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 Report

2022

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This annual report in both English and Chinese version, is available on the Company's website of www.zonbong.com (the "**Company Website**") and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

In case of any inconsistency, apart from Environmental, Social and Governance Report ("**ESG Report**") included in this annual report ("**Report**"), the English text of this Report shall prevail over the Chinese text.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Haitao (劉海濤)
(Vice-chairman and Chief Executive Officer)
(retired as the chairman on 7 October 2022)
(re-designated as Vice-chairman on 7 October 2022)
Ms. Wang Yan (王彥)
Mr. Wang Xudong (王旭東) *(resigned on 6 December 2022)*

Non-executive Directors

Mr. Sun Juqing (孫舉慶)
(Chairman) (appointed as the chairman 7 October 2022)
Ms. Lyu Hongyan (呂鴻雁)
Mr. Shao Zhanguang (邵占廣)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Tsui Hin Chi

AUTHORISED REPRESENTATIVES

Mr. Liu Haitao
Mr. Tsui Hin Chi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

COMPLIANCE ADVISER

Quam Capital Limited (formerly known as China Tonghai Capital Limited)
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

As to Hong Kong law
Eric Chow & Co. in Association with Commerce & Finance Law Offices
3401, Alexandra House
18 Chater Road, Central
Hong Kong

PRINCIPAL BANKS
(In Alphabetical order)

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

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

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

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

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

1855

COMPANY WEBSITE

www.zonbong.com

DATE OF LISTING

6 January 2021

Financial Highlights

FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

	For the year ended 31 December			
	2022	2021 (restated)	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Revenue	**653,441**	936,595	(283,154)	(30.2)
Gross profit	**134,004**	211,230	(77,226)	(36.6)
Other net income	**7,087**	23,402	(16,315)	(69.7)
Selling expenses	**(13,234)**	(28,099)	14,865	52.9
Administrative expenses	**(59,515)**	(75,075)	15,560	20.7
Finance costs	**(40,311)**	(38,007)	(2,304)	6.1
(Loss)/profit before taxation	**(124,560)**	37,006	(161,566)	(436.6)
Income tax	**18,556**	(3,596)	22,152	(616.0)
(Loss)/profit for the year	**(106,004)**	33,410	(139,414)	(417.3)
Attributable to:				
Equity shareholders of the Company	**(105,286)**	33,558	(138,844)	(413.7)
Non-controlling interests	**(718)**	(148)	(570)	(385.1)
Total comprehensive income for the year	**(102,542)**	36,247	(138,789)	(382.9)
Attributable to:				
Equity shareholders of the Company	**(101,829)**	36,372	(138,201)	(380.0)
Non-controlling interests	**(713)**	(125)	(588)	470.4
	RMB cents	*RMB cents*	*RMB cents*	*RMB cents*
(Loss)/earnings per share				
Basic and diluted	**(39)**	12	(51)	(425.0)

	As at 31 December			
	2022	2021 (restated)	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Non-current assets	**391,990**	385,865	6,125	1.6
Current assets	**2,058,323**	1,993,922	64,401	3.2
Current liabilities	**1,951,668**	1,738,198	213,470	12.3
Net current assets	**106,655**	255,724	(149,069)	(58.3)
Non-current liabilities	**11,695**	37,512	(25,817)	(68.8)
Net assets	**486,950**	604,077	(117,127)	(19.4)

Chairman's Statement

Dear Shareholders,

On behalf of the Board of ZONQING Environmental Limited, I am honoured to present the audited consolidated results of the Group for the year ended 31 December 2022 (the "**FY2022**").

During 2022, Changchun, being the region where the Group's key construction was located, went under strict lockdown for a long period of time to control the spread of the pandemic. The lockdown coincided with the Group's peak construction season, which had a significant impact on the Group's production, resulting in a significant decline in revenue and a substantial loss in the Group's results. In the face of the difficulties brought about by the pandemic, the Group did not wait passively and took various initiatives to maintain the normal production and operation of the Company; on the other hand, the Group actively explored the market and participated in various tenders, achieving many successes and laying a good foundation for the Group to take off again in 2023.

In the beginning of 2023, infrastructure investment in China showed signs of high prosperity, with a year-on-year growth of 9.0%, representing a growth rate of 3.5 percentage points higher than that of all fixed assets investment. This was mainly attributable to i) strong policy support for the expansion of infrastructure investment, benefitting from the continuous and steady national policy on expanding government infrastructure investment; ii) continued effort and improvement in the effectiveness of the active fiscal policy, marked by early issuance of special-purpose bonds by local government, advance planning of projects and advancement of investment, all of which provided strong funding support for infrastructure investment; iii) significant adjustments made to the national pandemic prevention and control policy, which resulted in significant increase in market activity, gradual improvement in social investment and consumption, a more stabilised economy and economic recovery, and higher growth expectations, thereby creating the optimal condition for increasing infrastructure investment; iv) many shortcomings in terms of economic development and improving people's livelihood in our nation, faced by issues such as inadequate infrastructure, poor quality and incomplete functions that require further improvement, which also provided the necessary space for increasing infrastructure investment.

During 2022, although the Group recorded a loss due to the pandemic, the Group has maintained sufficient contracts, a complete construction capability, and an adequate amount of reserve projects, and the Group has been well prepared to recover from unfavourable conditions by further deepening its nationwide footprint and continuously improving its operation and management standard. We are confident that the Group will bottom out in 2023 and achieve further success. The Group will maintain its corporate mission of "Greening China for a Collective Future" (綠美中國、共享未來) and adhere to 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 further enhance its corporate value. It will also strive to develop new markets, such as urban maintenance and cultural tourism operation, by maintaining its existing design and construction advantages, and extend its industrial chain, with an aim to continue rewarding its shareholders and society.

Sun Juqing
Chairman and Non-executive Director

Hong Kong, 30 March 2023

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.

Management Discussion and Analysis

IMPORTANT RELATIONSHIP

Our Employees

The Group had a total of 555 employees as at 31 December 2022, all of which were based in the PRC. For FY2022, staff costs were RMB121.7 million. Set forth below is a breakdown of the number of the Group's employees by functions as at 31 December 2022:

Functions/departments	Number of employees
Board Office	11
Marketing and Sales Department	43
Auditing and Finance Department	17
Operation Department	14
Human Resource and Administration	7
Construction and Engineering	210
Design	253
Total	**555**

To enlarge our talent pool and to strengthen our technical capabilities, we have been focusing on the continuous professional development of our employees. The professional qualifications possessed by our employees as at 31 December 2022 are set forth as below:

Qualification	Number of qualification holders
Registered constructor	
Class A	33
Class B	64
Registered architect	
Class A	1
Class B	2
Professional engineer	
Professorate senior	15
Associate senior	72
Intermediate and associate	130
Registered engineer	
Class B	2
Registered	51
	370

The Group believes that our long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of the Group's employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve our employees' skills and technical expertise, the Group provides regular training to our employees. We have in-house training programs to train our new joiners, mainly focusing on skills like construction technique and working procedures. The goal of the training programs is to train our employees and to identify talent, with the aim of providing upward mobility within the Group, fostering employee loyalty and incorporating customised mentoring, coaching and training.

Management Discussion and Analysis

During the FY2022, the Group did not experience any material labour disputes, strikes or other material labour conflicts, receive any complaints, notices or orders from relevant government authorities or third parties, or receive any claims from our employees relating to social insurance or housing provident funds that could materially impaired our business operation or reputation. The Group made contributions to social insurance and housing provident funds in accordance with the applicable laws and regulations. The details in relation to retirement benefit scheme are disclosed in note 7(b) to the consolidated financial statements.

Our Suppliers and Subcontractors

For FY2022, the Group made procurement from and outsourced professional subcontracting services to approximately 826 suppliers across the PRC. The Group's suppliers are corporate entities or sole proprietors who are principally engaged in the supply and trading of plants and construction materials (such as cement, steels, timbers, stones and gravel) and subcontracting of ancillary construction works in the PRC. The Group has implemented a suppliers and subcontractors diversity policy, improved its supplier evaluation system, utilised the evaluation results to achieve mutually beneficial and win-win partnerships and optimised the procurement procedures. The Group also seeks quotations from no less than three suppliers or subcontractors to continuously improve the quantity and quality of its supplier base and to avoid over-reliance on any single supplier or subcontractors. The Group's Procurement and Engineering Departments have established a pool of qualified suppliers and subcontractors through collaboration and call for expressions of interest. The selection of qualified suppliers and subcontractors is based on a combination of criteria including price, quality and delivery time, supply capability and customer service.

Our Customers

The Group's customers comprise state-invested enterprises, local government invested enterprises, public institutions, property owners and developers in the private market, management or entities of construction projects and construction companies. During FY2022, the Group had approximately 149 customers, of which 139 were state-owned enterprises, public institutions and government-invested enterprises and 10 were private enterprises.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

Administrative expenses

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

The administrative expenses decreased 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稅法) and the Implementation Regulation for the Corporate Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例).

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.

Management Discussion and Analysis

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 8.39% or approximately RMB85.7 million from approximately RMB1,021.6 million (Restated) as at 31 December 2021 to approximately RMB1,107.3 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 AND CONTRACTUAL OBLIGATIONS

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.

Management Discussion and Analysis

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 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.

Please also refer to the paragraph headed "EVENT AFTER THE REPORTING PERIOD" in this Report for further details of the Company's proposed major acquisition under Chapter 14 of the Listing Rules in 2023.

Save as aforesaid, the Group has no specific plan for any other major investment or acquisition for major capital assets or other businesses.

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 Report, the Group did not hold any significant investments.

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

Management Discussion and Analysis

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: RMB23,051,000).

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 paragraphs headed "MATERIAL ACQUISITIONS AND DISPOSALS", "EVENT AFTER THE REPORTING PERIOD" and "USE OF PROCEEDS FROM THE LISTING" in this Report, the Group has no future plan for material investments or capital assets.

EVENT AFTER THE REPORTING PERIOD

On 11 April 2023, the Group entered into an equity transfer agreement, among other parties, ZIHG, pursuant to which the Group has agreed to acquire, and ZIHG has agreed to sell, in each case subject to the conditions precedent specified therein, 87.5% of the equity interest in Jilin Modern Zhongqing City Construction Co. Ltd.* (吉林現代中慶城市建設有限公司) at a cash consideration of RMB305,756,410 (the "**Proposed Acquisition**"). The Proposed Acquisition constitutes a major transaction under Chapter 14 of the Listing Rules, and a connected transaction under Chapter 14A of the Listing Rules, and is subject to independent Shareholders' approval. For further details, please refer to the announcement of the Company dated 11 April 2023.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Business risks

The Group's business operates in an industry that is subject to changes in market conditions, changing industry standards, environmental regulations, industry competition and changing customers' needs. It is important for the Group to timely respond to these changes which may adversely affect the Group's business and financial results. The followings are the principal business risks of the Group:

Performance of the Group's core business may be affected by various factors, including but not limited to economic conditions which would not be completely mitigated even with strict operational procedures

- the business and operations of the Group are conducted in the PRC. Any material change in the PRC's laws, regulations and policies, social or economic conditions in the PRC may have material adverse impacts on the Group;

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

- natural disasters, climate changes or other unpredictable weather hazards which may cause difficulties in obtaining plants supply and completing the projects.

The Group generates its revenue mainly on project-basis which is not recurring in nature

The business relationships with the customers are governed by the contracts for particular project(s). The maintenance of the Group's current major customers base would depend on the competitiveness of its business, including the track records of its performance and delivery of the past projects. The business performance hinges on the Group's ability to secure projects by winning tenders. The Group cannot assure that it is able to successfully procure projects by tendering, as it may be affected by factors including but not limited to its bidding strategies, its competitiveness compared other tenderers, its capabilities identified from its past performance, financial position as well as social influence. If for any reason the customers' financial position significantly deteriorates, or the demand for landscaping and ecological restoration services in their respective cities or regions reduces, they may reduce the number and/or scale of new projects, thereby reducing business opportunities for the Group. Any material difficulty in securing projects from the customers, or significant reduction in the number and/or contract sum of the projects secured from them could result in a significant decrease in revenue and/or profits. If any of the foregoing events occurs, the financial position and business performance may be materially and adversely affected.

Management Discussion and Analysis

Risks associated with the long time span of the projects of the Group

The Group is primarily engaged in landscaping and ecological restoration projects, which usually require a long time span. Such long time span tends to associate with more uncertainties and uncontrollable alterations which may affect the delivery of projects. Such risks are beyond the Group's control and may materially and adversely affect the Group's results of operations. Events that may prevent the Group from carrying out the works in the way the Group has planned at the outset.

Risks associated with the accuracy of costs estimation

The Group makes costs estimation at such an early stage solely based on information and documentation provided by the customers which may not always be the same as the information at the later stage of the project. As a result, the Group may incur costs more than expected due to unforeseeable factors attributable to the complexity of the project, the experience and capability of the Group's technical staff and variations in supply prices. If the cost estimates fail to cover all costs incurred, the Group may suffer from financial losses and its profitability would be adversely affected.

Financial 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 in the PRC 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.

Management Discussion and Analysis

All net proceeds from the Global Offering have been utilised as at 30 June 2022 and as at 31 December 2022. 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 Report:

	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 (during the six-months ended 30 June 2022)** *HKD million*	**Utilised amount (as at 30 June 2022 and as at 31 December 2022)** *HKD million*
Establishment of regional design offices in Beijing and Chongqing				
– Beijing *(Note 1)*	4.1	–	2.0	6.1
– Shanghai *(Note 1)*	2.0	2.0	–	–
– Chongqing	2.0	0.5	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	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	14.3
	54.7	17.8	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).

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Liu Haitao (劉海濤) ("Mr. Liu"), aged 48, was appointed as a Director on 8 March 2019 and was redesignated as an Executive Director on 24 September 2019. Mr. Liu was the chairman of the Board, the Chief Executive Officer and an Executive Director between 8 March 2019 and 7 October 2022. On 7 October 2022, Mr. Liu retired as the Chairman and has been re-designated as the vice-chairman of the Board and Mr. Liu continued as an executive Director and the chief executive officer of the Company. He is responsible for formulating and implementing business and operation strategies of the Group, as well as making major business and operational decisions for the Group. Mr. Liu has more than 20 years of management experience in the construction industry.

Mr. Liu currently holds directorships in the following members of the Group:

- Zonbong Landscape as a director since April 2010 and as the chairman of the board since December 2012;
- Zhongke Zonbong as an executive director since April 2016;
- Jilin Zonbong as a director and the chairman of the board since September 2018; and
- Zonbong Environment as a director since April 2019.

Prior to joining the Group, from July 1996 to December 2002, he served as the head of the procurement department at Changchun Chengjian Road and Bridge Limited (長春市城建路橋有限公司), a company providing construction services for municipal projects and sculpture engineering. From January 2003 to December 2008, he worked as the deputy general manager at ZCLLC and was mainly responsible for procurement management. He was assigned to Zonbong Landscape by ZCLLC as the general manager from December 2008 to April 2010, and has served as its director since April 2010.

Mr. Liu graduated from Changchun University (長春大學) in July 1996 with a bachelor's degree in computer science. He also received his bachelor's degree in civil engineering by way of correspondence education from the Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as the Jilin Jianzhu University (吉林建築大學)) in July 2004 and his EMBA (Executive Master of Business Administration) degree from Jilin University (吉林大學) in December 2015.

Mr. Liu obtained the qualification certificate of senior engineer in road and bridge engineering issued by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2007 and that of chief senior engineer in road and bridge engineering from the Human Resources and Social Security Department of Jilin Province (吉林省人力資源和社會保障廳) on 1 January 2017.

Directors and Senior Management

Ms. Wang Yan (王彥) ("**Ms. Wang**"), aged 42, was appointed as an Executive Director of the Company on 18 March 2020. She was appointed as the chief financial officer of the Company and the deputy general manager of the Group on 14 December 2020 and 26 September 2014, respectively. Ms. Wang has more than 14 years of financial management experience in the construction industry. She worked at ZCLLC from March 2006 to September 2014, with her last position held as finance manager. Since September 2014, she has become the chief financial officer of Zonbong Landscape.

Ms. Wang received a bachelor's degree in finance from Jilin University in July 2019 by way of distance learning. Ms. Wang obtained the qualification of senior accountant from the Finance Department of Jilin Province (吉林省財政廳) on 10 September 2017. In June 2019, Ms. Wang was admitted as a Certified Management Accountant by the Institute of Certified Management Accountants, the United States of America.

Non-executive Directors

Mr. Sun Juqing (孫舉慶) ("**Mr. Sun**"), aged 52, was appointed as a Non-executive Director of the Company on 24 September 2019. On 7 October 2022, Mr. Sun has succeeded Mr. Liu Haitao as the chairman of the Board. He has more than 20 years of experience in the construction industry. Mr. Sun has held directorships in Zonbong Landscape since December 2012 and in Jilin Zonbong since September 2018.

Prior to joining the Group, Mr. Sun served as the deputy general manager of Changchun Chengjian Road and Bridge Limited (長春市城建路橋有限公司), a company providing construction services for municipal projects and sculpture engineering, from June 1992 to December 2005. He successively served in several positions with ZCLLC, including deputy general manager from January 2006 to September 2010 and the chairman of the board from July 2010 to February 2017. He has also been the chairman of the board of ZIHG from November 2014 to May 2016 and since February 2017.

