 million in 2021 and 2022, respectively. As at the Latest Practicable Date, the Group is also under negotiation with Changchun Chengtou in relation to a potential survey and design services transaction for a road engineering project (the “**Potential Road Engineering Project**”) with an estimated contract sum of not less than RMB8.0 million.

Significant Decrease in Transaction Amount During the Relevant Period

The significant decrease in transaction amount during the Relevant Period was primarily due to a drop in business demand from the ZIHG Connected Persons under the effect of the COVID-19 pandemic and the implementation of control and lockdown measures to combat the COVID-19 outbreak in Changchun city during the first half of 2022. As a result, construction works in areas where the Group mainly operate in, such as Changchun city, could not be carried out and/or suspended, and tendering process had also be delayed, which in turn lowered the demand for survey and design services.

Pricing Principles

As disclosed in the CCT Announcement, in determining the service fees to be charged, the Group would make reference to the indicative prices guided in the Engineering Survey and Design Fee Rates (《工程勘察設計收費標準》) published by the NDRC and MOHURD, in which indicative prices of various items of services are set out, including engineering investigation, geotechnical engineering and design, pipeline design, together with rates of coefficient to cater for factors such as technical difficulties and locations of the relevant projects. Notwithstanding that such indicative prices are non-binding in nature, the cost department of the Group would make reference to the same when preparing the fee quote for a potential project.

As regards the transactions under the New Survey and Design Services Framework Agreement, on top of the indicative prices mentioned above, when preparing the fee quote the cost department of the Group would also take into account at least three sets of historical price offered by the Group to Independent Third Parties in respect of comparable services, and the gross margin under the fee quote to be offered to the ZIHG Connected Persons shall be higher, or at least equivalent to that offered to Independent Third Parties. The fee quote prepared by the cost department would then be submitted by the business team of the relevant business unit of the Group to the ZIHG Connected Persons for further consideration and negotiations as appropriate, and individual agreements would only be entered into with the ZIHG Connected Persons if the cost department confirms that the gross margin under the agreed fee quote is more favourable than, or at least equivalent to that offered to Independent Third Parties.

Basis for the Determination of Relevant Proposed Caps

As disclosed in the CCT Announcement, the relevant Proposed Caps are determined after considering, among others, the following factors:

- (i) the status and amount of the existing projects and projects in pipeline. Currently, the Group has two subsisting projects with the ZIHG Connected Persons with an aggregate contract sum of approximately RMB0.6 million, which are expected to complete by the end of 2023;
- (ii) the projects for which the ZIHG Connected Persons anticipate to engage the Group, in particular, (a) the Changchun Project with an estimated contract sum of approximately RMB12.0 million, which is expected to generate revenue for the Group in 2023; and (b) and the Potential Road Engineering Project with an expected contract sum of approximately RMB8.0 million, which is expected to generate revenue for the Group in 2024. Apart from the above, the Group and the relevant ZIHG Connected Persons are also under negotiations for one, two and three potential projects under the New Survey and Design Services Framework Agreement, which are expected to commence in 2023, 2024 and 2025, respectively, with an estimated aggregate contract sum of approximately RMB8.0 million, RMB12.0 million and RMB18.0 million, respectively. The respective projects are expected to generate revenue of approximately RMB8.0 million, RMB12.0 million and RMB18.0 million for the Group for the corresponding years;
- (iii) the business growth of the Group, by making reference to the historical increase in revenue of the Group and assuming that a similar CAGR of not less than 8.0% will be maintained from 2023 to 2025 and hence despite the decrease in transaction amount during the Relevant Period primarily under the effect of the COVID-19 pandemic, the Group expects the revenue generated under the New Survey and Design Services Framework Agreement will gradually recover back to the level before COVID-19 pandemic; and
- (iv) the prevailing market prices and market trend, in particular taking into consideration the 14th Five-Year Plan (2021–2025) issued by the National People’s Congress, which highlighted the importance of ecological civilisation in the PRC, hence the overall ecological restoration market is expected to grow in the future.

Given the reasons and benefits of the New Survey and Design Services Framework Agreement as set out in the CCT Announcement and the above supplemental information regarding the pricing principles and the basis of the relevant Proposed Caps, the Directors are of the view that it is in the interest of the Group and the Shareholders as a whole to enter into the New Survey and Design Services Framework Agreement with ZIHG.

