ZONQING Environmental Limited
中庆环境股份有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1855)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of ZONQING Environmental Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022 (the "**FY2022**"), together with the comparative figures for the year ended 31 December 2021 (the "**FY2021**"). The annual results have been audited by the Company's auditor and the financial information has been reviewed by audit committee of the Company ("**Audit Committee**") and approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000 (Restated)
Revenue	*5*	**653,441**	936,595
Cost of sales		**(519,437)**	(725,365)
Gross profit		**134,004**	211,230
Other net income	*6*	**7,087**	23,402
Selling expenses		**(13,234)**	(28,099)
Administrative expenses		**(59,515)**	(75,075)
Impairment losses on trade and other receivables and contract assets	*7*	**(149,526)**	(64,234)
(Loss)/profit from operations		**(81,184)**	67,224
Finance costs		**(40,311)**	(38,007)
Share of (losses)/profits of associates		**(3,928)**	1,259
Share of profits of a joint venture		**863**	6,530
(Loss)/profit before taxation	*8*	**(124,560)**	37,006
Income tax	*9*	**18,556**	(3,596)
(Loss)/profit for the year		**(106,004)**	33,410
Attributable to:			
Equity shareholders of the Company		**(105,286)**	33,558
Non-controlling interests		**(718)**	(148)
(Loss)/profit for the year		**(106,004)**	33,410
(Loss)/earnings per share (RMB cents)	*10*	**(39)**	12

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
(Loss)/profit for the year	**(106,004)**	33,410
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserves	**336**	2,238
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	**3,126**	599
Other comprehensive income for the year	**3,462**	2,837
Total comprehensive income for the year	**(102,542)**	36,247
Attributable to:		
Equity shareholders of the Company	**(101,829)**	36,372
Non-controlling interests	**(713)**	(125)
Total comprehensive income for the year	**(102,542)**	36,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
			(Restated)
Non-current assets			
Property, plant and equipment		**8,400**	9,591
Intangible assets		**2,440**	2,931
Right-of-use assets		**3,287**	6,380
Interest in associates		**77,512**	76,718
Interest in a joint venture		**195,660**	194,797
Other equity investments		**17,285**	16,949
Deferred tax assets		**68,418**	43,872
Non-current portion of trade receivables	*12*	**18,988**	34,627
		391,990	385,865
Current assets			
Inventories and other contract costs		**30,103**	30,955
Contract assets	*11*	**710,406**	746,230
Trade and bills receivables	*12*	**1,088,353**	987,062
Prepayments, deposits and other receivables		**77,349**	170,070
Restricted bank deposits		**22,213**	12,110
Cash and cash equivalents		**129,899**	47,495
		2,058,323	1,993,922
Current liabilities			
Trade and bills payables	*13*	**785,538**	943,446
Accrued expenses and other payables		**263,725**	144,649
Contract liabilities		**230,471**	154,659
Derivative financial instrument		**–**	1,170
Bank and other loans	*14*	**663,200**	479,565
Lease liabilities		**2,240**	3,247
Income tax payable		**6,494**	11,462
		1,951,668	1,738,198

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
	Note	***RMB'000***	*RMB'000*
			(Restated)
Net current assets		**106,655**	255,724
Total assets less current liabilities		**498,645**	641,589
Non-current liabilities			
Bank loans	*14*	**–**	25,000
Lease liabilities		**815**	2,176
Deferred tax liabilities		**10,880**	10,336
		11,695	37,512
NET ASSETS		**486,950**	604,077
CAPITAL AND RESERVES			
Share capital		**230**	230
Reserves		**479,983**	594,397
Total equity attributable to equity shareholders of the Company		**480,213**	594,627
Non-controlling interests		**6,737**	9,450
TOTAL EQUITY		**486,950**	604,077

NOTES

1. CORPORATE INFORMATION

ZONQING Environmental Limited (formerly known as 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. The Group is ultimately controlled by Mr. Sun Juqing ("**Mr. Sun**") and Ms. Zhao Hongyu (the "**Controlling Parties**").

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The annual results set out in this announcement are extracted from the Group's statutory financial statements for the year ended 31 December 2022.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and related Interpretations issued by the International Accounting Standards Board (the "**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other equity investments and derivative financial instrument which are stated at their fair values.

The Company has its functional currency in Hong Kong dollar ("**HKD**"). As majority of the Group's operation are conducted by the subsidiaries of the Group in mainland China in Renminbi ("**RMB**"), the consolidated financial statements are presented in Renminbi.

In July 2022, the Group acquired the entire equity interests of Jilin Jinghe Design Engineering Co., Ltd. ("**Jilin Jinghe Design**"), a fellow subsidiary of the Group, from Zhongqing Investment Holding Group Limited Liability Company ("**ZIHG**") and a third party at considerations of RMB12,207,000 and RMB378,000, respectively. Jilin Jinghe Design became a subsidiary of the Group upon the completion of the acquisition. This business combination under common control has been accounted for using the principle of merger accounting. The consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years presented. The opening balance at 1 January 2021 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2021.

The details of the restated balances have been disclosed in Note 15 to this announcement.

For the year ended 31 December 2022, the Group had net loss of RMB106,004,000 and net cash used in operating activities of RMB76,005,000.

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

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

- The Group continues the negotiations with various banks to:

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

  (ii) provide additional bank facilities to the Group.

- ZIHG, which is controlled by the Controlling Parties, has committed to provide the necessary financial support, including but not limited to:

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

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

Based on a 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 for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- 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.

4. ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

Revenue from construction contracts and certain service contracts are recognised over time. Such revenue and profit recognition on incomplete projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction and design activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment losses for receivables and contract assets

The management maintains a loss allowance for receivables and contract assets for estimated losses resulting from the inability of the customers and other debtors to make the required payments. The management bases the estimates on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit or loss in future periods.

5. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in landscaping, ecological restoration and other related projects. Further details regarding the Group's principal activities are disclosed in Note 5(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Revenue from landscaping	**496,081**	705,371
– Revenue from ecological restoration	**72,779**	150,607
– Revenue from others	**84,581**	80,617
	653,441	936,595

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction and design contracts. The transaction price does not include any estimated amounts of variable consideration, unless at the reporting date it is highly probable that the Group will satisfy the conditions of variable consideration. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 43 months (2021: 55 months).