Mr. Sun received a bachelor's degree in civil engineering by way of correspondence education in July 2005 from the Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as the Jilin Jianzhu University (吉林建築大學)). Mr. Sun obtained the qualification certificate of senior engineer in road and bridge engineering issued by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2005.

Ms. Lyu Hongyan (呂鴻雁) ("**Ms. Lyu**"), aged 46, was appointed as a Non-executive Director of the Company on 24 September 2019. She has more than 17 years of experience in accounting and financial management. Ms. Lyu has held directorships in Zonbong Landscape since December 2014 and Jilin Zonbong since September 2018.

Prior to joining the Group, Ms. Lyu worked as an accountant at Jilin Shengxiang Accounting Limited (吉林聖祥會計師事務有限公司), an accounting firm, from October 2003 to October 2007. From October 2007 to January 2015, she served as the chief financial officer at ZCLLC. From December 2013 to December 2018, she was a director of Jilin Province Zhongsheng Municipal Engineering and Design Limited (吉林省中盛市政工程設計有限公司) (now known as Zonbong Shanshui). Since February 2015, she has worked as the vice president of finance at Changchun Mingju Commerce Limited (長春市銘聚商貿有限責任公司) (now known as ZIHG).

Ms. Lyu graduated from Changchun Taxation College (長春稅務學院) (now known as the Jilin University of Finance and Economics (吉林財經大學)) with a bachelor's degree in accounting through self education examination in June 1999. Ms. Lyu was granted the qualification of senior accountant by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2008.

Mr. Shao Zhanguang (邵占廣) ("**Mr. Shao**"), aged 44, was appointed as a Non-executive Director of the Company on 24 September 2019. He has 15 years of experience in the construction industry. He has held directorships from December 2012 to February 2021 in Zonbong Landscape and Zonbong Shanshui from December 2013 to February 2021. He was appointed as Supervisor in Zonbong Landscape since February 2021.

From October 2004 to December 2010, Mr. Shao served as a marketing manager at Changchun Chengda Road and Bridge Limited Liability Company (長春市成達路橋有限責任公司) (now known as ZCLLC). From December 2010 to July 2015, he served as an executive director of Dalian Hengji Road and Bridge Construction Limited (大連恒吉路橋建設有限公司), a company providing construction services for roads, bridges and other municipal infrastructure. From February 2015 to January 2017, he was the vice president of marketing of ZIHG.

Mr. Shao graduated from Jilin University (吉林大學) with a bachelor's degree in surveying and mapping engineering by way of correspondence education in June 2005. Mr. Shao was granted the qualification of certified constructor in municipal projects by the Ministry of Development of the PRC (now known as the Ministry of Housing and Urban-Rural Development of the PRC) on 12 June 2010, and that of senior engineer in road and bridge engineering by the Human Resources and Social Security of Jilin Province (吉林省人力資源和社會保障廳) on 1 January 2016.

Independent Non-executive Directors

Mr. Gao Xiangnong (高向農) ("**Mr. Gao**"), aged 54, was appointed as an Independent Non-executive Director of the Company on 14 December 2020. Prior to joining the Group, Mr. Gao served as the chief financial officer from September 2003 to December 2005 and then as an executive director and the Chief Executive Officer since January 2006 at NutryFarm International Limited (formerly known as MultiVision Intelligent Surveillance Limited), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (stock code: AZT). From February 2004 to July 2018, he also served as an Independent Non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company listed on GEM of the Stock Exchange (stock code: 8301).

Mr. Gao graduated from California State University, Long Beach, with a bachelor's degree in accounting in December 1996, and with a master's degree in business administration in December 1998. Mr. Gao was certified as a Certified Public Accountant in Colorado, the United States, in May 2003.

Mr. Yin Jun (尹軍) ("**Mr. Yin**"), aged 68, was appointed as an Independent Non-executive Director of the Company on 14 December 2020. Prior to joining the Group, Mr. Yin successively served as a lecturer, associate professor and professor in municipal and environmental engineering at the Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as Jilin Jianzhu University (吉林建築大學)) from December 1982 to April 2008. From April 2008 to September 2014, he worked as the deputy chairman of Jilin Province Science and Technology Association (吉林省科學技術協會). He served as an external director from January 2018 to August 2022 at Changchun Water (Group) Co., Ltd (長春水務(集團)有限責任公司), a state-owned company engaged in the operation of city water supply.

Mr. Yin graduated from the Harbin Architecture and Civil Engineering Institute (哈爾濱建築工程學院) (now known as Harbin Institute of Technology (哈爾濱工業大學)) with a bachelor's degree in water supply and sewage engineering in September 1977, and with a master's degree in municipal works in December 1982. He received a doctoral degree in construction works from Waseda University, Japan, in July 1992, and worked as a post-doctoral researcher at the Harbin University of Civil Engineering and Architecture (哈爾濱建築大學) (now known as Harbin Institute of Technology (哈爾濱工業大學)) from December 1992 to March 1995.

In August 2005, Mr. Yin received a certificate issued by the State Council of the PRC in recognition of his contributions to the construction and engineering sector. In December 2008, Mr. Yin was accredited as a senior expert in Jilin Province (吉林省高級專家) by the Jilin Provincial Committee of the Communist Party of the PRC (中共吉林省委) and the Jilin Provincial People's Government (吉林省人民政府). Mr. Yin has also been granted the qualification of registered municipal facilities engineer (water supply and drainage) by the Ministry of Housing and Urban Rural Development of the PRC) in March 2011.

Mr. Lee Kwok Tung Louis (李國棟) ("**Mr. Lee**"), aged 55, was appointed as an Independent Non-executive Director of the Company on 14 December 2020.

Mr. Lee has accumulated and possessed extensive experience in accounting and financial management with various types of companies, including unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993.

Mr. Lee is currently an Independent Non-executive Director of CGN Mining Company Limited (中廣核礦業有限公司) (stock code: 1164), Redsun Properties Group Limited (弘陽地產集團有限公司) (stock code: 1996), Fusen Pharmaceutical Company Limited (福森藥業有限公司) (stock code: 1652) and Titan Invo Technology Limited (泰坦智華科技有限公司) (stock code: 872) and Zhengwei Group Holdings Company Limited (正味集团控股有限公司) (stock code: 2147) all of which are listed on the Stock Exchange. Mr. Lee Kwok Tung Louis resigned as an independent non-executive director of the Windmill Group Limited (海鑫集团有限公司) (stock code: 1850) on 30 November 2021.

Mr. Lee was awarded a Bachelor of Economics by Macquarie University, Australia in April 1993. Mr. Lee was admitted as a Certified Practising Accountant by the CPA Australia in June 1996 and a Certified Public Accountant by the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) (the "**HKICPA**") in October 1999. Mr. Lee is currently a Fellow Certified Practising Accountant of the CPA Australia and a Fellow Certified Public Accountant of the HKICPA.

SENIOR MANAGEMENT

Mr. Wang Peng (王棚), aged 40, has been the regional deputy general manager of the Group since January 2019. He is primarily responsible for the management of projects of Zonbong Landscape in East Inner Mongolia, Shandong and Beijing. Mr. Wang Peng joined Zonbong Landscape in February 2008 and worked as a technician till January 2009. From February 2009 to February 2010, he was the project manager of Zonbong Landscape. From March 2010 to August 2010, Mr. Wang Peng was the manager of the engineering department of Zonbong Landscape. From September 2010 to January 2014, he was the deputy chief production manager of Zonbong Landscape. He was then promoted to be the project director and project manager of Zonbong Landscape, responsible for the production management of Zonbong Landscape from February 2014 to December 2018.

Mr. Wang Peng received a bachelor's degree in Landscaping from Jilin Agricultural University (吉林農業大學) in June 2005.

Mr. Wang Xuesong (王雪松), aged 48, has been the chief engineer of Zonbong Shanshui since January 2019. He is primarily responsible for overseeing the Company's project design quality and technology research and development. Prior to that, he was the manager of the ecological department of Zonbong Landscape from February 2018 to December 2018. Before Mr. Wang Xuesong joined the Group, he worked for Changchun Municipal Engineering Design and Research Institute as a designer responsible for the water supply and drainage engineering design from August 2014 to August 2017.

Mr. Wang Xuesong obtained his bachelor's degree in Water Supply and Drainage from Wuhan Industrial University (武漢工業大學) (now known as the Wuhan University of Technology (武漢理工大學)) in June 1997, a Master of Science and a Ph.D. in Environmental Engineering from Jilin University in July 2003 and June 2008, respectively.

Corporate Governance Report

The Company is committed to maintain high level corporate governance standard and procedures to ensure the integrity, transparency and effective internal management measures.

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 the CG Code 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 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 at the time believed with the support of the management, vesting the roles of both chairman and the chief executive officer in Mr. Liu can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board at the time considered that the structure would not impair the balance of power and authority between the Board and the management of the Group. 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 effective from 7 October 2022. The Company has complied with Code Provision C.2.1 since then.

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. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors since the Listing Date.

BOARD OF DIRECTORS

The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company by formulating the Group's overall strategies and policies, approving the business plans, evaluating the performance of the Group in pursuit of the Group's overall strategies and overseeing the management of the Group. It also decides and approves on matters such as annual and interim results, major capital transactions, remunerations on Director's appointments or re-appointments and other significant operational and financial matters.

All Directors have acted in good faith for the best interests of the Company and the stakeholders of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated. All of the Directors have exercised due care in monitoring the corporate matters of the Company and have provided grave concern, sufficient time and attention to all the significant issues and affairs of the Group.

The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this Report.

The Board currently consists of eight Directors including two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The biographical information of the Directors is set out under the section headed "Directors and Senior Management" in this Report.

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and update their knowledge and skills to ensure that their contribution to the Board remains fully informed and relevant. All directors and senior management attended induction trainings upon their appointment.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received a confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are considered to be independent pursuant to the Listing Rules.

Chairman and Chief Executive Officer

Under Provision C.2.1 of the CG Code, the rules of Chairman and chief executive officer should be separated and performed by different individuals.

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 at the time believed with the support of the management, vesting the roles of both chairman and the chief executive officer in Mr. Liu can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board at the time considered that the structure would not impair the balance of power and authority between the Board and the management of the Group. 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 effective from 7 October 2022. The Company has complied with Code Provision C.2.1 since then.

Corporate Governance Report

Non-executive Directors and Independent Non-executive Directors

Non-executive directors provided the Group with a wide range of expertise and experience. Their active participation in Board meetings brought independent judgement on issues relating to the Group's strategy, performance and management process, at the same time taken into account the interests of all shareholders of the Company.

The Independent Non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**").

The three Independent Non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of engineering, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

For the biographical details of the Non-executive Directors and Independent Non-executive Directors are set out in the section headed "Directors and Senior Management" of this Report.

Board Diversity Policy

The Board adopted a board diversity policy on 6 January 2021 (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of the Board. The Company believes that it will help strengthen the business development of the Company and enhance the effectiveness and performance of the Board. Currently, two out of eight members of the Board are females, and the Board considers that gender diversity has been achieved at Board level, and will continue to follow the Board Diversity Policy in developing a pipeline of potential successors to the Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness, and it will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

THE BOARD

Number of meetings attended

The Board held 4 regular meetings and 5 additional meetings during the Reporting Period.

The attendance of individual Directors at the Board meetings and the general meetings held for the Reporting Period are as follows:

Name of Directors	Regular Board Meetings	Additional Board Meetings[2]	General Meetings
Executive Directors			
Mr. Liu Haitao	4/4	5/5	2/2
Ms. Wang Yan	4/4	5/5	2/2
Mr. Wang Xudong *(resigned on 6 December 2022)*	4/4	5/5	2/2
Non-executive Directors			
Mr. Sun Juqing	4/4	5/5[1]	2/2
Ms. Lyu Hongyan	4/4	5/5	2/2
Mr. Shao Zhanguang	4/4	5/5	2/2
Independent Non-executive Directors			
Mr. Gao Xiangnong	4/4	5/5[1]	2/2
Mr. Yin Jun	4/4	5/5[1]	2/2
Mr. Lee Kwok Tung Louis	4/4	5/5[1]	2/2

Notes:

(1) In addition, the Chairman held a meeting with the independent non-executive Directors without the presence of other executive Directors during the Reporting Period in accordance with the CG Code.

(2) Additional Board meeting are convened from time to time for the Board to discuss major matters that require the Board's timely attention.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.zonbong.com) and the HKEx's website (www.hkexnews.hk) and are available to Shareholders upon request.

Audit Committee

The Audit Committee operates under the terms of reference approved by the Board. It is the Committee's responsibility to assist the Board in providing an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Company.

The Board has delegated to the Audit Committee the responsibility for the establishment and the maintenance of a framework of internal controls, risk management and ethical standards for the Group's management. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Yin Jun, and Mr. Gao Xiangnong. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee.

The Audit Committee meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and its primary duties include, but are not limited to, (i) assisting the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal control and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements; (ii) reviewing and monitoring the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards; and (iii) making recommendations to the Board on the appointment, reappointment and removal of the external auditor.

During the Reporting Period, four Audit Committee meetings were held. The attendance record of each member of the Audit Committee is set out in the table below:

Name of members of the Audit Committee	Number of attendance
Mr. Lee Kwok Tung Louis *(Chairman)*	4/4
Mr. Yin Jun	4/4
Mr. Gao Xiangnong	4/4

Remuneration Committee

The primary duties of the Remuneration Committee are to (i) oversee the remuneration packages of the Company and its subsidiaries payable to their directors and the members of their senior management; (ii) determine the specific remuneration packages of all executive directors and senior management of the Company and to establish a transparent procedure for developing policy on such remuneration; and (iii) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, one Remuneration Committee meeting was held. The attendance record of each member of the Remuneration Committee is set out in the table below:

Name of members of the Remuneration Committee	Number of attendance
Mr. Yin Jun *(Chairman)*	1/1
Mr. Gao Xiangnong	1/1
Mr. Lee Kwok Tung Louis	1/1

Nomination Committee

The primary functions of the Nomination Committee are to assist the Board to run effectively and the Company can go through a formal, fair and transparent process of reviewing the balance and effectiveness of the Board, identifying the skills, knowledge, experience and diversity of perspectives needed and appointing those who can provide them to the Board. Its main objectives are to lead the process for the appointment of the directors, and to identify and nominate suitable candidates for appointment to the Board. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the Company's Board Diversity Policy, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

During the Reporting Period, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is set out in the table below:

Name of members of the Nomination Committee	Number of attendance
Mr. Gao Xiangnong *(Chairman)*	1/1
Mr. Lee Kwok Tung Louis	1/1
Mr. Yin Jun	1/1

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for FY2022. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 109 to 114 of this Report.

EMOLUMENTS OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Pursuant to the Code Provision B.1.5 of the CG Code, the following table sets forth the emoluments of the Directors and members of Senior Management for FY2022 categorised by bands:

Band	**Total emoluments *(Note) (RMB)***	**Number of Directors**	**Number of members of Senior Management**
1	0 – 400,000	6	—
2	400,000 – 800,000	1	—
3	800,000 – 1,200,000	2	2

Note: Total emoluments included directors' fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions for FY2022.

Further details of the emoluments of the Directors and the five highest paid employees for FY2022 required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

DIVIDEND POLICY

The Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from its subsidiaries. PRC laws require that dividends be paid only out of the after-tax profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the IFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves. The foreign-owned enterprise may also, at its discretion, allocate a portion of its after-tax profits based on PRC accounting principles to a discretional reserve fund. These statutory common reserve funds and discretional funds are not available for distribution as cash dividends. Dividend distribution to Shareholders is recognized as a liability in the period in which the dividends are approved by Shareholders or Directors, where appropriate. Under Cayman law, dividends may be distributed from (a) profits (current period or retained) or (b) share premium. The Articles of Association has not determined the dividend distribution ratio.

The Board is responsible for submitting proposals for dividend payments to the Shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, future business prospects, statutory and regulatory restrictions and other factors that the Board deems relevant.

Subject to the Companies Act, our Articles of Association, the Board may, by resolution, declare and authorise a distribution of dividends in the future, which, if any, however will depends on various factors such as the results of our operations, cash flow, capital requirements, general financial conditions, and other factors which they may deem relevant at such time.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, KPMG, in respect of audit and non-audit services provided to the Group for FY2022 is set out below:

Services rendered	**Service Category Fee Paid/Payable**
	RMB'000
Audit service	3,000
Non-audit service	130

RISK MANAGEMENT AND INTERNAL CONTROL

The Board monitors the risk management and internal control systems of the Group and reviews its effectiveness on an annual basis. The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control and risk management system to safeguard Shareholder investments and Company assets. The Board has ensured the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial condition and internal control of the Company, as well as identifying, evaluating and managing significant risks of the Company and conducting comprehensive audits of all significant subsidiaries of the Company on a regular basis.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and the Audit Committee reports to the Board on the effectiveness of these systems for the year annually. The Board considers that the existing internal control system is reasonably effective and adequate.