C. NEW PROPERTY LEASING FRAMEWORK AGREEMENT

The List of Leased Premises

As at the date of this announcement, the Group (as tenant) leased the following properties from the ZIHG Group (as landlord):

Address	Tenant	Gross Floor Area	Use of the property	Term of lease agreement ^(Note 3)
3/F, 5888 Fuzhi Road, Changchun, Jilin	Zonbong Huize Landscape Environmental Construction Limited* (中邦匯澤園林環境建設有限公司) (“ Zonbong Landscape ”)	1,763 m ² ^(Note 2)	Office	1 January 2022 to 31 December 2022
4/F, 5888 Fuzhi Road, Changchun, Jilin	Zonbong Shanshui Planning and Design Limited *(中邦山水規劃設計有限公司) (“ Zonbong Shanshui ”)	1,496 m ² ^(Note 2)	Office	1 January 2022 to 31 December 2022
11/F, 5888 Fuzhi Road, Changchun, Jilin ^(Note 1)	Zonbong Shanshui	64 m ²	Office	1 January 2022 to 31 December 2022
Eastern District 12-1, 2-201, Konggan Business Park, Tianjin	Zonbong Landscape	300 m ² ^(Note 2)	Office	1 January 2022 to 31 December 2022

Notes:

1. This property was leased by the Group to replace the previous leased office at 16-7, 196 Beibin 1st Road, Jiangbei District, Chengqing as disclosed in the prospectus of the Company dated 22 December 2020 (“**Prospectus**”).
2. Comparing with the list of leased properties as disclosed in the Prospectus, the gross floor area of these relevant properties has been updated based on an annual review of the actual area occupied by the tenants.
3. These leasing agreements have a term of 12 months or less from the commencement date of the lease and do not contain a purchase option nor a renewable option, in which the Group applied the short-term lease recognition exemption in accordance with IFRS 16, and hence they were not recognised as right-of-use assets.

Basis for the Determination of Relevant Proposed Caps

As disclosed in the CCT Announcement, the relevant Proposed Caps are determined after considering, among others, the following factors:

- (i) the respective term and amount of the existing property leasing agreements, taking into account the business need of the Group. The Group is expecting to maintain its existing leasing agreements and does not anticipate to terminate the same in the foreseeable future;
- (ii) the anticipated demand for office premises in coming years, taking into account the Group's business plan to expand to other areas of the PRC, such as Jiangxi, Hainan, Zhejiang, and Guangdong (the "**Target Areas**") by setting up regional offices. It is noted that certain Target Areas coincide with areas where the ZIHG Connected Persons have business presence. As disclosed in the CCT Announcement, given that the ZIHG Connected Persons have a better understanding of the property requirements of the Group in relation to office premises, and the geographical proximity with the ZIHG Connected Persons will facilitate the Group's business cooperation with them, it is therefore expected that the Group's demand of property leasing from the ZIHG Connected Persons may likely increase in the future. The Group plans to set up at least four new regional offices in the Target Areas, and it is expected that annual rental expenses of approximately RMB0.3 million to RMB0.5 million would be incurred for each regional office from 2023 to 2025, which has also been reflected in the increasing Proposed Caps for the New Property Leasing Framework Agreement;
- (iii) the inflation rate with reference to the Consumer Price Index ("**CPI**") of approximately 2.8% on average as published by the National Bureau of Statistics in September 2022. It is assumed that the CPI will grow at approximately the same rate from 2023 to 2025;
- (iv) the market rent of comparable premises, primarily with reference to the rent offered by Independent Third Parties for at least three other comparable premises in the vicinity of the Group's current leased office premises; and
- (v) the business growth of the Group, by making reference to the historical increase in revenue of the Group and assuming that a similar CAGR of not less than 8.0% will be maintained from 2023 to 2025, which is also in line with the Group's business expansion plan in the Target Areas as discussed in paragraph (i) above.

Given the reasons and benefits of the New Property Leasing Framework Agreement as set out in the CCT Announcement and the above supplemental information relating to pricing the basis of the relevant Proposed Caps, the Directors are of the view that it is in the interest of the Group and the Shareholders as a whole to enter into the New Property Leasing Framework Agreement with ZIHG.