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Remaining performance obligations expected to be satisfied	**1,288,285**	1,420,915

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Landscaping: this segment includes public space landscaping, theme park landscaping, private park landscaping and maintenance projects;

- Ecological restoration: this segment includes treatment of polluted rivers, building urban waterfront parks, restoration of regional water ecology system and mine rehabilitation; and

- Others: this segment includes investigation, survey, design and technical consultancy for municipal construction projects and culture tourism projects.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

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

The Group's other operating income and expenses, such as other net income, selling expenses, administrative expenses and impairment losses 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 years ended 31 December 2022 and 2021 is set out below.

	2022			
	Landscaping *RMB'000*	**Ecological restoration** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	**2,845**	**424**	**7,822**	**11,091**
Over time	**493,236**	**72,355**	**76,759**	**642,350**
Revenue from external customers and reportable segment revenue	**496,081**	**72,779**	**84,581**	**653,441**
Reportable segment gross profit	**92,955**	**15,438**	**25,611**	**134,004**

	2021 (Restated)			
	Landscaping *RMB'000*	Ecological restoration *RMB'000*	Others *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	–	–	15,043	15,043
Over time	705,371	150,607	65,574	921,552
Revenue from external customers and reportable segment revenue	705,371	150,607	80,617	936,595
Reportable segment gross profit	155,286	20,050	35,894	211,230

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Reportable segment revenue and consolidated revenue *(Note 5(b)(i))*	**653,441**	936,595
(Loss)/profit		
Total reportable segment gross profit	**134,004**	211,230
Other net income	**7,087**	23,402
Selling expenses	**(13,234)**	(28,099)
Administrative expenses	**(59,515)**	(75,075)
Impairment losses on trade and other receivables and contract assets	**(149,526)**	(64,234)
Finance costs	**(40,311)**	(38,007)
Share of (losses)/profits of associates	**(3,928)**	1,259
Share of profits of a joint venture	**863**	6,530
Consolidated (loss)/profit before taxation	**(124,560)**	37,006

(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.

6. OTHER NET INCOME

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Interest income on trade and other receivables	**5,092**	4,642
Interest income on bank deposits	**340**	338
Interest income on finance lease	**47**	158
Government grants	**1,820**	13,807
Net foreign exchange (loss)/gain	**(3,499)**	369
Net (loss)/gain on disposal of non-current assets	**(23)**	108
Income from financial guarantees issued	**3,502**	3,502
Net gain on modification of lease contract	**–**	530
Others	**(192)**	(52)
	7,087	23,402

7. IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Impairment losses on trade and bills receivables	**59,055**	26,218
Impairment losses on contract assets	**90,479**	37,803
(Reversal of impairment)/impairment losses on prepayments, deposits and other receivables	**(8)**	213
	149,526	64,234

8. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Interest on bank and other loans	**39,338**	37,107
Net foreign exchange loss/(gain) of bank loans	**648**	(633)
Fair value loss of forward foreign exchange contract	**–**	1,170
Interest on lease liabilities	**325**	363
	40,311	38,007

No borrowing costs have been capitalised during the years ended 31 December 2022 and 2021.

(b) Staff costs

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Salaries, wages and other benefits	**110,840**	112,752
Contributions to defined contribution retirement schemes *(Note)*	**10,846**	9,310
	121,686	122,062

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce existing level of contributions. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

(c) Other items

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Depreciation of property, plant and equipment	**2,371**	2,366
Depreciation of right-of-use assets	**2,591**	2,873
Amortisation of intangible assets	**491**	393
Leases charges relating to short-term leases and leases of low-value assets	**5,194**	10,248
Research and development costs	**28,644**	42,905
Auditor's remuneration	**3,113**	3,387
Cost of inventories	**172,611**	269,023

9. INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Current tax		
Provision for the year	**5,446**	13,875
Deferred tax		
Origination and reversal of temporary differences	**(24,002)**	(10,279)
	(18,556)	3,596

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
(Loss)/profit before taxation	**(124,560)**	37,006
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the respective tax jurisdictions concerned *(Notes (i), (ii) and (iii))*	**(31,126)**	9,678
Tax concessions and effect of changes of tax rate *(Note (iv))*	**9,554**	(7,150)
Tax effect of utilisation of prior years' unused tax losses previously not recognised	**(1,301)**	(1,093)
Tax effect of unused tax losses and deductible temporary differences not recognised	**106**	455
Tax effect of non-deductible expenses	**4,211**	1,706
Income tax (credit)/expense	**(18,556)**	3,596

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2022 (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 year ended 31 December 2022 (2021: RMBNil).

(ii) 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.

(iii) The subsidiaries of the Group established in mainland China are subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2022 (2021: 25%).

(iv) Three 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 for the calendar years from 2020 to 2022 or from 2022 to 2024, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2022 (2021: 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 year ended 31 December 2022 (2021: 75%).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB105,286,000 (2021: profit of RMB33,558,000 (Restated)), and the weighted average of 275,000,000 ordinary shares in issue during the year (2021: 274,096,000 ordinary shares), after adjusting the capitalisation issue occurred, calculated as follows:

Weighted average number of ordinary shares

	2022	2021
	No. of shares	*No. of shares*
	'000	*'000*
Shares in issue on 1 January	**275,000**	821
Effect of capitalisation issue *(Note (i))*	**–**	219,179
Effect of issuance of shares *(Note (ii))*	**–**	54,096
At 31 December	**275,000**	274,096

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 years ended 31 December 2022 and 2021. Hence, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

11. CONTRACT ASSETS

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Contract assets		
– due from ZIHG and its subsidiaries, joint ventures and associates	**123,900**	94,085
– due from a joint venture	**51,416**	51,883
– due from an associate	**50,932**	33,660
– due from companies managed by key management personnel of ZIHG	**14,539**	16,332
– due from third parties	**685,509**	675,681
	926,296	871,641
Less: loss allowance	**(215,890)**	(125,411)
	710,406	746,230
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and bills receivables"	**1,087,474**	1,003,228

The Group's construction contracts and design contracts include payment schedules which require stage payments over the design and construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The contract assets that could be billed and settled within one year according to terms of the contracts with customers are classified as current assets. Otherwise, the contract assets are classified as non-current assets.