INSIDE INFORMATION

The Group has also adopted an information disclosure policy which has set out guidelines in respect of handling and dissemination of inside information since the Listing Date. The Board is entrusted with the responsibility for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be approved by the Board. Unless duly authorized, all staff members of the Company shall not disseminate inside information relating to the Group to any external parties and shall not respond to media report or market speculation which may materially affect the trading price or volume of the shares of the Company.

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules, including the handling and dissemination of inside information. After making reasonable enquiry, no incident of non-compliance relating inside information has been noted until the date of this Report.

Corporate Governance Report

COMPANY SECRETARY

During the year ended 31 December 2022, the Company Secretary has taken no less than 15 hours of the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain transparency and on-going dialogue with Shareholders.

The general meetings of the Company provide an opportunity and forum for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. Shareholders are encouraged to attend general meetings held by the Company and express their views and raise questions therein.

The Company's website (www.zonbong.com) provides up-to-date, comprehensive and accessible news and information of the Company's business operations and development, corporate governance practice and other information to the Shareholders, other stakeholders and investors.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board shall fail to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

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

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

Contact Details

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

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

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

CONSTITUTIONAL DOCUMENTS

On 17 November 2022, the shareholders of the Company have approved at the extraordinary general meeting the change of the English name of the Company from "ZONBONG LANDSCAPE Environmental Limited" to "ZONQING Environmental Limited" and the dual foreign name in Chinese of the Company from "中邦园林环境股份有限公司" to "中庆环境股份有限公司" and the amendments (the "**Amendments**") to the Articles of Association, primarily to align with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules which took effect on 1 January 2022. Details of the Amendments were set out in the circular of the Company dated 28 October 2022.

The latest Second Amended And Restated Memorandum And Articles Of Association of the Company is available on both the websites of the Company and of the Stock Exchange.

Report of the Directors

The Directors are pleased to present their Report together with the audited consolidated financial statements of the Group for FY2022.

REORGANISATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2019 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Pursuant to the completion of the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus to rationalize the structure of the Group in preparation for the listing of the Company's Shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date through Global Offering as described in the section headed "Structure of the Global Offering" in the Prospectus.

PRINCIPAL ACTIVITIES

The Group is principally engaged in landscaping, ecological restoration and other related projects.

An analysis of the Group's financial key performance, performance for the year by reportable segments is set out in note 4 to the consolidated financial statements.

FINANCIAL RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 115 to 116 of this Report.

DIVIDEND

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 29 June 2023. A notice convening the 2022 Annual General Meeting will be issued and sent to the Shareholders in or around April 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 26 June 2023 to 29 June 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch register in Hong Kong, Boardroom Share Registrars Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 23 June 2023.

Report of the Directors

BUSINESS REVIEW

A review of the business of Group during FY2022 and a discussion on the Group's future business development are set out in the section headed "Chairman's Statement" as well as the section headed "Management Discussion and Analysis" of this Report respectively. Discussions on the Group's relationships with its key stakeholders are also set out in the section headed "Chairman's Statement" of this Report.

COMPLIANCE WITH THE RELEVANT LAWS AND RESOLUTIONS

During FY2022, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize its environmental impact by various environmentally-friendly policies.

The ESG Report of the Company for FY2021 containing the information required under Appendix 27 to the Listing Rules are included in the pages 60 to 96 of this Report.

RESULTS

The results of the Group for FY2022 are set out in the consolidated financial statements on pages 103 to 196 of this Report.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the past five years are set on page 201 of this Report.

SHARE CAPITAL

Details of the movement in the share capital of the Company are set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during FY2022 are set out in the consolidated statement of changes in equity, pages 107 to 108 and note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2022, the Company did not have any reserves available for distribution to the Shareholders of the Company (2021: RMB Nil).

Report of the Directors

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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.

SUBSIDIARIES

Details of the Company's principal subsidiaries as of 31 December 2022 are set out in note 15 to the consolidated financial statements.

DIRECTORS

The list of Directors of the Company during FY2022 and up to the date of this Report is set out below:

Executive Directors

Mr. Liu Haitao (劉海濤) *(Vice-chairman and Chief Executive Officer) (retired as the chairman on 7 October 2022) (re-designated as Vice-chairman on 7 October 2022)*
Ms. Wang Yan (王彥)
Mr. Wang Xudong (王旭東) *(resigned on 6 December 2022)*

Non-executive Directors

Mr. Sun Juqing (孫舉慶) *(Chairman) (appointed as the chairman 7 October 2022)*
Ms. Lyu Hongyan (呂鴻雁)
Mr. Shao Zhanguang (邵占廣)

Independent Non-executive Directors

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

The biographical details of the Directors are disclosed on pages 23 to 27 in this Report.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme (the "**Share Option Scheme**") pursuant to the written resolutions of the Shareholders and Directors passed on 14 December 2020 which took effect upon Listing. Other than the Share Option Scheme, the Group has no share schemes under Chapter 17 of the Listing Rules. No share option has been granted by the Company under the Share Option Scheme since Listing and up to the date of this Report. There were 27,500,000 shares option available for grant as at both 1 January 2022 and 31 December 2022, as no share options had been granted in FY2022. The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to the Company and/or any of its subsidiaries.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board of the Company may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Executive, Non-executive Directors and Independent Non-executive Directors) of the Company or any of its subsidiaries, and any suppliers, clients, consultants, agents and advisers who, in the sole opinion of the Board has contributed or will contribute to the Group (collectively, the "**Eligible Participants**") and whom the Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. Life of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect conditional upon and is subject to:

(i) the passing of the necessary resolutions by the Board and the Company's Shareholders to approve and adopt the rules of the Share Option Scheme;

(ii) the Listing Committee granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme;

(iii) the obligations of the underwriters (under the underwriting agreements in connection to the Listing) becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the sole sponsor, acting for and on behalf of the underwriters, in relation to the Listing) and not being terminated in accordance with their terms or otherwise; and

(iv) the commencement of dealings in the Shares on the Stock Exchange (the "**Conditions**").

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period commencing on the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of Shareholders of the Company and ending on the tenth anniversary of the Listing Date (both dates inclusive) (the "**Scheme Period**"), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme. Accordingly, as at 31 Decembers 2022, the remaining life of the Share Option Scheme is approximately eight years.

4. Grant of options

(a) Making of offer

An offer shall be made to an Eligible Participant by an offer document in such form as the Board may from time to time determine, requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (the "**Offer Document**").

(b) Acceptance of offer

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "**Grantee**") and to have taken effect upon the issue of an option certificate after the duplicate Offer Document constituting acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant of the option is received by the Company on or before the last day for acceptance set out in the Offer Document above. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the "**Offer Date**").

(c) Restrictions on time of grant

(i) No grant of options shall be made after any inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for the Company to publish an announcement of its results for any year or half-year period under the Listing Rules or quarterly or any other interim period where the Company has elected to publish them (whether or not required under the Listing Rules),

and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) For so long as the shares are listed on the Stock Exchange, no options may be granted to a Director on any day which financial results of the Company are published and:

(1) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all Independent Non-executive Directors (excluding any Independent Non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such Independent Non-executive Director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial Shareholders and Independent Non-executive Directors

Without prejudice to the paragraph headed 4(c) above, any grant of options to a substantial Shareholder or an Independent Non-executive Director of the Company or any of their respective associates shall be subject to, in addition to the approval of the Independent Non-executive Directors of the Company in the paragraph headed (d) above, the issue of a circular by the Company to its Shareholders and the approval of the Shareholders of the Company in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the 12 month period up to and including the Offer Date:

(i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Offer Date; and

(ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HKD5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(a) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under subparagraph 4(e) above, all connected persons of the Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(b) Performance target

The Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and the Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. Exercise price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Exercise Price**") shall, subject to any adjustment pursuant to paragraph 7 below, be determined by the Board in its sole discretion but in any event shall be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date; and

(iii) the nominal value of a Share; provided that for the purpose of determining the Exercise Price under subparagraph 5(ii) above where the Shares have been listed on the Stock Exchange for less than five Business Days preceding the Offer Date, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each Business Day falling within the period before the listing of the Shares on the Stock Exchange.

6. Maximum number of Shares available for subscription

(a) Scheme Limit

Subject to subparagraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme, and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon Listing (the "**Scheme Limit**"), which is 27,500,000. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of Scheme Limit

The Company may seek approval by the Shareholders in general meeting for increasing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company under the Scheme Limit as increased from time to time must not exceed 10% of the total number of Shares in issue as at the date of the Shareholders' approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of the Shareholders under this the paragraph headed 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to the Shareholders.

(c) *Grant of options beyond Scheme Limit*

The Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by the Board before such approval is sought.

For the purpose of seeking the approval of the Shareholders under subparagraph 6(c), the Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) *Maximum number of Shares issued pursuant to the Share Option Scheme*

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) *Grantee's maximum holding*

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any 12 month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his close associates abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) *Adjustment*

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as the Company's independent financial advisor shall certify to the Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in the subparagraph 6(d).

7. Capital restructuring

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of Shares subject to any outstanding option;

(ii) the Exercise Price; and/or

(iii) the number of Shares subject to the Share Option Scheme, as the approved independent financial adviser shall at the request of the Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of the Company's shareholders.

(b) Independent financial advisor confirmation

In respect of any adjustments required by the above the paragraph headed 7(a), other than any made on a capitalisation issue, the approved independent financial advisor shall certify in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where the Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in subparagraphs 6(a), 6(b) and 6(c).

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name the Shares issued pursuant to the Share Option Scheme may be registered).

10. Rights attached to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of issue.

Accordingly, the Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the "**Registration Date**") other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of the Share on the register of members of the Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. Exercise of options

Unless otherwise provided in the respective Grantee's Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by the Board during which the Grantee may exercise his option(s) (the "**Option Period**") provided that:

(a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in the subparagraph 12(v) below, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with the Company or any of its subsidiaries, the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not);

(b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under the subparagraph 12(v) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);

(c) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them as Shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;

(d) if a compromise or arrangement between the Company and its Shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Act, the Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to Shareholders and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and

(e) in the event a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in subparagraphs 11(b) to (e) above;

(iii) the date on which the scheme of arrangement of the Company referred to in paragraph 11(d) above becomes effective;

(iv) the date of the commencement of the winding-up of the Company in respect of the situation contemplated in subparagraph 11(e);

(v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;

(vi) the date that is thirty (30) days after the date on which a Grantee is terminated by the Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under subparagraph 12(v);

(vii) the date on which a Grantee commits a breach of the paragraph 9 above or the options are cancelled in accordance with the paragraph 8 above; or

(viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. Alteration of the Share Option Scheme

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of the Board except that:

(a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Listing Rule 17.03, including without limitation, the definitions of "**Eligible Participant**", "**Expiry Date**", "**Grantee**" and "**Option Period**" contained in the Share Option Scheme; or

(b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of the Board in respect of alteration of the Share Option Scheme, must be made with the prior approval of the Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules and no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

(i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or

(ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. Termination

The Company may by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2022, the Group had a total of 555 employees (31 December 2021: 469). For FY2022, the Group incurred staff costs, including Directors' remuneration of approximately RMB121.7 million (2021: approximately RMB122.1 million (restated)).

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.

The remuneration policy of the senior employees of the Group was tabled and recommended by the Remuneration Committee to the Board. The Group remunerates its employees, including the Directors, on the basis of their merit, qualifications and competence. The Group's employees are subject to regular job performance reviews which determine their remuneration and compensation package. Subject to the Group's performance, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group.

Details of the emoluments of the Directors and members of Senior Management are set out under the section headed "Corporate Governance Report — Emoluments of Directors and Senior Management" in this Report. Details of the emoluments of the Directors for FY2022 are also set out in note 9 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors, Non-executive Directors and Independent Non-executive Directors, has entered into a service contract or an appointment letter with the Company for a term of 3 years, commencing from the Listing Date until terminated by enter party giving not less than 3 months' notice in writing to the other. All of them are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles. Their emoluments were determined by the Board by reference to the market level of salaries paid by comparable companies, tenure, commitment, their responsibilities and performance with the Company and shall be reviewed annually by the Remuneration Committee.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with the relevant rules and regulations in the PRC. Details of the Group's retirement benefit schemes are set out in note 7(b) to the consolidated financial statements.

According to the retirement benefit schemes of the Group, there is no applicable circumstance of forfeited contributions.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision as defined in the Hong Kong Companies Ordinance for the benefit of the Directors is currently in force and was in force throughout this year. The Company has maintained Directors' liabilities insurance which provides appropriate cover for the Directors. Pursuant to the Articles, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties.

RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during FY2022 are set out in note 34 to the consolidated financial statements included transactions that constitute continuing connected transactions upon the listing of the Company for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with in so far they are applicable. Joint venture, associate and key management personnel of ZIHG and a company managed by a key management personnel of ZIHG are related parties but not connected persons of the Company, and hence certain transactions entered into by the Group with the aforesaid parties in FY2022 would not constitute connected transactions under Chapter 14A of the Listing Rules.

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

Report of the Directors

During FY2022, the Group had the following related party transactions which constituted connected transactions of the Company:

(i) Purchase of goods of approximately RMB491,000 (2021: approximately RMB1,136,000) from ZIHG and its subsidiaries, joint ventures and associates that were conducted on terms no less favourable than terms available from independent third parties and in the ordinary course of business of the Group, which were de minimus transactions exempted under rule 14A.76 of the Listing Rules; and

(ii) Guarantees provided by ZIHG and its subsidiaries, joint ventures and associates for the Group's bank loans as at 31 December 2022 of approximately RMB224,346,000 (2021: approximately RMB80,383,000); which were not secured by any assets of the Group and is conducted on normal commercial terms or better.

CONTINUING CONNECTED TRANSACTIONS

The followings are the connected persons of the Company:

- Mr. Sun Juqing, a non-executive Director of the Company and hence a connected person;
- Ms. Zhao Hongyu, the spouse of a non-executive Director of the Company, Mr. Sun Juqing, and hence an associate of Mr. Sun Juqing and a connected person; and
- ZIHG, a company owned as to 35% by Ms. Zhao Hongyu and 27% by Mr. Sun Juqing and hence an associate of Mr. Sun Juqing and a connected person.

During FY2022, the Group had the following transactions which constituted continuing connected transactions upon the Company's listing that took place after the reporting period:

(1) Equipment usage framework agreement [1]

The Group entered into an equipment usage framework agreement with ZIHG on 14 December 2020, pursuant to which ZIHG Group will use the Group's water sprinkling vehicles for the three years ending 31 December 2022. The transaction amount for FY2022 was RMB182,000, which did not exceed the revised annual cap of RMB200,000 for FY2022. For details, please refer to note 34(b)(i) service income.

(2) Infrastructure construction works framework agreement [2]

The Group entered into an infrastructure construction works framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to engage the ZIHG Group to provide infrastructure construction works services, which shall include but are not limited to the construction of roads and bridges for the three years ending 31 December 2022. The transaction amount for FY2022 was approximately RMB7,036,000, which did not exceed the annual cap of RMB7,667,000 for FY2022. For details, please refer to note 34(b)(i) rendering of construction, survey, design, technical consultancy and other services.

(3) Technical consultancy services framework agreement [2]

The Group entered into a technical consultancy services framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to provide technical consultancy services for municipal works to ZIHG Group for the three years ending 31 December 2022. The transaction amount for FY2022 was nil, which did not exceed the annual cap of RMB1,378,000 for FY2022. For details, please refer to note 34(b)(i) rendering of construction, survey, design, technical consultancy and other services.

(4) Survey and design services framework agreement [(2)]

The Group entered into a survey and design services framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to provide survey and design services to the ZIHG Group for landscaping, ecological restoration and/or municipal works projects for the three years ending 31 December 2022. The transaction amount for FY2022 was RMB4,776,000, which did not exceed the revised annual cap of RMB20,000,000 for FY2022. For details, please refer to note 34(b)(i) rendering of construction, survey, design, technical consultancy and other services.

(5) Property leasing framework agreement [(2)]

The Group entered into a property leasing framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to lease properties from the ZIHG Group for office use for the three years ending 31 December 2022. The transaction amount for FY2022 was RMB2,436,000, which did not exceed the annual cap of RMB3,100,000 for FY2022. For details, please refer to note 34(b)(i) lease charges relating to short-term leases and leases of low-value assets.

(6) Landscaping and ecological restoration construction works services framework agreement [(3)]

The Group entered into a landscaping and ecological restoration construction works services framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to provide landscaping and ecological restoration construction work services to the ZIHG Group for the three years ending 31 December 2022. The transaction amount for FY2022 was RMB45,205,000, which did not exceed the annual cap of RMB141,301,000 for FY2022. For details, please refer to note 34(b)(i) rendering of construction, survey, design, technical consultancy and other services.