D. CULTURE, COMMERCE AND TOURISM PROJECT MANAGEMENT SERVICES FRAMEWORK AGREEMENT

Pricing Principles

As disclosed in the CCT Announcement, in determining the service fees to be charged, the Group would make reference to the requirements of relevant laws and regulations as promulgated by the governing authorities, which include the Guiding Opinions on Urban and Rural Planning and Design Fees (Amended 2017) (《城鄉規劃設計計費指導意見(2017修訂)》) published by the China Association of City Planning (中國城市規劃協會), in which indicative prices of various items of services, such as development planning for scenic areas, are set out. Notwithstanding that the indicative prices are non-binding in nature, the cost department of the Group would make reference to the same when preparing fee quote for a potential project.

As regards the transactions under the Culture, Commerce and Tourism Project Management Services Framework Agreement, on top of the indicative prices mentioned above, when preparing the fee quote the cost department of the Group would also take into account at least three sets of historical price offered by the Group to Independent Third Parties in respect of comparable services, and the gross margin under the fee quote to be offered to the ZIHG Connected Persons shall be higher, or at least equivalent to that offered to Independent Third Parties. The fee quote prepared by the cost department would then be submitted by the business team of the relevant business unit of the Group to the ZIHG Connected Persons for further consideration and negotiations as appropriate, and individual agreements would only be entered into with the ZIHG Connected Persons if the cost department confirms that the gross margin under the agreed fee quote is more favourable than, or at least equivalent to that offered to Independent Third Parties.

Basis for the Determination of Relevant Proposed Caps

As disclosed in the CCT Announcement, the relevant Proposed Caps are determined after considering, among others, the following factors:

- (i) the prevailing market prices and market trend, particularly in light of the rapid development of the integrated culture, commerce and tourism industry in the PRC. In recent years, a number of benchmark culture, commerce and tourism projects have been developed across the PRC with cross-industry elements of culture, commerce and tourism, and such projects have boosted consumptions and yielded great success. In addition, the report of the 20th National Congress of the Communist Party of China also highlighted the importance of the development of culture, commerce and tourism industry in the PRC. The Group is therefore optimistic about the prospects of the culture, commerce and tourism industry in the PRC, and expects the market to further grow and develop in the future;

- (ii) the status and amount of projects in pipeline, taking into consideration that the Group has secured the tender for a culture, commerce and tourism project management services contract in Changchun New Area (長春新區) from a ZIHG Connected Person, from which the Group expects to generate revenue of not less than RMB2.2 million per year from 2023 to 2025;
- (iii) the projects for which the ZIHG Connected Persons anticipate to engage the Group. In this connection, the Group is currently under negotiations with the ZIHG Connected Persons for at least four potential culture, commerce and tourism management projects, from which the Group expects to generate revenue of not more than RMB25.0 million, RMB35.1 million and RMB35.1 million for 2023, 2024 and 2025, respectively. The increment in revenue to be generated each year is commensurate with the anticipated development progress and scale of operations of the relevant culture, commerce and tourism projects, based on their respective business plans; and
- (iv) the business growth of the Group by making reference to historical increase in revenue of the Group and assuming that a similar CAGR of not less than 8.0% will be maintained from 2023 to 2025. The Group therefore expects a steady growth of the culture, commerce and tourism project management services business unit, which has also been reflected in the steadily increasing Proposed Caps for the Culture, Commerce and Tourism Project Management Services Framework Agreement.

Given the reasons and benefits of the Culture, Commerce and Tourism Project Management Services Framework Agreement as set out in the CCT Announcement and the above supplemental information relating to pricing principles and the basis of the relevant Proposed Caps, the Directors are of the view that it is in the interest of the Group and the Shareholders as a whole to enter into the Culture, Commerce and Tourism Project Management Services Framework Agreement with ZIHG.

E. GENERAL CONTRACTING MANAGEMENT OF CONSTRUCTION AND MUNICIPAL PUBLIC WORKS FRAMEWORK AGREEMENT

Pricing Principles

As disclosed in the CCT Announcement, in determining the service fees to be charged, the Group would make reference to the indicative prices guided in the Engineering Survey and Design Fee Rates (《工程勘察設計收費標準》) published by NDRC and MOHURD, in which indicative prices of various items of services are set out, including preparation of relevant documentaries for construction projects. Notwithstanding that such indicative prices are non-binding in nature, the cost department of the Group would take into account the same when preparing the relevant fee quotes.

In addition, for projects involving municipal public works, the Group would also refer to the guidelines in the Measures to Preparation of Municipal Public Works Investment Estimation (《市政工程投資估算編制辦法》) issued by the MOHURD, in which guided fees or detailed fee matrix for calculation of various types of services are stipulated therein. For example, the construction unit management fee is calculated by measuring the total investment amount against a set of regressive rates matrix. Such guidelines are binding in nature and the cost department of the Group would follow the same when preparing fee quotes for projects involving municipal public works.