The amounts of revenue during the year ended 31 December 2022 from performance obligations satisfied (or partially satisfied) in previous periods is RMB14,059,000 (2021: RMB1,310,000), mainly due to the changes in estimate of the stage of completion.

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB310,068,000 (31 December 2021: RMB286,576,000), which are expected to be billed after more than one year.

12. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
– due from ZIHG and its subsidiaries, joint ventures and associates	**75,406**	93,290
– due from a joint venture	**18,480**	17,682
– due from an associate	**12,034**	23,735
– due from companies managed by key management personnel of ZIHG	**33,205**	97,069
– due from third parties	**1,111,347**	875,355
	1,250,472	1,107,131
Bills receivable	**1,752**	386
	1,252,224	1,107,517
Less: loss allowance	**(144,883)**	(85,828)
	1,107,341	1,021,689
Reconciliation to the consolidated statement of financial position:		
Non-current	**18,988**	34,627
Current	**1,088,353**	987,062
	1,107,341	1,021,689

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

Ageing analysis

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**398,716**	636,945
1 to 2 years	**409,083**	176,907
2 to 3 years	**131,370**	50,560
3 to 4 years	**35,562**	61,185
4 to 5 years	**49,228**	41,477
Over 5 years	**83,382**	54,615
	1,107,341	1,021,689

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

13. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Trade payables		
– due to ZIHG and its subsidiaries, joint ventures and associates	**8,655**	7,287
– due to companies managed by key management personnel of ZIHG	**7,678**	–
– due to third parties	**757,512**	830,659
Bills payables	**11,693**	105,500
	785,538	943,446

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**427,421**	444,951
1 to 3 years	**268,873**	424,767
Over 3 years	**89,244**	73,728
	785,538	943,446

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

14. BANK AND OTHER LOANS

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

	2022	2021
	RMB'000	*RMB'000*
Bank loans:		
Guaranteed by related parties	**149,000**	5,000
Guaranteed by third parties *(Note 14(d))*	**157,908**	178,485
Guaranteed by related parties and third parties *(Note 14(d))*	**75,346**	75,383
Guaranteed by a third party and secured by trade and bills receivables and contract assets of the Group *(Notes 14(c) and 14(d))*	**29,663**	47,723
Guaranteed by a third party and secured by bank deposits of the Group *(Notes 14(c) and 14(d))*	**49,473**	49,974
Secured by trade and bills receivables and contract assets of the Group *(Note 14(c))*	**25,000**	128,000
Secured by bank deposits of the Group *(Note 14(c))*	**6,220**	–
Unguaranteed and unsecured	**30,000**	–
	522,610	484,565
Other loan:		
Unguaranteed and unsecured loans from third parties	**–**	20,000
Unguaranteed and unsecured loans from ZIHG and its subsidiaries, joint ventures and associates	**140,590**	–
	663,200	504,565

(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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year or on demand	**663,200**	479,565
After 1 year but within 2 years	**–**	25,000
	663,200	504,565

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

	2022	2021
	RMB'000	*RMB'000*
Trade and bills receivables and contract assets	**210,539**	287,819
Bank deposits	**8,720**	2,500

(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:

	2022	2021
	RMB'000	*RMB'000*
Counter-guarantee by related parties	**217,280**	149,297
Trade and bills receivables and contract assets	**113,590**	43,836
Guarantee deposits	**15,890**	8,900

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

15. BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 2(b) to the consolidated financial statements, the acquisition of Jilin Jinghe Design has been accounted for based on merger accounting. Accordingly, the assets and liabilities of Jilin Jinghe Design acquired by the Group have been accounted for at historical cost and the consolidated financial statements of the Group for year prior to the business combination have been restated to include the financial position, financial performance and cash flows of operation of Jilin Jinghe Design on a combined basis.

The details of the restated balances are stated as below.

The reconciliation of the effect arising from the business combination under common control on the consolidated statements of financial position as at 31 December 2020 and 2021 and the consolidated statement of profit and loss for the year ended 31 December 2021 are as follows:

At 31 December 2020

	As previously reported *RMB'000*	Jilin Jinghe Design *RMB'000*	Elimination *RMB'000*	Restated *RMB'000*
Assets and liabilities				
Non-current assets				
Property, plant and equipment	9,791	655	–	10,446
Intangible assets	1,824	–	–	1,824
Right-of-use assets	1,165	2,495	–	3,660
Interest in an associate	75,459	–	–	75,459
Interest in a joint venture	188,267	–	–	188,267
Other equity investments	14,711	–	–	14,711
Deferred tax assets	31,618	146	–	31,764
Non-current portion of trade receivables	43,402	–	–	43,402
	366,237	3,296	–	369,533
Current assets				
Inventories and other contract costs	37,185	90	–	37,275
Contract assets	813,448	7,419	(221)	820,646
Trade and bills receivables	653,600	4,168	(3,533)	654,235
Prepayments, deposits and other receivables	51,071	2,210	–	53,281
Restricted bank deposits	602	–	–	602
Cash and cash equivalents	143,997	1,223	–	145,220
	1,699,903	15,110	(3,754)	1,711,259
Current liabilities				
Trade and bills payables	703,415	5,529	(3,847)	705,097
Accrued expenses and other payables	182,949	3,208	–	186,157
Contract liabilities	191,274	3,064	–	194,338
Bank loans	430,000	–	–	430,000
Lease liabilities	635	932	–	1,567
Income tax payable	15,280	5	–	15,285
	1,523,553	12,738	(3,847)	1,532,444
Non-current liabilities				
Bank loans	50,000	–	–	50,000
Lease liabilities	270	1,473	–	1,743
Deferred tax liabilities	8,507	–	–	8,507
	58,777	1,473	–	60,250
NET ASSETS	483,810	4,195	93	488,098
CAPITAL AND RESERVES				
Share capital	1	3,000	(3,000)	1
Reserves	474,234	1,195	3,093	478,522
	474,235	4,195	93	478,523
Non-controlling interests	9,575	–	–	9,575
	483,810	4,195	93	488,098