Notes:

(1) This agreement is categorised as "fully-exempt continuing connected transactions" as stated in the Prospectus. Since each of the relevant percentage ratios (other than the profit ratio) under the Listing Rules in respect of the agreement is expected to be less than 0.1%, the agreement constitutes de minimis transaction which will be exempted from the annual reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) These agreements are categorised as "partially-exempt continuing connected transactions" as stated in the Prospectus. These transactions are subject to the reporting, annual review and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(3) This agreement is categorised as "non-exempt continuing connected transactions" as stated in the Prospectus. Each of the applicable ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, in respect of the agreement is, on an annual basis, expected to be more than 5%. The agreement is subject to the reporting, annual review and announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the Independent Non-Executive Directors) have reviewed the above continuing connected transactions and confirmed that the transactions have been entered Into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors confirmed that the Company has complied with the requirement of Chapter 14A of the Listing Rules in relation to its continuing connected transactions in so far they are applicable.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740. *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of Rule 14A.56 of the Listing Rules, the Board confirms that the letter issued by the Company's auditor in respect of the disclosed continuing connected transactions has covered each of the matters set out in Rule 14A.56 of the Listing Rules and the letter has stated that nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with relevant agreements governing the transactions; and (iv) have exceeded the annual cap. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

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

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

(i) Long positions in our shares

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

Notes:

1. Mr. Sun Juqing is the spouse of Ms. Zhao Hongyu. Ms. Zhao Hongyu is the beneficial owner of 35% shareholding in Zonqing International and is therefore deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO. Accordingly, Mr. Sun is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.

2. Given that Mr. Liu Haitao is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.

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

Name of Director	Name of associated corporations	Capacity	Nature of interests	Approximate percentage of shareholding
Mr. Sun Juqing(1)(2)	Zonqing International	Beneficial owner	Long position	62.00%
Mr. Sun Juqing	Zonbong International	Beneficial owner	Long position	22.41%
Mr. Liu Haitao	Zonqing International	Beneficial owner	Long position	5.00%
Mr. Liu Haitao(3)	Zonbong International	Beneficial owner	Long position	60.11%
Mr. Shao Zhanguang	Zonqing International	Beneficial owner	Long position	5.00%
Mr. Shao Zhanguang	Zonbong International	Beneficial owner	Long position	7.04%
Ms. Lyu Hongyan	Zonbong International	Beneficial owner	Long position	1.92%
Ms. Wang Yan	Zonbong International	Beneficial owner	Long position	1.02%

Note:

(1) Mr. Sun Juqing and Ms. Zhao Hongyu are the beneficial owners of 27.00% and 35.00% shareholding in Zonqing International, respectively, as at the Latest Practicable Date. As Mr. Sun Juqing and Ms. Zhao Hongyu are the spouse of each other, they are deemed to be interested in the same number of shares that the other person is interested in for the purpose of the SFO.

(2) As at the Latest Practicable Date, Mr. Sun Juqing is the sole director of Zonqing International.

(3) As at the Latest Practicable Date, Mr. Liu Haitao is the sole director of Zonbong International.

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

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

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

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

Notes:

1. Ms. Zhao Hongyu is the beneficial owner of 35% shareholding in Zonqing International and is therefore deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO.

2. Mr. Sun Juqing is the spouse of Ms. Zhao Hongyu. Accordingly, Mr. Sun Juqing is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.

3. Given that Mr. Liu Haitao is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu Haitao is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.

4. Ms. Wang Tiannv is the spouse of Mr. Liu Haitao. Accordingly, Ms. Wang Tiannv is deemed to be interested in the Shares in which Mr. Liu Haitao is interested for the purposes of the SFO.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time since the Listing Date was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2022.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers are primarily state-invested enterprises or local governments, private enterprises and non-profit social organisations. Revenue from the largest customer accounted for 15.3% (2021: 12.7%) of the Group's total revenue, and sales to five largest customers combined is 40.5% (2021: 40.9%) of the Group's total revenue for FY2022.

The five largest suppliers and subcontracts is less than 30% of the Group's total cost of sales for FY2022 and FY2021.

None of the Directors or any of their respective associates or any Shareholder which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during FY2022 and FY2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business operates in an industry that is subject to changes in market conditions, changing industry standards, environmental regulations, industry competition and changing customers' needs. The Group's overall risk management programme focuses on the unpredictability of the industry, business environment and financial markets and seeks to minimise potential adverse effects on the Group's business and financial performance. It is important for the Group to timely respond to these changes which may adversely affect the Group's business and financial results.

Discussions of the principal risks and uncertainties faced by the Group are set out in the section headed "Management Discussion and Analysis — Quantitative and Qualitative Disclosures about Principal risks and Uncertainties" of this Report and note 31 to the consolidated financial statements and such contents form part of this Directors' Report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements of this Report. As at 31 December 2022, the Group did not hold any property for development, sold or investment.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has always maintained sufficient public float as required under the Listing Rules throughout the period from the Listing Date up to the date of this Report.

COMPETING BUSINESS

A deed of non-competition dated 14 December 2020 (the "**Deed of Non-competition**") was entered into between the Company and the Controlling Shareholders, who have undertaken to the Company that conditional upon Listing, he/she/it will not, and will procure his/her/its associates and any company directly or indirectly controlled by him/her/it (other than members of the Group) not to, directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with the existing principal business of the Group (the "**Restricted Activity**"), or hold shares or interest (whether as a shareholder, partner, agent, employee or otherwise) in any companies or business that engage in the Restricted Activity.

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

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

Report of the Directors

The Company has received written confirmation from the Controlling Shareholders in respect of his/her/its and/or his/her/its close associates' compliance with the Deed of Non-competition during the period from the Listing Date to the date of this Report. The Independent Non-executive Directors have reviewed the Deed of Non-competition and enforcement of the terms of the Deed of Non-competition by the Controlling Shareholders. The Independent Non-executive Directors confirmed that the Controlling Shareholders have not been in breach of Deed of Non-Competition during the period from the Listing Date to the date of this Report. Given the deed of Non-competition was not breached, the Independent Non-executive Directors considered that no further disclosure on the compliance with and the enforcement of the Deed of Non-competition and the decisions on matters reviewed by the independent non-executive Directors are required to be made in this Report.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during FY2022.

CHARITABLE DONATION

Charitable donations made by the Group amounted to RMB Nil (2021: RMBNil) for FY2022.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees and customers for the achievement of its short-term and long-term business objectives.

For FY2022, there was no serious and material dispute between the Group and its employees, customers and suppliers.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during FY2022 or subsisted at the end of FY2022.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing is set out in the section headed "Management Discussion and Analysis — Use of Proceeds from the Listing" of this Report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section of this Report.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Lee Kwok Tung Louis, Mr. Yin Jun, Mr. Gao Xiangnong. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements for FY2022 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. The Audit Committee has recommended the same to the Board for approval.

AUDITOR

The consolidated financial statements for FY2022 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of KPMG as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Sun Juqing
Chairman

Hong Kong, 30 March 2023

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the third Environmental, Social and Governance ("**ESG**") Report (the "**Report**") issued by ZONQING Environmental Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**" or "**Zonqing**"), which mainly focuses on the Group's management strategies and specific actions in environmental, social and governance aspects as well as its outlook for the future.

The board of directors and all directors of the Group guarantee that there are no false representations, misleading statements contained in or material omissions from the report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein.

Reporting Period and Scope

The Report discloses the Group's approaches, initiatives, and performance in relation to ESG management from 1 January 2022 to 31 December 2022 (the "**Year**" or "**Reporting Period**"). Some contents of the ESG Report dates to before 2022 and into 2023, thereby increasing reference value of the ESG Report. The textual contents and environmental scope data disclosed in the Report cover all subsidiaries of the Group and there are no significant changes compared to 2021.

Main Reporting Guidelines

The Report has been prepared with reference to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of the Stock Exchange of Hong Kong Limited (the "**HKEX**") as set out in Appendix 27 to the Listing Rules.

This report has been prepared in accordance with the following reporting principles:

Materiality: We identified key ESG issues through a materiality assessment, the process and findings of which have been disclosed in the ESG report.

Quantitative: Quantitative environmental and social information with historical data is presented in the ESG report, together with a description of its purpose and impact, and comparative data will be provided in future ESG reports.

Consistency: We employ a consistent approach to statistics disclosure. In the Report, we have maintained the same statistics disclosure for information previously disclosed in the previous year's report, and for information disclosed for the first time, we will adopt a consistent approach to ESG information disclosure in subsequent years to facilitate meaningful comparisons from year to year.

Publication

The Report is published in both Chinese and English versions online. All stakeholders can access to the Report on the website of the Group at http://www.zonbong.com/, and the website of HKEX at www.hkexnews.hk. In case of any discrepancy in the ESG Report, the Chinese version shall prevail.

Environmental, Social and Governance Report

Contact Information

We highly value our stakeholders and the public's opinion on the Report. Should you have any enquiries or suggestions, please contact the Group through the following means.

Address: 3/F, Zhongqing Building, No. 5888 Fuzhi Road, Changchun, Jilin Province
Tel: +86 431 8968 9717
Email: IR@zonbong.com

STATEMENT OF THE BOARD

The Board of Zonqing takes full responsibility for the Group's environmental, social and governance strategy and reporting. It is responsible for assessing and defining the Group's environmental, social and governance risks and ensuring that the Group has an appropriate and effective environmental, social and governance risk management and internal control system in place. The Board and all Directors guarantee that there are no false representations, misleading statements contained in or material omissions from the Report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein.

Zonqing mainly focuses on landscaping services and it has been vigorously developing its ecological restoration related business since 2016. In our development, we uphold the spirit of craftsmanship, insist on scientific attitude and pursue humanistic characteristics. Our landscape works integrate technology, culture and art, and are committed to the harmonious integration of human and nature and Zonqing is currently regarded as the most robust ecological restoration company in the Three Northeast Provinces.

The Board of Zonqing is the highest decision-making body for ESG management, guiding the Group's sustainability direction, formulating the Group's overall vision, objectives and management strategies for sustainable development, reviewing the Group's annual ESG report and promoting the implementation of ESG work within the Group by the relevant working groups under the Board. Through the materiality assessment of ESG issues, we have identified R&D and innovation as well as staff development and training as ESG issues of greater concern. Zonqing has been upholding the development concept of people-oriented and endeavour-oriented and recruiting talents from all over the world, at the same time giving full play to the protection and motivation role of welfare, and to standardise and strengthen the welfare management of employees in the Group. The Group continues to strengthen the cultivation of talents to promote the sustainable development of the Group.

In addition, we are conscious of the opportunities and challenges that the increasing environmental regulatory requirements and the trend towards green and safe sustainable development bring to the Group's operations. In the future, we will continue to adjust our sustainability management strategies and implementation in accordance with the expectations of our stakeholders and the actual situation of the Group's operations, so as to continuously enhance our sustainable development.

SUSTAINABLE DEVELOPMENT MANAGEMENT

Stakeholder Communication

The Group attaches importance to the communication with stakeholders and listens to opinions and suggestions from stakeholders such as government authorities, shareholders, customers, employees and suppliers through different channels. It has established an efficient stakeholder communication and feedback mechanism to identify the feedback and expectations of stakeholders on the Group, thereby enhancing the ESG performance of the Group in a targeted manner and responding effectively to the needs of all parties.

The Group fully considers and effectively responds to the expectations and aspirations of its stakeholders and works with them to promote social development and share the fruits of development.

Stakeholders	Stakeholder expectations	Communication and engagement mechanisms	Response from the Group
Investors	• Increase in market capitalisation and profitability of the Group • Continuous improvement in the Group's environmental and social responsibility performance	General meetings, information disclosure, official website of Zonqing	• Regular reporting, truthful and full disclosure of information, strive to improve performance and generate profits • To enhance the Group's governance and risk management, convene general meetings, strengthen investor relations management and strive to improve environmental and social responsibility management
Customers	• Quality products and services • Protection of legal rights	Signing contracts and agreements, customer satisfaction surveys	• Providing high quality products and services • Establishment of a comprehensive customer service system and customer feedback and complaint mechanism
Staff	• Protecting employees' remuneration and benefits • Caring for staff safety and health • Provide fair promotion and development opportunities • Improve communication mechanism and participate in the management of the Group	Labour contracts, employee satisfaction surveys	• Strictly abide by the terms of the labour contract and improve the remuneration and benefits system • Provide a safe and healthy working environment • Provide career development paths for staff and organise staff training • Provide equal access to communication

Stakeholders	Stakeholder expectations	Communication and engagement mechanisms	Response from the Group
Government	• Comply with the law, operate in compliance with regulations and implement national policies	Participate in government related meetings	• Strictly comply with relevant laws and regulations, continuously strengthen corporate compliance management and respond to relevant national policies
Supplier	• Integrity, fairness and cooperation for mutual benefit and promoting industry development	Signing contracts and agreements, holding regular tenders and suppliers' meetings	• Adhering to open and transparent business principles, we will actively honour our contracts and agreements and implement an open and transparent procurement model to create a responsible supply chain
Peers	• Fair competition, honest cooperation, transparent and open information • Comply with industry regulations and promote industry innovation	Communicate with industry-related research institutes, associations, mainstream media, etc.	• Strengthen communication and cooperation with peers to form healthy and orderly competition • Participate in industry innovation research for mutual benefit and progress, participate in industry evaluation and provide suggestions for industry regulations

MATERIALITY ASSESSMENT

The Group identified and screened ESG issues relevant to the Group through various forms of exchanges and communications with stakeholders in all fields in accordance with the requirements of the HKEX's ESG Reporting Guide and other relevant principles and ESG issues of general concern to the industry. The Group referred to the process of the Global Reporting Initiative ("**GRI**") for substantive analysis, collected and recorded the issues of concern to the Group's major stakeholders and the results of the assessment of the importance of each issue through questionnaires and interviews. By prioritising the selected issues, the Group learned about the importance of ESG issues to internal and external stakeholders, and identified the substantive (important) ESG issues of the Group, and disclosed them in the Report.

Materiality Assessment Process

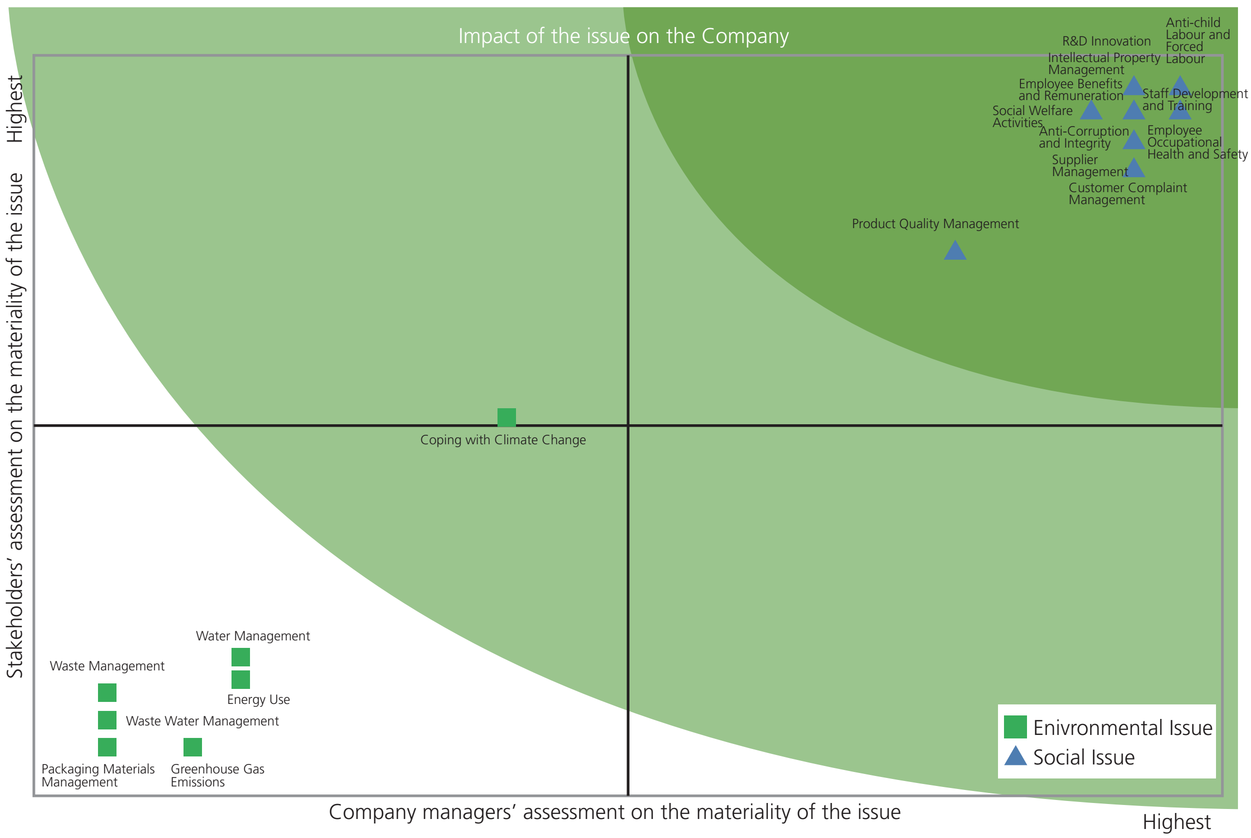
(1) Identifying ESG issues relevant to the Group through analysis of the HKEX's ESG Reporting Guide and issues disclosed by peers;

(2) Invite important stakeholders to assess the materiality of the identified issues, including the assessment by internal stakeholders mainly from the perspective of the Group's long-term development strategy, management improvement, urgency of engagement and competitive advantage, and the assessment by external stakeholders mainly from the perspective of the degree of influence on the Group's evaluation and decision making, as well as the influence on the external stakeholders' own interests; the assessments made by internal and external stakeholders were integrated to form the preliminary version of the materiality matrix;

(3) The prioritisation of the materiality of the issues as approved by the management of Zonqing;

(4) After the Reporting Period, the Group will organise feedback from internal and external stakeholders on the contents of the current report in preparation for the next report.