As regards the transactions under the General Contracting Management of Construction and Municipal Public Works Framework Agreement, on top of the indicative prices and guidelines mentioned above, when preparing the fee quote the cost department of the Group would also take into account at least three sets of historical price offered by the Group to Independent Third Parties in respect of comparable services, and the gross margin under the fee quote to be offered to the ZIHG Connected Persons shall be higher, or at least equivalent to that offered to Independent Third Parties. The fee quote prepared by the cost department would then be submitted by the business team of the relevant business unit of the Group to the ZIHG Connected Persons for further consideration and negotiations as appropriate, and individual agreements would only be entered into with the ZIHG Connected Persons if the cost department confirms that the gross margin under the agreed fee quote is more favourable than, or at least equivalent to that offered to Independent Third Parties.

Basis for the Determination of Relevant Proposed Caps

As disclosed in the CCT Announcement, the relevant Proposed Caps are determined after considering, among others, the following factors:

- (i) the prevailing market prices and market trend, particularly taking into account the 14th Five-Year Plan (2021–2025) issued by the National People’s Congress, which highlighted the importance of ecological civilisation in the PRC, hence the Group expects the overall ecological restoration market in the PRC to grow in the future;
- (ii) the status and amount of projects in pipeline, including (a) a municipal construction project located in Changchun New Area (長春新區), with an estimated total contract sum of not less than RMB5.9 million for contracting management services, which is expected to generate revenue for the Group in 2023, and (b) a municipal construction project for the construction of a commercial complex in Changchun New Area Beihu (長春新區北湖), from which the Group expects to generate revenue of approximately RMB10.0 million each year from 2024 to 2025;

- (iii) the projects for which the ZIHG Connected Persons anticipate to engage the Group. In such connection, to the best knowledge of the Group and based on the communications with the ZIHG Connected Persons, the ZIHG Connected Persons expect to take up more ecological restoration projects and intend to engage the Group to provide contractual management services for such projects. For instance, there is a potential project located in Changchun which may require the general contracting management services of the Group, with an estimated maximum aggregate contract sum of approximately RMB70.0 million, which is expected to generate revenue of approximately RMB20.0 million for 2023, and approximately RMB25.0 million for each year from 2024 to 2025. Accordingly, the demand for general contracting management services by the ZIHG Connected Persons are expected to increase in the coming years; and
- (iv) the business growth of the Group, by making reference to the historical increase in revenue of the Group and assuming that a similar CAGR of not less than 8.0% will be maintained from 2023 to 2025. The Group therefore expects the revenue generated from general contracting management services transactions under the General Contracting Management of Construction and Municipal Public Works Framework Agreement to steadily increase or at least maintain at substantially the same level in the near future.

Given the reasons and benefits of the General Contracting Management of Construction and Municipal Public Works Framework Agreement as set out in the CCT Announcement and the above supplemental information relating to pricing principles and the basis of the relevant Proposed Caps, the Directors are of the view that it is in the interest of the Group and the Shareholders as a whole to enter into the General Contracting Management of Construction and Municipal Public Works Framework Agreement with ZIHG.

F. NEW LANDSCAPING AND ECOLOGICAL RESTORATION CONSTRUCTION WORKS SERVICES FRAMEWORK AGREEMENT

Significant Decrease in Transaction Amount During the Relevant Period

The significant decrease in transaction amount during the Relevant Period was primarily due to (i) the seasonality factors of the landscaping and ecological restoration business; and (ii) the effect of the COVID-19 pandemic.

With respect to seasonality factors, the Group generally records higher revenue in the second half of a year as compared to the first half, primarily due to, among others, (i) the project halt during the Lunar Chinese New Year holidays in the PRC; and (ii) the increase in demand for greening and ecological restoration related services in winter. Such seasonality factors contributed to the decrease in transaction amounts during the Relevant Period, as compared to the year ended 31 December 2021.

Turning to the effect of the COVID-19 pandemic, there was a drop in business demand from the ZIHG Connected Persons under the effect of COVID-19 pandemic and the implementation of control and lockdown measures to combat the COVID-19 outbreak in Changchun city during the first half of 2022. Construction works could not be carried out as scheduled and tendering process had also been delayed, which resulted in a slow down of revenue generation of the Group. Accordingly, there was a decrease in the transaction amounts during the Relevant Period, as compared to compared to the year ended 31 December 2021.