As 31 December 2021

	As previously reported *RMB'000*	Jilin Jinghe Design *RMB'000*	Elimination *RMB'000*	Restated *RMB'000*
Assets and liabilities				
Non-current assets				
Property, plant and equipment	8,982	609	–	9,591
Intangible assets	2,931	–	–	2,931
Right-of-use assets	5,082	1,298	–	6,380
Interest in an associate	76,718	–	–	76,718
Interest in a joint venture	194,797	–	–	194,797
Other equity investments	16,949	–	–	16,949
Deferred tax assets	43,355	517	–	43,872
Non-current portion of trade receivables	34,627	–	–	34,627
	383,441	2,424	–	385,865
Current assets				
Inventories and other contract costs	30,046	909	–	30,955
Contract assets	732,484	14,894	(1,148)	746,230
Trade and bills receivables	979,887	15,964	(8,789)	987,062
Prepayments, deposits and other receivables	68,212	101,858	–	170,070
Restricted bank deposits	12,110	–	–	12,110
Cash and cash equivalents	46,673	822	–	47,495
	1,869,412	134,447	(9,937)	1,993,922
Current liabilities				
Trade and bills payables	838,448	115,504	(10,506)	943,446
Accrued expenses and other payables	139,579	5,070	–	144,649
Contract liabilities	148,726	5,933	–	154,659
Derivative financial instrument	1,170	–	–	1,170
Bank loans	479,565	–	–	479,565
Lease liabilities	3,005	242	–	3,247
Income tax payable	10,602	860	–	11,462
	1,621,095	127,609	(10,506)	1,738,198
Non-current liabilities				
Bank loans	25,000	–	–	25,000
Lease liabilities	1,661	515	–	2,176
Deferred tax liabilities	10,336	–	–	10,336
	36,997	515	–	37,512
NET ASSETS	594,761	8,747	569	604,077

	As previously reported *RMB'000*	Jilin Jinghe Design *RMB'000*	Elimination *RMB'000*	Restated *RMB'000*
CAPITAL AND RESERVES				
Share capital	230	3,000	(3,000)	230
Reserves	585,081	5,747	3,569	594,397
Total equity attributable to equity shareholders of the Company	585,311	8,747	569	594,627
Non-controlling interests	9,450	–	–	9,450
Total equity	594,761	8,747	569	604,077

For the year ended 31 December 2021

	As previously reported *RMB'000*	Jilin Jinghe Design *RMB'000*	Elimination *RMB'000*	Restated *RMB'000*
Revenue	896,747	46,681	(6,833)	936,595
Cost of sales	(704,949)	(27,249)	6,833	(725,365)
Gross profit	191,798	19,432	–	211,230
Other net income	22,714	688	–	23,402
Selling expenses	(23,841)	(4,258)	–	(28,099)
Administrative expenses	(66,904)	(8,171)	–	(75,075)
Impairment losses on trade and other receivables and contract assets	(62,232)	(2,477)	475	(64,234)
Profit from operations	61,535	5,214	475	67,224
Finance costs	(37,909)	(98)	–	(38,007)
Share of profits of associates	1,259	–	–	1,259
Share of profits of a joint venture	6,530	–	–	6,530
Profit before taxation	31,415	5,116	475	37,006
Income tax	(3,033)	(563)	–	(3,596)
Profit for the year	28,382	4,553	475	33,410
Attributable to:				
Equity shareholders of the Company	28,530	4,553	475	33,558
Non-controlling interests	(148)	–	–	(148)
Profit for the year	28,382	4,553	475	33,410

The effect of the business combinations of entities under common control described above, on the Group's basic and diluted earnings per share for the year ended 31 December 2021 is as follows:

	Impact on earnings per share of the Group
	RMB cents
	(Restated)
Reported figures before restatement	10
Restatement arising from business combination under common control	2
	12

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During FY2022, revenue of the Group was approximately RMB653.4 million, representing a decrease of approximately 30.2% as compared with FY2021. The revenue was mainly generated from: i) landscaping, ii) ecological restoration and iii) others, which accounted for approximately 75.9%, 11.1% and 13.0% of total revenue for FY2022 respectively.

During FY2022, the Group is of the view that active participation in tenders allowed us to keep our presence in the market and kept us abreast of latest market requirements, which benefited us in preparing for similar tenders in the future. In FY2022, we submitted 403 tenders, representing an increase of 87 tender submissions or approximately 27.5% as compared with FY2021, and we recorded tender success rate of 19.6% for FY2022, representing an increase of 6.0 percentage points on tender success rate when compared with FY2021. The increase in tender success rate was primarily due to the early successful tendering of some long-term targeted projects.

The Group has won tenders for certain sizable projects, such as the provision of general contracting services for the Beihu Wetland Park Mid-lake Island Project as part of the Phase I of the New Urbanisation Construction Project in Changchun New District (長春新區新型城鎮化建設項目一期北湖濕地公園湖心島工程) (the successful bid price was approximately RMB240.6 million), and the number of successful bids has increased from 43 in FY2021 to 79 in FY2022, and the total value of successful bids has increased from approximately RMB443.9 million in FY2021 to approximately RMB1,053.2 million in FY2022. Such increase was mainly attributable to the successful tendering of long-term targeted local projects in Changchun.

During FY2022, the Group has continued its efforts in expanding its business horizon across the nation, with the Group winning tenders for the first section of the Phase II Renovation Project of the Olympic Park in Liaoning (遼寧奧林匹克公園改造工程(二期)施工一標段) (the successful bid price was approximately RMB11.0 million), the first section of the Greening and Maintenance Project for the Panda Greenway on the Third Ring Road in Chengdu, Sichuan (四川成都三環路熊貓綠道綠化維護工程一標段) (the successful bid price was approximately RMB21.8 million), and the Municipal Pipeline Network Cutting and Altering Project as part of the Infrastructure and Ancillary Works in the Lingdangge Plot in Tianjin (天津鈴鐺閣地塊項目基礎設施配套工程市政管網切改項目) (the successful bid price was approximately RMB6.5 million).