Materiality Matrix of Issues



Environmental, Social and Governance Report

1. RESPONSIBLE OPERATION

1.1 Quality Assurance of Works

With the goal of continuously improving the quality of works and building a quality brand image, Zonqing takes a series of measures to ensure the quality of products and services according to the Quality Management System of ZONQING Ecological Environmental Limited (中慶生態環境有限公司), builds a scientific and advanced quality management system according to GB/T 19001-2016 Requirements for Quality Management System, and manage and control quality and quantity according to national regulations and industry standards. The Group implements the protection of intellectual property rights, attaches importance to good communication with customers, actively promotes information security and fulfils its product responsibilities to achieve a win-win situation with customers.

➢ The Quality Management System of ZONQING Ecological Environmental Limited (中慶生態環境有限公司)

Details the specific processes and requirements of the eight modules of quality management, which include: quality objectives and approaches, quality inspection management, process acceptance management, quality analysis and alert, quality incident handling and investigation, quality responsibility investigation, completion acceptance and quality creation management.

➢ Quality Management System

Based on the GB/T 19001-2016 standard, we have established a quality management system based on our previous management experience, combined with our own characteristics and management needs, and integrated the management system into the operation and management process; formulated the relevant quality management rules and regulations and implementation rules at each level according to the relevant national and industry regulations and the regulations referred therein, and organised their implementation.

We focus on process optimisation, the systematic specification and management of processes and their interactions, and the management of processes and the system as a whole through the use of the PDCA cycle and always act with a risk-based mindset, with the aim of effectively capitalising opportunities, preventing undesirable outcomes and achieving objectives. Depending on the internal and external environment, we plan, implement, maintain and continuously improve to ensure that the desired outcomes of the management system are achieved.

In addition, we follow the project quality supervision and management model of "government supervision, legal person management, social supervision and enterprise self-inspection". All departments firmly establish quality awareness, establish a sound project quality assurance system, strictly strengthen the quality inspection work during the construction process, consciously monitor the quality of the project, and perform the function of quality management effectively. We ensure that the whole process of construction is under control to ensure that the quality of the construction works (products) undertaken are up to the requirements of the relevant national standards and regulations, and to meet the needs of customers in accordance with the law and in good faith.

The Group attaches great importance to the quality of products and services, for which it had established a strong technical team and set advanced technical standards, which shall be followed strictly by technical personnel. We engaged third party inspectors to conduct on-site quality assessment in accordance with the relevant requirements of national quality acceptance standards, and the acceptance rate of project quality completion achieved 100%. We considered both the requirements for high-tech enterprises and the development direction of the Group's business and products to formulate the R&D plan and to set quality standard to be improved, in particular, we formulated plans for patents, technical application methods of engineering and process, quality management achievements, demonstration projects, etc. to provide guidance for product quality improvement. If quality issue occurs during the construction of a project, it will be dealt with in accordance with the requirements of the quality management system of the Group in respect of non-conformities and quality issues. The Safety and Quality Department and the Project Department analyse the causes of quality issues raised by the construction unit or the supervisory unit, the design unit and the Quality Supervision Department, formulate corrective measures and carry out rework and repair according to the measures, and the project manager shall verify and record the results of the implementation of the corrective measures.

The Group has divided the control process of construction works into three stages: before, during and after. Pre-control includes controls such as identifying quality objectives, planning construction plans, producing "standard demonstration sections" and technical presentations. In-process control is carried out strictly with reference to the technical documentations compiled in accordance with the project characteristics and our existing standardised construction manuals, with data-based quality checks and acceptance conducted on a process-by-process basis and based on real measurements. The post-control stage analyses and aggregates the control data accumulated during the project implementation process for the application of quality management in subsequent works.

In the future, the Group will establish a technology and quality standard system indexed by products to promote technology synergy and integration: for our core products, we will summarise and establish a technical standard system with products as the main theme, refine high and cutting edge technology and improve the technical standard system covering all levels so as to support the product quality improvement technically. The integration of design, construction and maintenance is highlighted when going over the advanced technology and experience and the technical standard system was widely promoted and applied, which together formed the core competitiveness of brand quality supporting the development of the Group, thereby enhancing the quality of services; at the same time, the continuous improvement of quality management cannot be achieved without high quality human resources, advanced quality standards, innovative and efficient technology and techniques. The Group will take stock of the current knowledge and capability structure of its technical staff, analyse the blind spots in business knowledge, formulate targeted training programmes, further the development of more technical backbone talents, summarise and establish high quality technical standards, refine high and cutting edge technology and gradually improve the business technical standards system.

1.2 Customer Service Management

Zonqing follows the national strategy, insists on market-driven approach, leverages on its own product portfolio and actively focuses on its core customers. Currently the main customers are the government and its subordinate platform companies. Zonqing always adheres to the customer-oriented corporate culture and, in the process of business cooperation, insists on responding to problems as soon as they arise and customer satisfaction to be a fundamental part of our performance assessment to ensure the quality of customer service.

Zonqing always insists on the fundamental principle of "customer satisfaction is wholly determined by the customer", and investigates customer satisfaction through regular return visits, face-to-face interviews, telephone interviews and continuous communication on business satisfaction during the project implementation process. In addition, the Group implemented a strict confidentiality system for customer information and established a set of approval system and approval process for customer information management and information access, which were strictly enforced. During the Year, the Group served its customers from the perspective of the customers and went above and beyond to provide customers with legitimate services within its capabilities, which greatly enhanced customer satisfaction and successfully achieved the recommendation of new projects by existing customers.

In terms of handling customer complaints, Zonqing has a project manager for each project who is responsible for receiving and handling on-site complaints and telephone complaints, with an aim to resolve problems as soon as they arise. The project manager is the chief responsible person for each project, and according to the type of complaints, feedback will be escalated, and the project manager will follow up the whole process to ensure that customer complaints are handled in a timely manner. In 2022, Zonqing pushed its servicing to the forefront, requiring all business units to work together from the start of the project planning stage, to help owners facilitate their projects and solve problems from the customer's position, during which it has continuously carried out self-checking and self-correction work, ensured product quality, and enhanced its early warning and problem handling capability through the Public Opinion Management System. Communication within the Company is ensured to be barrier-free.

Zonqing attaches great importance to product quality and customer satisfaction, with no product complaint cases in 2022.

1.3 Intellectual Property Management

Product Development

The Group has established a product-oriented technical standard system and a management system for research and development and innovation and optimization to promote technological synergy and integration, refine high and cutting-edge technology, while continuously exploring key development areas in the industry to form a core competitiveness to support the integrated development of the Group and continuously promote technological innovation. In order to regulate the management of product research and development of the Group, Zonqing has strengthened the management and supervision of the product research and development process in various aspects such as research and development plan, research and development projects, research and development cooperation, scientific and technological achievements, and cultivation of scientific and technological talents.

In 2022, Zonqing invested RMB23,410,900 in research and development, and launched 14 research and development projects in the field of ecological environment construction and protection this year, injecting technical strength into the high-quality development of the Company. In the future, Zonqing will continue to uphold the direction of "focusing on R&D innovation to build a leading platform; covering a wide range of product chains to expand potential; insisting on a differentiated technology development strategy to obtain a number of patents; and formulating a comprehensive layout to enhance competitiveness and promote sustainable development", increase its strategic research and development efforts, focus on the environmental industry that we belongs, develop core technologies from multiple perspectives, including demand, policy and market opportunities, explore new profit growth opportunities and facilitate the Group's continuous lead and promotion in the development of the industry.

Intellectual Property Protection

Zonqing attaches importance to the management of intellectual property rights to protect the achievements of technological innovation and enhance the core competitiveness of the Company. The Group strictly complies with, among others, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Trademark Law of the People's Republic of China, fully respects the intellectual property rights of others, and is determined to protect its own intellectual property rights from infringement. At present, the Group has accumulated 105 intellectual property rights, including 3 invention patents, 41 utility model patents and design patents, 55 software copyrights, 5 trademark registrations and 1 domain name registration. There was an addition of 18 intellectual property rights, 4 software copyrights and 8 new utility model patents (6 for Zonqing and 2 for Guanyang) in 2022.

Huize, a subsidiary of Zonqing, encourages its staff to create inventions and production and process technology transformation, timely reporting of intellectual property rights for the intellectual achievements formed, assigning dedicated personnel in the product development department to be responsible for management, establishing an intellectual property rights file and data platform, classifying intellectual property rights according to their actual value creation, importance to development and maintenance cost, etc., and formulating a series of intellectual property rights management methods and procedures in accordance with the relevant national intellectual property rights laws and regulations and internal control processes.

For intellectual property rights that may have a significant impact on Zonqing, such as trademark rights, patent rights, copyright rights and domain names, the Group will engage professional agents to apply for them promptly, so as to protect the interests of the Group to the fullest extent possible; in the course of cooperation with other units or individuals, the Group will make detailed provisions on the ownership, scope of use, duration and distribution of subsequent research and development results of the intellectual property involved, enter into relevant legal documents and use the intellectual property rights in a comprehensive manner to protect the interests of the Group.

1.4 Sustainable Supply Chain

In the process of supplier selection, the Group pays special attention to the issues of environmental protection at work site and labour protection as most of the projects with suppliers involve landscaping and road construction. In addition to examining whether the subcontracting suppliers have all the valid licenses, whether they have the relevant engineering construction qualifications, whether they have experience in similar operations within the past three years and whether they have qualified engineering quality, we also pay attention to the integrity of the subcontracting suppliers' operation, whether there are irregularities such as defaulting on workers' wages, and whether the subcontracting suppliers should have no records of major safety and quality accidents, etc.

Zonqing attaches importance to the management of suppliers. The Group has established a supplier information database, recorded qualified suppliers into the information database and classified suppliers according to their stage management, evaluation results and application methods as follows:

➢ Strategic suppliers: For such suppliers, there is a certain appeal to bulk purchase from them, but it may lead to a higher supply risk due to excess dependency, in such case the frequency and level of communications with them should be increased and partnership should be established to ensure the stability of supply and reasonable price.

➢ Conventional suppliers: Such suppliers are mostly restricted to a relatively average supply volume due to their size or financial pressure. A stable relationship with them should be established, with constant incentives for them to improve themselves and upgrade their products, so as to increase their supply volume and reduce supply risks.

➢ Supplementary suppliers: Such suppliers are usually less likely to cooperate with us, and as such they are used as supplementary source of supply and the amount of cooperation should be reduced as necessary.

➢ Non-conforming suppliers: Such suppliers are those that have been identified as non-conforming through the performance evaluation process, or those who have engaged in bid-rigging, colluding in bidding, bribery and other malpractices in the procurement process, or who have maliciously breached contract terms in the course of performance, resulting in significant losses. Such suppliers represent an extremely high supply risk and cooperation should be terminated and procurement stopped.

The number of suppliers (or subcontractors) with which the Group have a business relationship with in 2022 is 826, with a breakdown by geographical region as follows:

Geographical region	**Number of suppliers**
North China (Beijing, Tianjin, Shanxi Province, Hebei Province, Inner Mongolia Autonomous Region)	80
Northeast China (Heilongjiang Province, Jilin Province, Liaoning Province)	624
Northwest China (Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region)	3
East China (Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Shandong Province)	89
Central China (Henan Province, Hubei Province, Hunan Province)	7
South China (Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province)	19
Southwest China (Sichuan Province, Guizhou Province, Yunnan Province, Chongqing, Tibet Autonomous Region)	4
Hong Kong, Macau and Taiwan	0
Overseas	0
Total	826

In terms of supplier evaluation and assessment, we have adopted a scoring mechanism, with four dimensions of evaluation indicators, namely "supply indicators", "quality indicators", "support, cooperation and service indicators" and "economic indicators". The four indicators are scored out of 100 points, with 30 points for supply indicators, 40 points for quality indicators, 10 points for support, cooperation and service indicators, and 20 points for economic indicators. This is used to examine the supplier's performance in terms of corporate quality, raw material sources, production processes, supply continuity, factory sites, quality documentation and processes, procurement documentation, warehouse packaging, staffing and production management. We classify suppliers into four ratings, namely A, B, C and D, based on a percentage system. Suppliers with an A, B or C rating will continue to be qualified suppliers, while those with a D rating will be unqualified or blacklisted directly. The supplier's rating will have different rating scores depending on the project and the stage of implementation of the contract. The whole process of evaluation is dynamic, with the later ratings always taking precedence over the earlier ratings, i.e. the most recent rating is the latest rating of the supplier. The details of which are as follows:

Number	Rating score	Supplier rating	Corresponding action
1	90-100	Grade A	This type of supplier is recommended as either a framework agreement supplier or a strategic supplier
2	80-89	Grade B	This type of supplier is recommended as a general supplier
3	70-79	Grade C	This type of supplier is recommended as a supplier that requires guidance for improvement
4	69 or below	Grade D	This type of supplier is recommended to be eliminated, and if the contract is still in progress, improvement requests will be made and rectification will be required to be completed in a timely manner. The supplier will be suspended from purchasing and the member of the Group will determine the risk exposure from payment and will not be allowed to continue with the payment process until the risk is eliminated. The supplier would be removed from the supplier database and the procurement relationship would be terminated. (Normal purchases can still be made with a single source supplier who has a D rating)

In relation to environmental protection, some projects require suppliers to provide "Certificate of Environmental Management System Certification", "Certificate of China Environmental Labeling Product Certification", "Certificate of Selection of Green Building Products", etc., and to enforce the requirements of national standards such as "Limit of Radionuclides in Construction Materials" (GB6566-2001).

In the future, the key strategy for the Group's supplier management is to provide timely incentives that can reflect the principles of fairness, consistency and equitableness, incentives are mainly the following: pricing incentives, i.e. pricing to take full account of the supplier's reasonable profit; order incentives, i.e. suppliers with satisfactory performance would be awarded more purchase orders; goodwill incentives, i.e. give feedback to suppliers who value goodwill, such as letters of thanks, supplier honorary award, etc.; elimination incentives, i.e. enhance crisis awareness among suppliers and make them more dynamic by eliminating substandard suppliers.

1.5 Information Security and Privacy Protection

The Group fully understands the importance of information security, customer privacy, business confidential management and data protection. We improve our information management system consistently, including management systems for server rooms and information security. The server room management system manages servers, switches and other equipment to ensure the safe operation of hardware equipment; the information security management system clearly stipulates the network security behavior in the office area and prohibits unsafe network actions through the establishment of switch rules, virus checking before copying files from outside to make sure magnetic media and files clean, approval of competent person required for copying out internal files, and setting network IP bound to the physical address of each computer to ensure that any network operation on computer can be traced.

The Group has formulated a Data Security and Confidentiality System. We have arranged for a designated information manager to be the main person responsible for the network and data security and confidentiality system, clearly delineated the level of information breach within the Group and graded the control, established comprehensive security measures for data use, storage, transmission and backup, and limited and controlled the security of staff system application through the system.

In addition, all machines in Zonqing have been installed with legitimate Tianqing Firewall (天擎防火牆), and the information system is deployed separately from the data servers, only the applications could be connected to external source while the data servers are not released to the public, thereby ensuring data security.

In the future, the Group would consider the information system in the form of a VPN virtual local area network, where the information system will run without the aid of the Internet but will be accessed on the intranet, and the file server will be empowered with a file encryption system to protect the Group's digital assets by means of encryption and effective time limits for the Group's important document archives.

1.6 Giving Back to the Community

Since its establishment, Zonqing has been bravely undertaking social responsibilities, actively responding to the national call and committing to public welfare, adding to the harmony and win-win momentum. In recent years, we have mainly participated in social welfare activities by involving in social events (e.g. caring for disabled families) and actively participating in environmental maintenance (e.g. donation to the Changchun Jingyue Greenway). This year, Zonqing contributed approximately RMB300,000 in public welfare activities, as we actively respond and adapt to government's call to fulfil our corporate mission and social responsibility.

In 2022, at the height of the pandemic in Jilin Province, Zonqing actively contributed to the front line of the fight against the pandemic and assumed social responsibility with practical actions. We were the first to devote ourselves to the construction of the mobile cabin hospital and isolation sites, and with an unbreakable spirit to fully ensure the smooth construction of the mobile cabin hospital and isolation sites. At the same time, we organised our staff to join in the frontline work and more than 100 volunteers from our Group joined the frontline to safeguard the dietary needs of local residents.

In the future, we will encourage our staff to participate more in social assistance and public welfare activities to better serve the society; and through cooperation with industry associations and schools, we will rely on relevant national platforms and industry advantages to organise and promote public welfare activities and give back to the society.