Pricing Principles

As disclosed in the CCT Announcement, in determining the service fees to be charged, the Group would make reference to the indicative prices guided by the Code of Bills of Quantities and Valuation for Construction Works (《建設工程工程量清單計價規範》) published by the MOHURD and the GAQSIQ, which includes a calculation matrix for computation and measurement of the quantities of construction work. Such indicative prices are binding in nature and is followed by the cost department of the Group when preparing the relevant fee quotes.

As regards the transactions under the New Landscaping and Ecological Restoration Construction Work Services Agreement, on top of the indicative prices mentioned above, when preparing the fee quote the cost department of the Group would also take into account at least three sets of historical price offered by the Group to Independent Third Parties in respect of comparable services, and the gross margin under the fee quote to be offered to the ZIHG Connected Persons shall be higher, or at least equivalent to that offered to Independent Third Parties. The fee quote prepared by the cost department would then be submitted by the business team of the relevant business unit of the Group to the ZIHG Connected Persons for further consideration and negotiations as appropriate, and individual agreements would only be entered into with the ZIHG Connected Persons if the cost department confirms that the gross margin under the agreed fee quote is more favourable than, or at least equivalent to that offered to Independent Third Parties.

Basis for the Determination of Relevant Proposed Caps

As disclosed in the CCT Announcement, the relevant Proposed Caps are determined after considering, among others, the following factors:

- (i) the status and amount of existing projects and projects in pipeline. Currently the Group has seven subsisting projects with the ZIHG Connected Persons with total remaining contract value of approximately RMB320.0 million as at the date of the CCT Announcement, of which approximately RMB51.6 million is expected to be recognised by the end of 2022, approximately RMB93.0 million is expected to be recognised in 2023, approximately RMB4.7 million is expected to be recognised in 2024, and the remaining amount of approximately RMB170.7 million is expected to be recognised from 2025 and onwards until 2028, based on the current and anticipated construction progress and the contract terms of these projects;
- (ii) the projects for which the ZIHG Connected Persons anticipate to engage the Group, in particular the Group is currently under negotiations with the ZIHG Connected Persons in relation to (a) a project located in Changchun New Area Beihu (長春新區北湖), with an estimated total contract sum of approximately RMB80.0 million, which is expected to generate revenue of approximately RMB20.0 million to RMB30.0 million each year from 2023 to 2025; and (b) a project located in Changchun Jingyue National High-tech Industrial Development Zone (長春淨月高新技術產業開發區), with an estimated total contract sum of approximately RMB150.0 million, in which approximately RMB20.0 million and RMB130.0 million are expected to generate revenue for the Group in 2023 and 2024 respectively;
- (iii) the business growth of the Group, by making reference to historical increase in revenue of the Group and assuming that a similar CAGR of not less than 8.0% will be maintained from 2023 to 2025 and hence the revenue generated under the New Landscaping and Ecological Restoration Construction Works Services Framework Agreement is expected to show a similar growth trend; and
- (iv) the prevailing market prices and market trend, particularly in light of the 14th Five-Year Plan (2021–2025) issued by the National People’s Congress, which highlighted the importance of ecological civilisation in the PRC, hence the Group expects the overall ecological restoration market in the PRC to grow in the future.

Given the reasons and benefits of the New Landscaping and Ecological Restoration Construction Works Services Framework Agreement as set out in the CCT Announcement and the above supplemental information relating to pricing principles and the basis of the relevant Proposed Caps, the Directors are of the view that it is in the interest of the Group and the Shareholders as a whole to enter into the New Landscaping and Ecological Restoration Construction Works Services Framework Agreement with ZIHG.

THE NEW CONTINUING CONNECTED TRANSACTIONS ARE NOT TO BE AGGREGATED UNDER RULE 14A.81

The Directors are of the view that, given that (i) each of the New Continuing Connected Transaction Agreements pertains to a different subject matter and is of different nature from one and other; (ii) the individual transactions under each of the New Continuing Connected Transaction Agreements are conducted by different business units of the Group and negotiated separately, and each type of New Continuing Connected Transactions is not inter-conditional on each other; and (iii) the New Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and are in line with the principal business of the Group, the New Continuing Connected Transactions are therefore not aggregated under Rule 14A.81 of the Listing Rules.

The additional information disclosed herein does not affect all other information set out in the CCT Announcement.

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

Hong Kong, 1 December 2022

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

* *For identification purpose only*