In 2022, 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).

RISK MANAGEMENT

The Group believes that risk management is essential to the Group's efficient and effective operation. The Group's management assists the Board in evaluating material risk exposure existing in the Group's business, including investment risk, interest rate risk, liquidity risk, etc., and participates in formulating appropriate risk management and internal control measures, and to ensure its implementation in daily operational management. There was no material deficiency in the Group's internal control during FY2022.

PROSPECTS

In 2023, the impact of the COVID-19 pandemic is gradually dissipating and the domestic economy has entered a stage of rapid recovery. The PRC has stepped up its efforts to use special purpose bonds to facilitate economic growth, with cultural tourism projects, municipal infrastructure projects and industrial park projects having all become key support projects.

The Group has been committed to provide the whole industry chain services of landscape design, ecological and landscape construction, landscape maintenance and cultural and tourism project operation. It has an extensive portfolio of successful experience in the planning of such projects and is well-positioned in the implementation of new projects, thereby enabling its results to improve steadily.

The Central Government's Work Report for 2023 emphasised that, in 2023, the government will give priority to ensuring stable growth, employment and prices; promote overall economic recovery; and effectively pursue higher-quality growth and appropriately increase economic output. The government's Work Report, the State Council executive meeting, the notices issued by the National Development and Reform Commission and the People's Bank of China, as well as a series of important meetings, such as those held by the Central Finance and Economic Affairs Commission and the Central Politburo, and policies, clearly set focus on fully strengthening infrastructure construction, meaning that 2023 will be the year in which our nation increases its infrastructure construction. Government investment and policy incentives should effectively drive society-wide investment. This year, it is proposed that RMB3.8 trillion be allocated for special-purpose bonds for local governments to speed up the implementation of major projects set out in the 14th Five-Year Plan, launch urban renewal projects, continue to step up support for economic and social development in areas badly hit by the pandemic, and intensify pollution prevention and control. In addition to last year's focus on municipalities, infrastructure and industrial parks, new infrastructure and new energy sectors will also become a focus. More robust and comprehensive measures will be taken to improve river basins, urban-rural environmental infrastructure will be upgraded, and major projects will continue to be implemented for protecting and restoring key ecosystems.

Furthermore, the Central Government released the "Opinions of the Central Committee of the Chinese Communist Party and the State Council on Comprehensively Promoting the Key Work of Rural Revitalisation in 2023", which clearly and continuously proposed to, among others, strengthen the maintenance and safety management of rural roads and promote the integration of ancillary facilities, roads, industrial parks, tourist attractions and key rural tourist villages; intensify the construction of large-scale rural water supply projects and the standardisation of small-scale water supply projects and carry out special programs to improve water quality; step up the consolidation and upgrading of rural power grids and develop rural renewable energy; carry out demonstration projects on the construction of modern liveable rural houses; and set out the responsibilities for the management of public infrastructure in villages to strengthen the construction of rural infrastructure.

Combining with relevant policy guidance, the Group will continue its efforts to expand its business in the following areas: i) new infrastructure (focusing on smart urban construction, smart cultural tourism, smart water management and charging infrastructure projects), ii) urban renewal (focusing on cultural tourism and landscaping projects with cultural requirements), and iii) major infrastructure (focusing on transportation, water conservancy and rural habitat improvement projects).

In 2023, the Group will continue to adhere to its corporate mission of "Greening China to share the future (綠美中國、共享未來)" and its corporate values of "Integrity, Responsibility, Efficiency, Innovation, Openness and Win-win (誠信、責任、高效、創新、開放、共贏)" to keep up with the latest market trend, so as to strive for a steady increase in tender success rate and the value of winning bids. The Group will continue to adhere to the two-pronged development strategies of (i) full consultation and main contracting for projects, focusing on planning and design while ensuring quality and safety, continue to promote technological innovation and strengthen its core competitiveness, further expand the Group's technological development in the fields of environmental protection and ecological governance through technological innovation, and strive for operational transformation while focusing on the development of municipal related businesses; and (ii) adhere to the go-global strategy to improve the strategic placement in the national market and thus enhance the corporate profitability. The Group will also strengthen the safety awareness and requirement and continue to provide training to personnel for the enterprises. In the coming year, the Group will strive for better operating performance and continue to enhance the Group's corporate value.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 30.2% or approximately RMB283.2 million from approximately RMB936.6 million (Restated) for FY2021 to approximately RMB653.4 million for FY2022. The decrease in revenue was mainly due to the implementation of control and lockdown measures to combat the Covid-19 outbreak in Changchun city from 11 March 2022, which started to lift around mid of May 2022; and the further implementation of social control measures in Changchun city from 28 November 2022 until December 2022 when the second-wave Covid-19 outbreak re-emerged. Due to the control and lockdown period as well as the impact of outbreak occurring during peak construction season, construction work of the landscaping and ecological restoration projects for which the Group was engaged in could not be carried out, which resulted in decrease in revenue.

The revenue; the number of projects completed during FY2022; and the number of projects in progress as at 31 December 2022 as compared with those of FY2021 are tabulated as follows:

	FY2022			FY2021		
Business segments	**Revenue** *RMB'000*	**No. of projects completed during the year**	**No. of projects in progress as at the year end**	(Restated) Revenue *RMB'000*	No. of projects completed during the year	No. of projects in progress as at the year end
Landscaping	**496,081**	**29**	**112**	705,371	21	72
Ecological restoration	**72,779**	**6**	**35**	150,607	11	31
Others	**84,581**	**36**	**140**	80,617	43	92
Total	**653,441**	**71**	**287**	936,595	75	195

Compared with FY2021, despite the slight decrease in number of projects completed during FY2022, there was an increase of total number of projects for FY2022 (including projects completed during FY2022 and projects in progress as at 31 December 2022). The increase in the total number of projects for FY2022 was mainly due to the increased tender success rate.