1.7 Operating with Integrity and Compliance

Zonqing attaches importance to honesty and integrity and believes that integrity is an important guarantee for long-term development and has won the confidence of all parties. We advocate a corporate culture of honesty and integrity, with integrity being a corporate culture value embedded within the Company, to create an anti-corruption corporate cultural environment, and strictly abide by the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China and other anti-corruption and anti-money laundering regulations, and pays high attention to the construction of an anti-corruption and bribery system. We have gradually developed an anti-corruption risk assessment process that is suitable for the Group's own development:

➢ The management of the Group provides adequate protection in terms of budget, staffing and preparation of working conditions.

➢ The management of Zonqing advocates a corporate culture of honesty and integrity, specifying the code of professional ethics for employees and stipulating the "six strict prohibitions" disciplinary requirements, i.e., it is strictly prohibited to give new year gifts (except greeting cards, emails and test messages) to superiors, to accept banquets, gifts, gratuities and other properties from suppliers or cooperative units in violation of the law, to receive and send by logistics express, WeChat Red Packets and other hidden means, to use corporate funds to invite each other to banquets, to organise or participate in consumption and entertainment activities paid by corporate funds, and to gamble.

➢ We conduct effective communication or training internally through a variety of forms (through employee handbooks, publication of company rules and regulations, publicity or the internet, etc.) to ensure that employees receive trainings on the topics of laws, regulations and codes of ethics so that they understand the code of conduct; and to help employees identify legal and illegal, ethical and non-ethical conducts.

➢ In order to effectively prevent the occurrence of corruption practices, Zonqing and its subsidiaries continuously improve its internal control system and conduct regular internal control self-assessment work. When conducting functional management audits of each functional department of Zonqing, we will establish key control points where corruption risks may occur, evaluate the construction and performance of anti-corruption systems and processes, and promptly analyse and propose prevention and control measures for major corruption incidents.

The Group organises integrity and anti-corruption training for all staff on a quarterly basis. In March 2022, we conducted online training on the systems and processes related to anti-corruption and organised an integrity briefing for all staff to fully implement anti-corruption work from an ideological and management perspective and enhance awareness on work integrity.

For the procurement process, we have also implemented a series of measures to prevent corruption, including auditing and supervision by the Internal Audit and Legal Affairs Center at all points of the procurement process, and annual rotation mechanism of procurement personnel by the Human Resource Culture Center. In the procurement process, if any acceptance of bribes are found, the violators will be dealt with in accordance with the relevant disciplinary measures; we ensure that the procurement process is compliant and suppliers are required to register for a group platform account; the procurement process is open and all price enquiry documents are sent to designated mailboxes. In addition, in the process of cooperation with suppliers, we actively promote the procurement system to suppliers, make public the telephone number for complaints and reports, and sign the Integrity Agreement while entering into the contract to jointly promote anti-corruption work with suppliers. In addition, we regularly visit suppliers to provide feedback on recent cooperation, organise annual and monthly supplier evaluations and collect feedback on non-compliance.

In 2022, we clearly stated the standards for supervision and inspection of procurement implementation and management in the Material Procurement Management System, and established an inspection mechanism with related provisions. Relevant personnel who are involved in procurement activities shall strictly abide by this system and all applicable laws, regulations and company disciplinary rules, act with integrity and discipline, safeguard the interests of the Company, and consciously accept supervision and inspection from relevant authorities, which are achieved by:

➢ rejecting a range of non-compliant behaviours, such as blindly made material plans that cause material backlogs, rejecting unauthorised procurement practices, rejecting participation of family relatives in and automatically recusing themselves of bidding activities, and rejecting improper supplier competition participation.

➢ taking charge of ensuring the reasonableness, rigour and confidentiality of the supporting information provided in the course of the procurement activities by the procuring units. If errors in the information provided resulted in accidents in procurement activities and financial loss, the Engineering Management Center will arrange for relevant departments to analyse the causes of the accidents and deal with the relevant responsible units and persons.

➢ carry out the relevant reporting of procurement personnel who are involved in bribery in accordance with the Integrity Agreement under the contract, adding a layer of protection to upholding honesty and integrity.

In early 2022, the Group revised its Anti-fraud Management System. In order to strengthen the integrity building of a clean Zonqing, to prevent corruption and bribery, and to better convey to our suppliers (business partners) of Zonqing's philosophy of win-win cooperation through honesty, the Group sent a "Letter to our Suppliers (Business Partners)" to all of our partner suppliers on 30 May 2022.

For the reporting process, we have set up effective reporting procedures to ensure a smooth reporting channel. For reports involving non-senior management staff, the Risk Management Center will report to the Group's divisional leader within two working days upon receipt of the report and commence investigation and handling in accordance with the instructions. The Risk Management Center reports the results of the investigation to the Group's divisional leader, who will then make a decision on the penalty for corrupt practices by non-senior management staff. For reports involving senior management, the Risk Management Center will report to the Audit Committee within two working days upon receipt of the report, and the Audit Committee will decide on further investigation matters. If necessary, a special investigation team may be set up or external professionals may be engaged to carry out the investigation, and the Audit Committee, together with the relevant departments, will make a decision on the penalty for corrupt practices by senior management.

We strictly protect the privacy of the whistleblower's relevant information and the content of the report. The Group's Human Resources and Culture Center is responsible for the implementation of penalty resolutions in corruption cases. Staff receiving complaints or participating in corruption investigations are not allowed to provide information about the complainant and the contents of the report to any department or individual without permission; if there is a need to inspect information related to a complaint or report for work purposes, prior approval should be sought from the head of the Audit and Compliance Department. At the same time, the inspector should register the content, time and relevant information of the inspector with the Risk Management Center. The Risk Management Center is responsible for filing the relevant materials of corruption cases after investigation and handling.

During the Year, the Group strictly complied with the relevant laws and regulations on anti-corruption and anti-money laundering and there were no violations in the area of anti-corruption that had a significant impact on the Group.

In the future, the Group will continue to improve its internal control system and conduct regular internal control self-assessment work. When conducting functional management audits of each functional department, we will establish key control points where corruption risks may occur, evaluate the construction and performance of anti-corruption systems and processes, and promptly analyse and propose prevention and control measures for major corruption incidents.

The Group is determined to uphold a healthy integrity system and its anti-corruption reporting channels are as follows:

➢ Address for reporting by post: Zonqing Huize Landscape Environmental Construction Limited, 3/F, Zhongqing Building, No. 5888 Fuzhi Road, Jingyue District, Changchun.

➢ Address for reporting personally: Risk Management Center, Zonqing Huize Landscape Environmental Construction Limited, 3/F, Zhongqing Building, No. 5888 Fuzhi Road, Jingyue District, Changchun.

➢ Reporting by email: zonqingsj@163.com

2. TALENT TRAINING AND DEVELOPMENT

2.1 Safeguarding Employee Rights

Zonqing has been upholding the development concept of people-oriented and endeavour-oriented and recruiting talents from all over the world. We strictly abide by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Social Security Law of the People's Republic of China (《中華人民共和國社會保險法》) and other relevant laws and regulations, and have formulated internal systems such as the Personnel Management System, the Salary Management System, the Welfare Management System, etc., to continuously improve the employment mechanism of talents, so that the management of employees can be standardized subject to rules and regulations, which in turn facilitate rapid development of the Group.

We have formulated a Recruitment Management System and a Personnel Management System, insisted on equal pay for equal work, set positions by ability, and we will not consider gender, nationality, country, etc. in the selection and hiring process.

We have formulated a Salary Management System, set up a scientific compensation system, given full play to the compensation management function and made employees clearly understand the salary system, salary composition, and salary accounting to increase transparency and fairness. We have established a scientific and effective talent cultivation mechanism and enhanced employees' sense of belonging by providing them with competitive salaries and benefits, and organizing diversified team building activities.

We have formulated a Personnel Management System to regulate attendance and leave management, so that employees are entitled to all national statutory holidays, as well as full pay for maternity leave and Chinese New Year holidays set by the Group in addition to the statutory ones after completing the approval process in accordance with the system.

In order to regulate the daily attendance of the Group's staff and to achieve effective staff manage, we have formulated a Attendance and Leave Management System in accordance with the relevant labour laws and regulations of the PRC, under which employees are entitled to personal leave, sick leave and medical leave, maternity leave, marriage leave, bereavement leave, family visit leave and paid annual leave.

In 2022, the Group did not have any irregularities in terms of remuneration packages, or irregularities in terms of working hours and holidays.

Zonqing strictly abides by the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and other relevant laws and regulations in all recruitment and employment, and strictly prohibited child labour and forced labour. We have established a strict Recruitment Management System, and the Human Culture Department will conduct strict verification and background checks on the identity cards, academic certificates and resumes provided by interviewees in the process of recruitment. As for formally newly-hiring employee, an agreement will be signed to require he or she to assume legal responsibility for the truthfulness of all information he or she provides for hiring. We also introduce the information including group introduction, job duties, working environment, workplace, salary standard, etc. to ensure that both parties get the true and effective information.

We recruit talents through various channels, such as campus recruitment, social recruitment and headhunting, to achieve diversification of talent recruitment. We treat employees of different nationalities, races, genders, and ages fairly to prevent employment discrimination, child labour, and forced labour. Zonqing also effectively protects the legitimate rights and interests of its employees and makes reasonable arrangements for their working hours, strictly implements the 8-hour working day and strictly manages overtime work. For the valid overtime work of our employees, the Group arranges alternate leave or compensation leave according to the law.

The total number of Zonqing employees in 2022 is 555, with a breakdown by employee category, gender and geographical region as follows:

		2022	2021
Total number of employees by employee category	Full-time	**555**	469
	Part-time	**0**	0
Total number of employees by gender	Male	**361**	307
	Female	**194**	162
Total number of employees by geographical region	Jilin	**506**	215
	Outside Jilin	**49**	254
Total number of employees by age group	25 and below	**17**	13
	26-30 (including 30)	**133**	85
	31-35 (including 35)	**170**	154
	36-40 (including 40)	**152**	114
	Over 40	**83**	103

The following is a breakdown of Zonqing employee turnover rates by gender, age group and geographical region in 2022:

<table>
<tr><th colspan="2"></th><th>2022</th><th>2021</th></tr>
<tr><td rowspan="2">Employee turnover rate by gender (%)</td><td>Male</td><td>16.90%</td><td>26.38%</td></tr>
<tr><td>Female</td><td>20.10%</td><td>45.68%</td></tr>
<tr><td rowspan="2">Employee turnover rate by geographical region (%)</td><td>Jilin</td><td>18.58%</td><td>49.77%</td></tr>
<tr><td>Outside Jilin</td><td>12.24%</td><td>18.90%</td></tr>
<tr><td rowspan="5">Employee turnover rate by age group (%)</td><td>25 and below</td><td>5.88%</td><td rowspan="2">63.27%</td></tr>
<tr><td>26-30 (including 30)</td><td>26.32%</td></tr>
<tr><td>31-35 (including 35)</td><td>24.12%</td><td>32.47%</td></tr>
<tr><td>36-40 (including 40)</td><td>9.87%</td><td>19.30%</td></tr>
<tr><td>Over 40</td><td>9.64%</td><td>20.39%</td></tr>
</table>

During the Year, Zonqing did not have any cases of discrimination, child labour and forced labour.

2.2 Employee Care and Welfare

In order to standardise and strengthen the welfare management of employees, and give full play to the protective and motivational role of welfare, we have formulated a Welfare Management System, with employee benefits including statutory benefits and corporate benefits. The Group pays social insurance for all employees in accordance with the Labor Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China and other relevant laws and regulations. Corporate benefits include medical check-up benefits, holiday benefits, wedding benefits and bereavement supports, birthday benefits, heating subsidies, communication subsidies, fuel subsidies, title subsidies, missed meal subsidies, accommodation subsidies, family visit subsidies, overseas subsidies, home rental subsidies, and summer heat protection subsidies. During the pandemic in 2022, Zonqing purchased face masks, disinfectant alcohol, hand sanitizer and other pandemic prevention supplies for the employees of the Company, and strictly prevented and controlled the pandemic to ensure the safety of the employees.

2.3 Employee Health and Safety

The Group's safety management is based on the principle of safety first, prevention, comprehensive management and full participation. Daily safety management is carried out in accordance with the Safety Management System of the Company. All construction projects implement PDCA for dynamic control to ensure safety construction. We also build a scientific and advanced safety management system in accordance with GB/T24001-2016 "Environmental Management System Requirements and Guidelines for Use" and GB/T 45001-2020 "Occupational Health and Safety Management System Requirements", with emphasis on continuous improvement, prevention and process control to ensure the health and safety of our employees.

In strict compliance with relevant national laws and regulations, the Group has implemented the production safety responsibility system and strengthened on-site safety management. For three consecutive years, no work-related accidents occurred in respect of personal injury, electrical work safety, safety in working at heights, commuting and other safety aspects.

The Group places great importance on occupational health and safety at work on all its construction sites. In accordance with national and local health and safety laws and regulations, we strive to provide a safe and comfortable working environment for our employees.

➢ We have developed comprehensive safety policies and guidelines for our employees, such as the Safety and Civilisation Construction Standards Manual, the Visual Image Identification System Manual and the Safety Management Manual. Each project is equipped with its own emergency management system to prevent the occurrence of emergency safety incidents;

➢ For specific types of work at the construction site that are exposed to dust hazards from marble cutting, the electric arc related hazards from welding, heat stroke, noise and other hazards, management and operating personnel are equipped with labour protection equipment, and employees are equipped with safety protection equipment such as reflective vests, insulated gloves, safety helmets, insulated shoes and safety belts, etc. We set up fire-fighting equipment or safety protective facilities for dangerous sites according to the operation site conditions to ensure their installation and use are in compliance with applicable international or industry standards;

➢ Regular inspection and maintenance of fire protection and protective equipment are conducted to ensure their installation and use are in compliance with applicable international or industry standards.

➢ Enhance efforts in safety education as we have organised safety education training for new hires, education on health and hygiene and education on new safety laws to enhance the safety awareness of all staff.

In addition, the Group provides medical insurance, social insurance and work injury insurance for all employees in accordance with national laws and regulations, as well as accident insurance for employees who are unable to pay the statutory insurance, mainly including previously retired employees and interns, to ensure that employees are protected in case of accidents. At the same time, the Group arranges annual medical check-ups for all employees so that they can keep abreast of their health conditions.

Regarding its future production and operation, the Group will ensure capital investment in safety, improve and create good conditions for safe production, create a harmonious and safe working atmosphere, and strive to continuously improve production working conditions, reduce the labour intensity of employees and optimise the working environment through technical enhancements such as new construction technologies, new techniques, new equipment and new materials, so that the safety and health of employees can be effectively guaranteed. Zonqing will gradually implement a digital safety control system and establish a MIB system for front-end risk prediction + cloud-based safety management business system targeting monitoring, supervision and evaluation during the construction process, so as to form a "modernised dual-system mechanism" for control purposes. Through the promotion and application of the modern safety control system, the Group will form a safety control business system that supports the core competitiveness of the development of Zonqing to ensure construction safety and reduce the occurrence of safety incidents.

During the Reporting Period, the Group did not have any safety incidents of general or above level, or any non-compliance with occupational health and safety laws and regulations.

2.4 Staff Development and Training

Zonqing has always insisted on the talent development concept of "technology and talent are keys to success", and has always adhered to the talent development concept of "endeavour-oriented", incentivising and rewarding the endeavours and direct contributors of performance. Zonqing has built a scientific talent cultivation system and establish a comprehensive talent evaluation system and talent motivation system to help the development of corporate talent and the sustainable development of Zonqing. We have established various comprehensive talent cultivation systems, such as "Cadre Talent Cultivation System", "Reserve Talent Cultivation System" and "New Employee Cultivation System", and established "Training Management System" and "Internal Training Management System" to ensure the cultivation of talents for the company.

In 2022, we focused on establishing a multi-channel talent development path and has set up a comprehensive talent evaluation and motivation system, such as the Personal Performance Management System, the Organisational Performance Management System, the Cadre Evaluation System, the Job Qualification System, the Leadership Evaluation System and the Promotion Mechanism, so as to accurately evaluate the value of our employees and provide support to employee development. In order to meet the training needs of personnel in different positions and at different levels and allocate training course resources more effectively, the Group stratifies and grades various training jobs, combines online and offline trainings and sets up different types of training courses such as the "Race to the Top" class (競航班), the "Leading the Way" class (領航班), the "Starter" class (啓航班) as well as special training camps for project teams (項目班子特訓營), to achieve more effective training with proper training methods and courses. We analyze technical knowledge and ability of employees to identify their business blind spots, and implement targeted training to make up for their weak links, achieving the expected target in the average results of training assessment and gradually enhancing the ability of employees.

In 2022, the Group set up a dedicated talent development programme for corporate talent development, organising more than 100 training sessions throughout the Year, with a 100% staff coverage rate.

➢ Leadership Programme: Focusing on the development of senior corporate talent and building six leadership skills at the top;

➢ Visionary Programme: Focusing on the development of middle-level cadres, with emphasis on enhancing professional and management capabilities;

➢ "Race to the Top" Programme: Focusing on developing a cadre of reserve talent to provide a reserve force for the sustainable development of business operations;

➢ Stability Programme: Focusing on cultivating core talent at the base level, facilitating the development of business experts and business experts;

➢ Starter Programme: Focusing on new staff development, we have created a 180-day turnaround programme for new staff to speed up their integration and enhance their recognition.

In 2022, the total number of training hours provided to Zonqing employees was 10,655, with an average of 39.5 training hours completed per employee, particulars of which are as follows:

Type	Key indicator	2022	2021
Percentage of trained staff by gender (%)	Male	**100%**	100%
	Female	**100%**	100%
Percentage of trained staff by function (%)	Senior management	**100%**	100%
	Middle management	**100%**	100%
	General staff	**100%**	100%
Length of training per person (hours)	Male	**40.3**	43
	Female	**38.7**	43
	Senior management	**57.5**	60
	Middle management	**52.3**	75
	General staff	**36.7**	42

In the future, we will continue to adopt a multi-dimensional strategy with distinct levels and grades, and train and empower personnel in a more flexible manner based on the development characteristics of the enterprise and the industry, and implement various training efforts. We have developed a talent training plan for 2023, strengthening the training of talents at all levels, so as to facilitate the development of our talents.

Environmental, Social and Governance Report

3. GREEN AND SUSTAINABLE DEVELOPMENT

3.1 Improving the Ecological Environment

Based on the environmental attributes of its business, the Group has been committed to the comprehensive creation of urban ecological environment, with the mission to eliminate pollution and transform the urban environment. In recent years, the Group has been carrying out a number of projects successively, including the treatment of polluted rivers, construction of urban waterfront gardens, restoration of regional water ecosystem and mine reclamation.

Construction Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I)

This project belongs to the Beihu Park upgrading project, a comprehensive park built to improve the environment around Beihu in Changchun High-tech Zone. In the process of construction, we will adhere to the principle of people-first, commit to a comprehensive, coordinated and sustainable new concept of development, coordinate our work, actively corresponding to the national environmental protection policy, implement an environmental protection responsibility system, apply transparency, achieve energy saving, emission reduction, standardised construction, fulfil the environmental protection standard requirements.

The environmental protection measures adopted are as follows:

1. Set up gates and security rooms at all main entrances and exits of the construction site, and all construction areas are fenced off.

2. Dust suppression:

➢ Established a sprinkler cleaning system, performed dust reduction on-site and conducted road cleaning with various sprinkler and dust reduction facilities, supervised and inspected by dedicated safety officers;

➢ Performed dense mesh netting over bare soil areas and turf and shrub planting in the project office area;

➢ Adopted closed cover measures for earth and granular material transportation vehicles;

➢ Set up vehicle washing facilities at the entrance and exit of the site to keep vehicles entering and leaving the site clean;

➢ Covered the exterior scaffolding by safety nets during the construction phase of the structure.

3. Waste disposal

   ➢ Separated construction waste into piles and maximised their usage;

   ➢ Separated domestic and office waste for recycling, adopted enclosed transportation of waste, which are handed over to professional entities for disposal.

4. Sewage discharge

   ➢ Site roads and material stacking sites are sloped to ensure that rainwater flows into green areas;

   ➢ Domestic sewage is treated by sedimentation and then handed over to professional entities for external disposal.

5. Pesticides and hazardous materials management

   ➢ Greening and maintenance pesticides are managed by dedicated staff, with a centralised and coordinated inventory system and a real-name collection system implemented;

   ➢ The packaging of hazardous chemicals is collected and managed in a uniform manner and handed over to professional entities for disposal after reaching a certain level;

   ➢ Avoid high winds and rainy weather when applying pesticides on site to ensure no endangerment to surrounding area.

6. Noise control

   ➢ The construction site is enclosed and construction activities is forbidden at night to avoid disturbance;

   ➢ Strengthen vehicle management by driving at low speeds and not sounding horns.

7. Material conservation and material resource utilisation measures

   ➢ Implemented a prototype guidance system to reduce material wastage due to repeated operations by workers;

   ➢ Adopted a customised, tooled and standardised facility for temporary construction and safety protection on site.

The above environmental protection measures which we adopted have received recognition from the owner and praise from the surrounding residents. In the next phase of work, the Group will continue to pay close attention to the management of environmental protection construction and strictly implement the responsibility of environmental protection construction management, so as to improve the level of environmental protection construction management and take it to the next level.

3.2 Coping with Climate Change

In the course of construction, we may face the challenges of extreme weather such as heavy rain and snowstorm. The Group prepared the Emergency Management System, the Emergency Rescue Material and Equipment Management and Maintenance System and the Environmental Monitoring Management System at the beginning of each year to strengthen the response to severe and extreme weather.

The Group formulates emergency plans according to the prevailing situation and project characteristics, and establishes an emergency management team. The emergency plan is prepared by the Business Department, reviewed by the Deputy General Manager in charge and approved by the General Manager for implementation. We have formulated a Comprehensive Emergency Plan and a Site Disposal Plan, which were issued to each project department, and each project department has compiled an Emergency Plan in accordance with the emergency plan formulated by the Group, and equipped with relevant emergency supplies and emergency personnel to handle relevant issues arising from extreme weather in a timely manner. Emergency plans include plans for construction in winter and rainy season, for example, when it snows in winter, the Company will issue a notice within half an hour after the snow stops to clear the snow in time to ensure smooth passage; in case of heavy rain or windstorm, it will implement protection measures in advance and conduct inspection inside the park afterwards to ensure safety. In response to extreme weather conditions such as typhoons, Zonqing issues real-time notifications and conducts real-time monitoring of the damage caused by typhoons and other extreme weather conditions, and activates emergency plans to minimise possible losses.

During the construction process, the relevant departments maintain close communication with the meteorological department to understand the weather conditions in real time and implement protection measures in advance. In case of extreme weather, we will issue an early warning alert to the Project Department to highlight the risk points and countermeasures, and immediately activate the emergency plan and respond accordingly.

In addition, we organise a Comprehensive Emergency Plan Drill and Field Response Plan Drill every year in accordance with the national laws and regulations and the relevant regulations of Jilin Province to improve the ability of all staff to respond to emergencies.

The Group's principal activity is the construction of landscaping. We are committed to the national carbon peaking and carbon neutrality goal, promoting the reduction of greenhouse gas emissions with carbon dioxide emissions as the principal target in the fight against climate change. The Group strives to make solid contributions in the national goal of achieving carbon peaks and carbon neutrality. In 2022, the Group planted 23,043 trees, 541,347 shrubs and approximately 497,882 square metres of plants and flowers, and we have also put in place measures to save energy and materials, improve the ecological environment and manage emissions to make unremitting efforts for achieving the carbon peaking and carbon neutrality goal.

3.3 Emissions Management

The Group strictly adheres the environmental protection policies, laws and regulations of the state and local governments, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of People's Republic of China on Prevention and Control of Water Pollution, the Law of People's Republic of China on Prevention and Control of Atmospheric Pollution and the Law of People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste, etc., and all indicators comply with the ISO14000 family of environmental management standards of the International Organization for Standardisation. We take active measures to manage our emissions and fulfil our environmental responsibilities.

We have established an environmental protection system parallel to our quality and safety assurance system, setting up an environmental protection leadership team headed by our managers, equipped with effective technical facilities, and actively collaborating with local governments and environmental protection departments to fully control construction pollution, reduce sewage, air dust and noise pollution, and ensure compliance with national standards. Each project has dedicated persons responsible for the prevention of dust, noise and water pollution to ensure that appropriate measures are taken to reduce potential environmental impacts and to achieve environmental friendliness during the project. Measures taken include:

➢ Reasonably arrange cleaning vehicles on site and take covering measures during water sprinkling, loading and unloading of fine particulate bulk materials for transportation and ensure that no spills are made along the way and that construction site transport vehicles leave the site without mud and sand;

➢ Use fences to separate the construction area from non-construction areas to prevent affecting the environment outside the construction area;

➢ Ensure that site sewage is discharged after treatment and require secondary use of construction water whenever possible.

We strictly check dust, noise, water pollution and other pollution prevention work of the construction site to ensure its effective operation and assign the responsibility to specific persons. For the selection of engineering materials and fittings, we adopt the measure of centralized processing, requiring each project to draw up a material selection plan in advance, select several material samples at a time and not conduct site visits if small samples and pictures can be used instead of samples. If site visits are required, the number of participants is limited, and personnel of the same level are not allowed to take repeated visits in order to reduce unnecessary travel.

For daily office process, Zonqing adopts an electronic office system to minimise unnecessary printing and set up used paper recycling bins in the office and reduce paper waste by using one-side used paper for printing.

The main emissions from the Group's production operations are mechanical exhaust from construction machinery such as hookers, bulldozers, shovels and cranes used in the course of construction. To reduce emissions, the Group does not use coal and wood fuel at construction sites, while clean energy sources, such as natural gas, LPG and electricity are used whenever possible instead of hot water boilers, cookers and heating boilers for winter construction.

The Group's main source of waste water is domestic waste water, to which all construction sites are equipped with flushing toilets and septic tanks for disinfection, which are regularly pumped to the wastewater treatment plant for treatment.

Zonqing mainly focuses on landscaping and ecological management, and the waste generated by Zonqing mainly includes greening waste and a certain amount of non-hazardous construction waste generated from on-site construction activities of gardening and landscaping projects. Green waste includes tree trunks and branches from pruning and greenery from hedge and lawn mowing, all of which are considered non-hazardous. The small branches and lawn pruning waste from green waste are treated by direct burial and conversion into organic fertilizer. Larger branches, etc. are sent by Zonqing directly to the biomass power plant for biomass power generation. For construction waste generated during on-site construction, the waste will be handed over by Zonqing to professional construction units for disposal. Furthermore, Zonqing developed and implemented a construction site management plan to classify and handle on-site waste, separate recyclable waste and reapply it directly to the construction process or recycle it through recycling manufacturers for reprocessing. In addition, we set up recycling bins in our offices to remind employees to sort recyclables and non-recyclables to promote waste minimization.

During the Year, there was no violation of environment-related laws and regulations that had a significant impact on the Group.

3.4 Use of Energy and Resources

Zonqing attaches importance to energy conservation and emission reduction and implements the 3R principles of "Energy Consumption Reduction, Reuse and Recycling" in its daily business processes, regularly updates the Group's policies and procedures, incorporating rules and guidelines for environmental protection into its daily workflow, creates a good green office culture and takes various measures to implement energy conservation:

➢ Post slogans to raise awareness of environmental protection. We post reminder slogans on company bulletin boards and in public areas, and place paper conservation slogans in restrooms to raise the environmental awareness of employees and visitors.

➢ Encourage green office and low-carbon travel. We encourage employees to adopt green office and green travel, turn off electronic devices when not in use or leaving the office to conserve energy, and advocate for carpooling during travel to reduce carbon emissions.

➢ Adopt energy-efficient equipment and pay attention to equipment maintenance. The procurement department gives priority to energy-efficient products, such as energy-saving motors, energy-saving lamps, energy-saving air conditioners, etc., when managing the purchase of electrical appliances on a daily basis, and adopts water-saving devices in office premises. Meanwhile, we regularly inspect electrical equipment to ensure operational efficiency.

➢ Reduce raw material consumption and improve reuse rates. The construction team uses materials available at the project site to build landscape facilities, such as using soil excavated at the construction site for the construction of rockeries.

Management of energy resources consumption on site

During the project construction process, an energy-saving and environmental protection construction plan is prepared before the project starts, which should be a separate chapter in the construction organisation design and approved in accordance with the regulations. The energy saving and environmental protection construction plan includes the following:

➢ Environmental protection measures, the formulation of environmental management plans and emergency rescue plans, and the adoption of effective measures to protect other facilities and resources such as cultural relics.

➢ Material saving measures are developed to ensure the safety and quality of the project. These include optimising the construction programme, minimising construction waste and maximising the use of recyclable materials. The specific material saving measures are as follows:

1. To rationalise the procurement of materials, timing and batches of delivery to project according to the progress of construction, stock availability, etc. to reduce stock.

2. Materials are stored in an orderly manner and in a suitable storage environment with appropriate measures.

3. Suitable means of transporting materials, proper loading and unloading methods, prevention of damage and spillage, unloading near the site according to the layout of the site to avoid and reduce secondary transportation.

4. Technical measures to increase the number of cycles of using materials.

➢ Water conservation measures – Develop water conservation measures based on the water resource status of the project site.

➢ Energy saving measures – Construction energy saving planning, identification of targets and development of energy saving measures. Specific energy saving measures during the construction process are as follows:

1. In the construction organisation design, the construction sequence and working surface should be reasonably arranged so as to reduce the number of machines in the operation area and to make full use of the common machine resources in the adjacent operation area. When arranging construction techniques, priority should be given to those that consume electricity or other construction techniques that consume less energy, so as to avoid the circumstances that the rated power of the equipment is much higher than the used power or lead to overloading of the equipment.

2. Establish a management system for construction machinery and equipment, carry out electricity and oil consumption metering, improve equipment filings and records, and do timely maintenance work to keep machinery and equipment in a low-consumption and efficient condition.

3. It is advisable to use energy-saving materials for temporary facilities, and to use materials with good thermal insulation for walls and roofs, so as to reduce the time and energy consumption of air-conditioning and heating equipment in summer and winter respectively.

- Land conservation and construction land protection measures, the development of temporary land use targets, construction master layout planning and temporary land conservation measures, etc. Specific land conservation and construction land protection measures are as follows:

  1. The general layout of the construction is scientific and reasonable to reduce the temporary area of the site.

  2. The construction site warehouses, processing areas, material yards, etc. are located as close as possible to existing traffic routes to shorten transport distances.

  3. Temporary office and living quarters should be economical, aesthetically pleasing, occupy a small area and have minimal impact on the surrounding landscape. Living and production areas should be separated and provided with standard separation facilities.

  4. The use of removable protective fencing at the construction site to provide temporary edge protection and increase the material turnover rate.

We use clean energy sources such as natural gas, LPG, and electricity are used at the construction site whenever possible, instead of coal and wood-fueled boilers.

Water management

Water resources consumed for the maintenance of seedlings and office operations are the Group's major water consumption. All water resources consumed by the Group in production and office operations come from the municipal pipeline network and do not involve water extraction. The following measures are in place for the Group's water resources management:

- In the course of daily office operations using water resources, in order to raise staff awareness of water conservation, the Group has installed "Water Conservation" signage in office areas to raise staff awareness of water conservation and actively use water saving devices to better conserve water.

- During the production process, the Group requires a large amount of water for the maintenance of seedlings. To increase the efficiency of ground watering, the Group has adopted micro-spray belts instead of traditional sprinklers, which reduces the amount of water used per square metre and effectively improves the quality of watering.

In the future, the Group will implement micro-sprinkler belts for watering ground and flowers in a large number of projects where available so as to save water resources and reduce costs, while adopting a sponge city concept to establish a rainwater collection system in the park for the maintenance of seedlings.

Construction material management

The Group recycles construction materials, and the construction team uses materials available at the project site to build landscape facilities and reduce the consumption of raw materials, such as using soil excavated at the construction site for the construction of rockeries or using the removal of old foundation materials to replace the foundation materials used to build the right-of-way. The details of the Group's material use are as follows:

1. The selection of suppliers and the procurement contracts should stipulate that air pollution-prone materials must be tested in accordance with national environmental standards, and only those materials that meet the standards can be accepted into the site to ensure that the impact of emissions from materials on human health is reduced to a minimum.

2. Conduct overall layout planning for veneer-type materials before application so as to reduce the number of non-whole block material.

3. Coils, paints and all types of coatings must meet the requirements to avoid peeling and flaking. All types of paints and adhesives should be opened as they are used and closed in time when not in use.

4. All types of preformed and embedded processes should be performed in line with the construction of the structure as far as possible.

5. Wooden products and materials for wooden decoration, glass and other structures should be sourced from factories or custom-made.

6. Promote the use of ready-mixed concrete and commercial mortar.

7. Roofing materials and external wall materials have good waterproofing and thermal insulation properties.

8. Strengthen the nodes of the thermal insulation system and the enclosure structure to minimise the thermal bridging effect. Different thermal insulation materials and systems are used for different parts of the building in order to achieve an economical solution.

9. After use, paints, adhesives, water-based primers, thinners and solvents should be closed and stored in a timely manner, and waste materials should be removed from the room in a timely manner.

In the future, the Group will continue to monitor energy consumption, effectively control the use of resources and energy, and continuously promote energy conservation and emission reduction to achieve sustainable development.