Landscaping

The Group recorded a decrease in revenue from the landscaping segment, from approximately RMB705.4 million (Restated) for FY2021 to approximately RMB496.1 million for FY2022, representing a decrease of approximately 29.7% or approximately RMB209.3 million. The decrease was mainly due to the implementation of control and lockdown measures to combat the Covid-19 outbreak in Changchun city from 11 March 2022, which started to lift around mid of May 2022; and the further implementation of social control measures in Changchun city from 28 November 2022 until December 2022 when the second-wave Covid-19 outbreak re-emerged. Due to the control and lockdown period as well as the impact of outbreak occurring during peak construction season, construction work of the landscaping and ecological restoration projects for which the Group was engaged in could not be carried out, which resulted in decrease in revenue of landscaping segment.

Ecological restoration

The Group recorded a decrease in revenue from the ecological restoration segment, from approximately RMB150.6 million (Restated) for FY2021 to approximately RMB72.8 million for FY2022, representing a decrease of approximately 51.7% or approximately RMB77.8 million. The decrease was mainly due to the implementation of control and lockdown measures to combat the Covid-19 outbreak in Changchun city from 11 March 2022, which started to lift around mid of May 2022; and the further implementation of social control measures in Changchun city from 28 November 2022 until December 2022 when the second-wave Covid-19 outbreak re-emerged. Due to the control and lockdown period as well as the impact of outbreak occurring during peak construction season, construction work of the landscaping and ecological restoration projects for which the Group was engaged in could not be carried out which resulted in decrease in revenue of ecological restoration segment.

Others

The Group's revenue from the others segment was mainly derived from investigation, survey, design and technical consultancy for municipal construction projects and culture tourism projects, and it recorded an increase of approximately 5.0% or approximately RMB4.0 million from approximately RMB80.6 million (Restated) for FY2021 to approximately RMB84.6 million for FY2022. The increase was mainly due to the increase of projects obtained and the increase of projects completed during FY2022 under the others segment.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately 36.6% or approximately RMB77.2 million from approximately RMB211.2 million (Restated) for FY2021 to approximately RMB134.0 million for FY2022. The decrease in gross profit was mainly due to the decrease in overall revenue. Gross profit margin of the Group decreased from approximately 22.5% (Restated) for FY2021 to approximately 20.5% for FY2022. The decrease in gross profit margin was mainly due to: (i) the decrease in gross profit contribution from projects outside of the Jilin Province, Liaoning Province and Heilongjiang Province in the PRC; (ii) the increase in the wage level of workers in 2022, hence driving the increase in subcontracting cost; and (iii) the increase in cost of transportation of raw materials due to the continuing epidemic preventive measures and prolonged transportation cycles due to the travel restrictions.

Other income

The Group's other income decreased by approximately 70.0% or approximately RMB16.3 million from approximately RMB23.4 million (Restated) for FY2021 to approximately RMB7.1 million for FY2022, which was mainly due to absence of the one-off and non-recurring grants by local government in Jilin Province to support enterprises which have entered into capital market by listing in Hong Kong in 2022, which was available to the Group in 2021.

Selling expenses

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

The selling expenses decreased from approximately RMB28.1 million (Restated) for FY2021 to approximately RMB13.2 million for FY2022, representing a decrease of approximately 53.0% or approximately RMB14.9 million. The decrease in expenses was due to the lock down control measures during quarantine period which limited the Group's expansion plan into external markets, hence, the decrease in marketing and bidding efforts for projects outside of the Northeast China region, the slow down in recruitment of market development talents and the opening of local offices.

Administrative expenses

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

The administrative expenses decreased from approximately RMB75.1 million (Restated) for FY2021 to approximately RMB59.5 million for FY2022, representing a decrease of approximately 20.8% or approximately RMB15.6 million.

Finance costs

The Group's finance costs mainly represented interest expenses on bank loans, and it increased by approximately 6.1% or approximately RMB2.3 million from approximately RMB38.0 million (Restated) for FY2021 to approximately RMB40.3 million for FY2022, which was mainly due to the increase in average loan balances as compared with FY2021.

Share of (losses)/profits of associates

The Group's share of (losses)/profits of associates represented (losses)/profits 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 our Public-Private-Partnership ("**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 our associate 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 FY2022, results of associates attributable to the Group decreased by approximately 400% or approximately RMB5.2 million from share of profits of approximately RMB1.3 million for FY2021 to share of losses of approximately RMB3.9 million for FY2022. Such decrease was mainly due to the increased ECL of Changchun Xianbang.

Share of profits of a joint venture

The Group's share of profits of a joint venture represents profits shared from our 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 our 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 our joint venture given that the power to control its financial and operating policies was jointly held by the Group and another shareholder.

During FY2022, profits of Tianjun Tourism attributable to the Group decreased by approximately 86.2% or approximately RMB5.6 million from approximately RMB6.5 million for FY2021 to approximately RMB0.9 million for FY2022. The fluctuation was mainly due to the impact of certain portion of maintenance work of the Shenjunshan Project being rearranged from the Government, which resulted in a decrease in revenue from the Shenjunshan Project.

Income tax

The Group is subject to taxation on profit earning in or derived from the tax jurisdictions where our subsidiaries are domiciled and operated in the PRC. The subsidiaries of the Group established in the PRC are subject to corporate income tax in the PRC at 25% according to the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法) and the Implementation Regulation for the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法實施條例).

Three 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 for the calendar years from 2020 to 2022 or from 2022 to 2024, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for FY2022 (2021: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to additional tax deductible allowance amounted to 75% of qualified research and development costs for FY2022 (2021: 75%).

The Group's income tax decreased by approximately RMB22.2 million from approximately RMB3.6 million (Restated) for FY2021 to approximately RMB-18.6 million for FY2022, which was mainly due the increased ECL and hence deferred tax asset increased.

Impairment losses under the expected credit loss ("ECL") model

The impairment losses on trade and other receivables and contract assets under the ECL model for FY2022 was approximately RMB149.5 million (FY2021: approximately RMB64.2 million (Restated)). The increase was mainly driven by the slow turnaround of trade and other receivables and contract assets at the end of FY2022.

Net current assets

The Group's net current assets decreased by approximately 58.3% or approximately RMB149.0 million from approximately RMB255.7 million (Restated) as at 31 December 2021 to approximately RMB106.7 million as at 31 December 2022. The decrease was mainly attributable to the increased ECL.

Inventories and other contract costs

The following table sets out a breakdown of inventories and other contract costs of the Group as at 31 December 2022 and 2021:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Inventories – construction materials	**18,968**	25,585
Other contract costs	**11,135**	5,370
	30,103	30,955

The Group's inventories principally consisted of construction materials and other contract costs, including costs that the Group incurred in relation to fulfilling a contract or an identifiable anticipated contract. Such costs include direct labour costs, direct material costs and subcontracting fees, etc..

The balance of inventories and contract costs remained stable as at 31 December 2022 as compared with 31 December 2021.

Contract assets

The Group's contract assets decreased by approximately 4.8% or approximately RMB35.8 million from approximately RMB746.2 million (Restated) as at 31 December 2021 to approximately RMB710.4 million as at 31 December 2022. The decrease in contract assets was mainly due to the increased ECL.

Trade and bills receivables

The Group's trade and bills receivables increased by approximately 14.6% or approximately RMB148.7 million from approximately RMB1,021.6 million (Restated) as at 31 December 2021 to approximately RMB1,170.3 million as at 31 December 2022. The increase was primarily due to contract assets transferred to trade receivables upon obtaining settlement and other documents for certain construction projects, and the decrease in payment collection.

Restricted bank deposits

The Group's restricted bank deposits increased by approximately 83.5% or approximately RMB10.1 million from approximately RMB12.1 million (Restated) as at 31 December 2021 to approximately RMB22.2 million as at 31 December 2022, which was mainly due to the increase in deposits arising from the issuance of bank acceptance draft and the bank deposit secured for the loan by the Group.

Trade and bills payables

The Group's trade and bills payables decreased by approximately 16.7% or approximately RMB157.9 million from approximately RMB943.4 million (Restated) as at 31 December 2021 to approximately RMB785.5 million as at 31 December 2022, which was due to the decrease in revenue for FY2022.

Capital commitments

The table below sets out the amount of the capital commitments of the Group as at 31 December 2022 and 2021:

	2022	2021
	RMB'000	*RMB'000*
Authorised but not contracted for	**1,984**	4,504

As at 31 December 2022, the capital commitments authorised but not contracted for are mainly used for information technology systems and construction equipment and office equipment.

Indebtedness

As at 31 December 2022, the Group had borrowings of approximately RMB663.2 million (31 December 2021: approximately RMB504.6 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB663.2 million (31 December 2021: approximately RMB479.6 million) (Restated) of the borrowings are payable within 1 year. Some of the borrowings were secured and guaranteed by trade and bills receivables and contract assets and bank deposits of the Group, related parties or third-party guarantee companies.

As at 31 December 2022, the Group had utilised all of the banking facilities.

As at 31 December 2022, none of the covenants relating to the bank loans had been breached.

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios for the years/as at each of the dates indicated:

	Year ended 31 December	
	2022	2021 (Restated)
Gross profit margin (%) [(1)]	**20.5**	22.6
Net (loss)/profit margin (%) [(2)]	**(16.2)**	3.6
Return on equity (%) [(3)]	**(19.3)**	6.2
Return on total assets (%) [(4)]	**(4.4)**	1.5

	As at 31 December	
	2022	2021 (Restated)
Current ratio [(5)]	**1.1**	1.1
Gearing ratio [(6)]	**1.4**	0.9
Net debt to equity ratio [(7)]	**1.1**	0.8

Notes:

(1) Gross profit margin for the year was calculated based on gross profit divided by total revenue for the respective year and multiplied by 100%.

(2) Net (loss)/profit margin for the year was calculated based on (loss)/profit for the year divided by total revenue for the respective year and multiplied by 100%.

(3) Return on equity for the year was calculated based on the (loss)/profit for the year attributable to equity shareholders of the Company for the respective year divided by the average of the beginning and ending balance of total equity attributable to equity shareholders of the Company as at the respective year end and multiplied by 100%.

(4) Return on total assets for the year was calculated based on the net (loss)/profit for the year divided by the average of the beginning and ending balance of total assets as at the respective year end and multiplied by 100%.

(5) Current ratio was calculated based on the total current assets as at the respective year end divided by the total current liabilities as at the respective year end.

(6) Gearing ratio was calculated based on the total borrowings as at the respective year end divided by total equity as at the respective year end.

(7) Net debt to equity ratio was calculated based on net borrowings (being total borrowings net of cash and cash equivalents) as at the respective year end divided by total equity as at the respective year end.

Return on equity

The return on equity decreased from 6.2% (Restated) for FY2021 to -19.3% for FY2022, primarily due to decrease in profit for FY2022.

Return on total assets

The return on total assets decreased from 1.5% (Restated) for FY2021 to -4.4% for FY2022, primarily due to decrease in profit for FY2022.

Current ratio

The current ratio remained the same at 1.1 for FY2021 (Restated) and 1.1 for FY2022.

Gearing ratio

The gearing ratio increased from 0.9 (Restated) as at 31 December 2021 to 1.4 as at 31 December 2022 due to the increase in bank and other loans.

Net debt to equity ratio

The net debt to equity ratio increased from 0.8 (Restated) as at 31 December 2021 to 1.1 as at 31 December 2022 due to the increase in bank and other loans.

MATERIAL ACQUISITIONS AND DISPOSALS

With a view of reinforcing its leading position in the green construction and management industry in the PRC, the Group is exploring opportunities to expand and diversify its business portfolios by acquisition if any such appropriate acquisition target is identified. In determining the appropriate acquisition target, the Group would consider various factors, such as the target company's operating history, development potential of the target company, the qualifications possessed by the target company, etc. Save as aforesaid, the Group has no specific plan for any major investment or acquisition for major capital assets or other businesses.

Save as the acquisition of 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 of the Company dated 18 February 2022 and 10 March 2022, and in the interim report dated 21 September 2022, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures for FY2022.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022 and 31 December 2021, except for the associate and joint venture of the Group as disclosed in this announcement, the Group did not hold any significant investments.

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

CONTINGENT LIABILITIES

As at 31 December 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 RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2022, the balance of the bank loan was RMB330,000,000 (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 31 December 2022, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB21,131,000 (31 December 2021: RMB23,015,000).

As at 31 December 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 RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2022, the balance of the bank loan was RMB180,000,000 (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 31 December 2022, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB10,670,000 (31 December 2021: RMB12,252,000).

FINANCIAL GUARANTEES ISSUED

The Group's financial guarantees issued amounted to approximately RMB31.8 million and RMB35.3 million as at 31 December 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 Company was listed on the Main Board of the Stock Exchange on 6 January 2021. Save as disclosed in the parts headed "MATERIAL ACQUISITIONS AND DISPOSALS" and "USE OF PROCEEDS FROM THE LISTING" in this announcement, the Group has no future plan for material investments or capital assets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Given the Group's operation is mainly conducted in the PRC with most of the Group's transactions denominated and settled in RMB, the currency risk is insignificant.

Credit risk

The Group's credit risk is primarily attributable to the carrying amounts of trade receivables and contract assets, and financial guarantees issued by the Group.

At 31 December 2022, approximately 11.7% of the total trade receivables and contract assets, respectively, were due from the Group's largest debtor, and approximately 43.8% of the total trade receivables and contract assets, respectively, were due from the Group's five largest debtors. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has limited credit risk on cash and cash equivalents because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Our customers are primarily entities in the public sector. The Group generally requires customers to settle progress billings in accordance with the relevant contracted terms and other debts in accordance with their relevant agreements. Thus, we believe that the Group has limited exposure to credit risk.

The Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, i.e. a joint venture of the Group, and Changchun Xianbang i.e. an associate of the Group, respectively. The Directors do not believe it to be probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, such that the Group will have to make specified payments to reimburse the beneficiary of the guarantee for losses that the bank incurs.

Liquidity risk

The liquidity of the Group depends primarily on our ability to maintain adequate cash inflows from business operations to meet debt repayment obligations as they fall due and our ability to obtain external financing to meet committed future capital expenditures. Our policy is to regularly monitor our liquidity status and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to our interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates exposed the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2022, fixed rate borrowings accounted for 96.2% of total borrowings of the Group whereas variable rate borrowings accounted for 3.8% of total borrowings of the Group.

Foreign Exchange Risk

Foreign exchange risk arises when business transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except for the loan in June 2021 which 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 listed on the Main Board of the Stock Exchange. The shares were issued to the public at HKD2.00 per share, and the Group received net proceeds of approximately HKD54.7 million from the global offering of its shares (the "**Global Offering**") after deduction of the underwriting fees and commissions and other expenses payables by the Group in connection with the Global Offering.

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

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

All net proceeds have been utilised as at 30 June 2022 and as at the date of this announcement. Set out below are details of the movements of the proceeds from the original planned uses as disclosed in the prospectus until the date of this announcement:

	Original planned use of the net proceeds as disclosed in the prospectus *HKD million*	**Unutilised net amount (as of 1 January 2022)** *HKD million*	**Utilised amount (as at 30 June 2022)** *HKD million*
Establishment of regional design offices in Beijing and Chongqing			
– Beijing *(Note 1)*	4.1	–	6.1
– Shanghai *(Note 1)*	2.0	2.0	–
– Chongqing	2.0	0.5	2.0
Upfront costs of the construction work of the Changchun Zoo Project	13.0	–	13.0
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) *(Note 2)*	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	1.0	5.5
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) *(Note 2)*	–	–	14.3
	54.7	17.8	54.7

Notes:

(1) On 24 January 2022, the Board resolved 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.

(2) On 24 January 2022, the Board resolved 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).

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of dividend for FY2022.

Employees and remuneration policies

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. We have established a systematic and effective talent training mechanism to enhance employees' sense of belonging through diversified employee activities and provide competitive remuneration and fringe benefits to our employees. We would ensure our employees are awarded on a performance related basis within the general framework of the Group's Remuneration Management System.

As at 31 December 2022, the Group has 555 employees. 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, Mr. Yin Jun is the chairman of the Remuneration Committee.

Purchase, sale and redemption of listed securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2022.

Securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms in accordance to the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). The Company, having made specific enquiry with 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 for FY2022.

Events after the reporting period

No significant events have taken place subsequent to 31 December 2022 and up to the date of this announcement.

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 with the exception of Code Provision C.2.1 as set out in Corporate Governance Code (the "**CG Code**") in force during FY2022 as contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

Code Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Liu Haitao ("**Mr. Liu**") served as both the chairman and the chief executive officer between 8 March 2019 and 7 October 2022, which deviates from the Code Provision C.2.1. During the said period, the Board believed that with the support of the management, vesting the roles of both chairman and the chief executive officer in Mr. Liu could facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board considered that such corporate governance structure would not impair the balance of power and authority between the Board and the management of the Group. That said, as disclosed in the announcement of the Company dated 7 October 2022, Mr. Liu retired as the chairman of the Board and has been re-designated as the vice-chairman of the Board with effect from 7 October 2022 and Mr. Sun Juqing, our non-executive Director, was re-designated as the chairman of the Board with effect from 7 October 2022 to succeed Mr. Liu Haitao. The Board considers that the segregation of responsibilities among the Board members meets the requirements under the CG Code. The Company has complied with the Code Provision C.1.2 since then and the roles of the Chairman (by Mr. Sun Juqing) and chief executive officer (by Mr. Liu Haitao) are therefore separated and exercised by different individuals.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis (chairman of the Audit Committee), Mr. Gao Xiangnong and Mr. Yin Jun. The Audit Committee has reviewed and discussed with management the accounting standards and practices adopted by the Group, risk and internal controls and financial reporting matters and has reviewed the unaudited consolidated financial statements for FY2022 as set out in this announcement.

Scope of work of the auditors

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Annual general meeting

The date of the annual general meeting of the Company (the "**AGM**") will be announced in due course. Shareholders of the Company should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

Publication of results announcement and annual report

This announcement will be published on the website of the Company at www.zonbong.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 March 2023

As at the date of this announcement, the Board of the Company comprises Mr. Liu Haitao (vice-chairman) 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.

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

* *For identification purpose only*