Environmental KPIs Table			
Emissions			
Indicator name	**Indicator unit**	**2022**	2021
Total amount of greenhouse gas emissions	tonnes of carbon dioxide equivalent	**509.51**	515.21
Greenhouse gas emission intensity	kg of carbon dioxide equivalent/ten thousand yuan of operating income	**7.80**	5.75
Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent	**299.51**	300.21
Indirect greenhouse gas emissions	tonnes of carbon dioxide equivalent	**210.00**	215.00
Total amount of hazardous waste generated	kg	**5.48**	5.48
Hazardous waste generation intensity	g/ten thousand yuan of operating income	**0.084**	0.061
Ink cartridges	kg	**5.20**	5.20
Batteries	kg	**0.28**	0.28
Total amount of non-hazardous waste generated	kg	**184,481.00**	202,357.41
Non-hazardous waste generation intensity	kg/ten thousand yuan of operating income	**2.82**	2.26
Paper	kg	**41.00**	41.00
Household waste	kg	**4,200.00**	4,200.00
Trash from pruning of trees, shrubs and ground cover, dust nets, etc.	kg	**180,240.00**	198,116.41
Total amount of sewage discharged	cubic meter	**4,366.35**	4,975.61
Discharge of domestic sewage in office area	cubic meter	**516.35**	523.46
Discharge of domestic sewage during construction	cubic meter	**3,850.00**	4,452.15
Use of resources			
Total amount of electricity consumed	kWh	**858,113.93**	970,028.18
Electricity consumption intensity	kWh/ten thousand yuan of operating income	**13.13**	10.82
Electricity consumption in office area	kWh	**92,967.53**	93,899.68
Electricity consumption during construction	kWh	**765,146.40**	876,128.50
Total amount of water consumed	cubic meter	**46,389.12**	57,202.78
Water consumption intensity	cubic meters/ten thousand yuan of operating income	**0.71**	0.64
Water consumption in office area	cubic meter	**785.67**	796.55
Water consumption during construction	cubic meter	**45,603.45**	56,406.23

APPENDIX

Index to the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

Environmental, Social and Governance Reporting Guide		Content
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A1.1	The types of emissions and respective emissions data.	Environmental KPIs Table
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
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B1.2	Employee turnover rate by gender, age group and geographical region.	2.1 Safeguarding Employee Rights
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B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	2.3 Employee Health and Safety
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B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	2.3 Employee Health and Safety

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B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	1.1 Quality Assurance of Works

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Aspect B7: Anticorruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.7 Operating with Integrity and Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.7 Operating with Integrity and Compliance
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.7 Operating with Integrity and Compliance
B7.3	Description of anti-corruption training provided to directors and staff.	1.7 Operating with Integrity and Compliance
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	1.6 Giving Back to the Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	1.6 Giving Back to the Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	1.6 Giving Back to the Community

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ZONQING ENVIRONMENTAL LIMITED
(FORMERLY KNOWN AS ZONBONG LANDSCAPE ENVIRONMENTAL LIMITED)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ZONQING Environmental Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 103 to 196, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue based on percentage of completion

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v)(i).

The Key Audit Matter

The Group is principally engaged in landscaping, ecological restoration and other related projects.

During the year ended 31 December 2022, 98% of the Group's total revenue was recognised progressively overtime, based on estimated transaction price and percentage of completion when control of the goods or services is transferred to customer.

The Group considers the terms of contract and its customary business practices to determine the transaction price.

The Group estimates percentage of completion using input method based on the proportion of costs incurred up to the end of reporting period relative to the total expected costs to complete the contract.

We identified the recognition of revenue based on percentage of completion as a key audit matter because of the significance of revenue and there is a high degree of management judgement in estimating transaction price and total expected costs to completion.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue based on percentage of completion included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the estimation and revision of the estimated transaction price and total expected costs to completion;

- scrutinising the key clauses of contracts with customers on a sample basis, and assessing whether the key clauses had been appropriately reflected in the estimation of transaction price and total expected costs applied in revenue recognition;

- challenging the Group's estimation of transaction price and the total expected costs to complete the contract, on a sample basis, by considering the Group's historical records of actual costs, variable consideration and gross profit margins for similar contracts;

- assessing whether costs incurred were accounted for in the appropriate period and comparing costs incurred during the current period to measurement documentation with subcontractors, purchase invoices and/or other relevant underlying documentation on a sample basis;

- performing a re-calculation of revenue recognised for individual contracts, on a sample basis, based on the estimated transaction price, total expected costs to complete and costs incurred to date;

- performing site visits to a sample of contracts in progress, physically observing the stage of completion of the contract and discussing the status of the contract with the site project managers; and

- assessing the reasonableness of related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Expected credit loss allowance for contract assets and trade receivables

Refer to Notes 20, 21 and 31(a) to the consolidated financial statements and the accounting policies in Note 2(l)(i).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2022, the Group's contract assets and trade receivables totalled RMB1,817 million. The Group measures loss allowances on contract assets and trade receivables at amounts equal to lifetime expected credit losses ("**ECL**") using a provision matrix which involved significant management judgement. The provision matrix takes into account current market conditions and forward-looking information. We identified the expected credit loss allowance for contract assets and trade receivables as a key audit matter because of the significant balances at the end of the reporting period and because the recognition of ECL is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess the expected credit loss allowance for contract assets and trade receivables included the following: • obtaining an understanding of and assessing the design and implementation of key internal controls over the credit control and estimation of the ECL; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard; • assessing the appropriateness of the expected credit loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the provision rates, and evaluating whether the provision rates are appropriately adjusted after taking into consideration current market conditions and forward-looking information; • assessing whether items in the ageing report were categorised appropriately for contract assets and trade receivables by comparing a sample of individual items with the underlying documentation; and • assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

KPMG
Certified Public Accountants

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

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

*(Expressed in Renminbi ("**RMB**"))*

	Note	2022 RMB'000	2021 RMB'000 (Restated) (Note 36)
Revenue	4	**653,441**	936,595
Cost of sales		**(519,437)**	(725,365)
Gross profit		**134,004**	211,230
Other net income	5	**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	6	**(149,526)**	(64,234)
(Loss)/profit from operations		**(81,184)**	67,224
Finance costs	7(a)	**(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	7	**(124,560)**	37,006
Income tax	8(a)	**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)			
Basic and diluted	11	**(39)**	12

The notes on pages 111 to 196 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 30(c).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

(Expressed in RMB)

	2022 *RMB'000*	2021 *RMB'000* (Restated) (Note 36)
(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 reserve	**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

The notes on pages 111 to 196 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000 (Restated) (Note 36)	2020 RMB'000 (Restated) (Note 36)
Non-current assets				
Property, plant and equipment	12	**8,400**	9,591	10,446
Intangible assets	13	**2,440**	2,931	1,824
Right-of-use assets	14	**3,287**	6,380	3,660
Interest in associates	16	**77,512**	76,718	75,459
Interest in a joint venture	17	**195,660**	194,797	188,267
Other equity investments	18	**17,285**	16,949	14,711
Deferred tax assets	29(b)	**68,418**	43,872	31,764
Non-current portion of trade receivables	21	**18,988**	34,627	43,402
		391,990	385,865	369,533
Current assets				
Inventories and other contract costs	19	**30,103**	30,955	37,275
Contract assets	20(a)	**710,406**	746,230	820,646
Trade and bills receivables	21	**1,088,353**	987,062	654,235
Prepayments, deposits and other receivables	22	**77,349**	170,070	53,281
Restricted bank deposits	23	**22,213**	12,110	602
Cash and cash equivalents	23	**129,899**	47,495	145,220
		2,058,323	1,993,922	1,711,259
Current liabilities				
Trade and bills payables	24	**785,538**	943,446	705,097
Accrued expenses and other payables	25	**263,725**	144,649	186,157
Contract liabilities	20(b)	**230,471**	154,659	194,338
Derivative financial instrument	26	**—**	1,170	—
Bank and other loans	27	**663,200**	479,565	430,000
Lease liabilities	28	**2,240**	3,247	1,567
Income tax payable	29(a)	**6,494**	11,462	15,285
		1,951,668	1,738,198	1,532,444
Net current assets		**106,655**	255,724	178,815

Consolidated Statement of Financial Position

At 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000 (Restated) (Note 36)	2020 RMB'000 (Restated) (Note 36)
Total assets less current liabilities		**498,645**	641,589	548,348
Non-current liabilities				
Bank loans	27	**—**	25,000	50,000
Lease liabilities	28	**815**	2,176	1,743
Deferred tax liabilities	29(b)	**10,880**	10,336	8,507
		11,695	37,512	60,250
NET ASSETS		**486,950**	604,077	488,098
CAPITAL AND RESERVES	30			
Share capital		**230**	230	1
Reserves		**479,983**	594,397	478,522
Total equity attributable to equity shareholders of the Company		**480,213**	594,627	478,523
Non-controlling interests		**6,737**	9,450	9,575
TOTAL EQUITY		**486,950**	604,077	488,098

Approved and authorised for issue by the board of directors on 30 March 2023.

Liu Haitao
Director

Wang Yan
Director

The notes on pages 111 to 196 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000* *(Note 30(b))*	Share premium *RMB'000* *(Note 30(d)(i))*	Other reserve *RMB'000* *(Note 30(d)(ii))*	Statutory reserve *RMB'000* *(Note 30(d)(iii))*	Fair value reserve *RMB'000* *(Note 30(d)(iv))*	Exchange reserve *RMB'000* *(Note 30(d)(v))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021 as previously reported	1	10,560	315,628	41,178	3,364	1,235	102,269	474,235	9,575	483,810
Adjustment for business combination under common control *(Note 36)*	—	—	3,000	261	—	—	1,027	4,288	—	4,288
As restated	1	10,560	318,628	41,439	3,364	1,235	103,296	478,523	9,575	488,098
Changes in equity for 2021:										
Profit for the year (Restated)	—	—	—	—	—	—	33,558	33,558	(148)	33,410
Other comprehensive income	—	—	—	—	2,215	599	—	2,814	23	2,837
Total comprehensive income	—	—	—	—	2,215	599	33,558	36,372	(125)	36,247
Capitalisation issue *(Note 30(b))*	183	(183)	—	—	—	—	—	—	—	—
Issuance of shares upon listing *(Note 30(b))*	46	79,686	—	—	—	—	—	79,732	—	79,732
Appropriation to reserves (Restated)	—	—	—	4,186	—	—	(4,186)	—	—	—
	229	79,503	—	4,186	—	—	(4,186)	79,732	—	79,732
At 31 December 2021 (Restated)	230	90,063	318,628	45,625	5,579	1,834	132,668	594,627	9,450	604,077

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 30(b))	Share premium RMB'000 (Note 30(d)(i))	Other reserve RMB'000 (Note 30(d)(ii))	Statutory reserve RMB'000 (Note 30(d)(iii))	Fair value reserve RMB'000 (Note 30(d)(iv))	Exchange reserve RMB'000 (Note 30(d)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (Restated)	230	90,063	318,628	45,625	5,579	1,834	132,668	594,627	9,450	604,077
Changes in equity for 2022:										
Loss for the year	—	—	—	—	—	—	(105,286)	(105,286)	(718)	(106,004)
Other comprehensive income	—	—	—	—	331	3,126	—	3,457	5	3,462
Total comprehensive income	—	—	—	—	331	3,126	(105,286)	(101,829)	(713)	(102,542)
Appropriation to reserves	—	—	—	690	—	—	(690)	—	—	—
Business combination under common control	—	—	(12,585)	—	—	—	—	(12,585)	—	(12,585)
Distributions of a subsidiary	—	—	—	—	—	—	—	—	(2,000)	(2,000)
	—	—	(12,585)	690	—	—	(690)	(12,585)	(2,000)	(14,585)
At 31 December 2022	230	90,063	306,043	46,315	5,910	4,960	26,692	480,213	6,737	486,950

The notes on pages 111 to 196 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000 (Restated) (Note 36)
Cash flows from operating activities			
(Loss)/profit before taxation		**(124,560)**	37,006
Adjustments for:			
Depreciation		**4,962**	5,239
Amortisation	*7(c)*	**491**	393
Net loss/(gain) on disposal of non-current assets	*5*	**23**	(108)
Net gain on modification of lease contract	*5*	**—**	(530)
Impairment losses on trade and other receivables and contract assets	*6*	**149,526**	64,234
Finance costs	*7(a)*	**40,311**	38,007
Net foreign exchange loss/(gain)	*5*	**3,499**	(369)
Interest income		**(5,479)**	(5,138)
Income from financial guarantees issued	*5*	**(3,502)**	(3,502)
Share of losses/(profits) of associates		**3,928**	(1,259)
Share of profits of a joint venture		**(863)**	(6,530)
Changes in working capital:			
Increase in restricted bank deposits		**(6,393)**	(6,498)
Decrease in inventories and other contract costs		**852**	6,320
(Increase)/decrease in contract assets		**(54,655)**	36,613
Increase in trade and bills receivables		**(144,310)**	(354,448)
Decrease/(increase) in prepayments, deposits and other receivables		**25,194**	(10,326)
(Decrease)/increase in trade and bills payables		**(57,908)**	138,349
Increase in accrued expenses and other payables		**27,435**	21,211
Increase/(decrease) in contract liabilities		**75,812**	(39,679)
Cash used in operations		**(65,637)**	(81,015)
Income tax paid	*29(a)*	**(10,368)**	(20,703)
Net cash used in from operating activities		**(76,005)**	(101,718)

Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000 (Restated) (Note 36)
Cash flows from investing activities			
Payment for purchase of non-current assets		**(1,203)**	(3,535)
Capital contributions to an associate		**(4,721)**	—
Net proceeds from disposal of non-current assets		**—**	632
Payment for advances granted to related parties		**(26,521)**	(16,060)
Proceeds from repayment of advances granted to related parties		**1,000**	3,590
Interest received		**5,387**	9,596
Net cash used in from investing activities		**(26,058)**	(5,777)
Cash flows from financing activities			
Gross proceeds from the issuance of shares	30(b)	**—**	91,662
Proceeds from bank and other loans	23(b)	**780,110**	440,198
Proceeds from advances from related parties	23(b)	**253,950**	—
Proceeds from advances from third parties	23(b)	**—**	143,600
Repayment of bank loans and other loans	23(b)	**(623,293)**	(415,000)
Repayment of advances from related parties	23(b)	**(176,500)**	—
Repayment of advances from third parties	23(b)	**—**	(203,600)
Capital element of lease rentals paid	23(b)	**(2,068)**	(2,927)
Interest element of lease rentals paid	23(b)	**(187)**	(387)
Increase in restricted deposits		**(3,710)**	(5,010)
(Increase)/decrease in deposits paid to secure guarantees granted by third parties		**(6,990)**	650
Interest paid	23(b)	**(36,847)**	(35,632)
Payment of share issuance expenses		**—**	(3,782)
Net cash generated from financing activities		**184,465**	9,772
Net increase/(decrease) in cash and cash equivalents		**82,402**	(97,723)
Cash and cash equivalents at 1 January	23(a)	**47,495**	145,220
Effect of foreign exchange rate changes		**2**	(2)
Cash and cash equivalents at 31 December	23(a)	**129,899**	47,495

The notes on pages 111 to 196 form part of these financial statements.

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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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 2(c) 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 (see Notes 2(g) and 2(h)).

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The details of the restated balances have been disclosed in Note 36 to the consolidated financial statements.

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 (see Note 27(a)); 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 (see Note 27(a)); 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 3.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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.

(d) Business combinations under common control

Business combinations of entities under common control are accounted for using the principle of merger accounting, under which, the consolidated financial statements incorporate the financial statement items of the acquired entities or businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. The differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded (net of any reserves of the acquired entities) have been recognised directly in equity as other reserve. Acquisition costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(q) or 2(r) depending on the nature of the liability.

Changes in the Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(iii)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e).

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at fair value through other comprehensive income ("**FVOCI**") — non-recycling, such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other net income in accordance with the policy set out in Note 2(v)(iv).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Useful life
Construction equipment	10 years
Motor vehicles	4 years
Other equipment	3-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)(iii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, which are determined based on the economic useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Useful life
Patents	10 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(iii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

— contract assets as defined in IFRS 15 (see Note 2(n)).

Financial assets measured at fair value, including other investment in equity securities measured at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "accrued expenses and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where financial guarantees in relation to loans of a joint venture or an associate are provided for and no such consideration is received or receivable, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued (Continued)

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see Note 2(v)(vii)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount, in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets;

— intangible assets; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(l)(i) and 2(l)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are assigned to specific construction contracts, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(m)(i)), property, plant and equipment (see Note 2(i)) or intangible assets (see Note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to subcontractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories and other contract costs (Continued)

(ii) Other contract costs (Continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(v).

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)(v)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(n)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(l)(i)).

Insurance reimbursement is recognised and measured in accordance with Note 2(u)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on landscaping or ecological restoration projects under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The Group also typically agrees to a retention period for certain of the contract value which the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(u)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (Continued)

(ii) Contracts for services

The Group recognises its revenue from rendering of services progressively over time using the cost-to-cost method, under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services, when the Group provide the services in accordance with the customer's specification and under the contract the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed. Otherwise, a performance obligation is satisfied at point in time, the Group shall recognise revenue when (or as) the customer obtains control of revenue service.

(iii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(l)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in profit or loss over the useful life of the asset.

(vii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see Note 2(l)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

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

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of group entities which have a functional currency other than RMB, the Group's presentation currency, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in policy Note 2(v), 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.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(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.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in landscaping, ecological restoration and other related projects. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

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

	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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic information is disclosed in Notes 4(b)(i) and 4(b)(iii), respectively.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Revenue from customers of the years ended 31 December 2022 and 2021 contributing over 10% of the total revenue of the Group are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 31(a).

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Customer A*	**Note**	114,326
Customer B*	**99,814**	Note

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

* Revenue from landscaping segment.

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

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction and design contracts. The 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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(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 4(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.

5 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 *(Note 33)*	**3,502**	3,502
Net gain on modification of lease contract	**—**	530
Others	**(192)**	(52)
	7,087	23,402

6 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

7 (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.

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(Expressed in RMB unless otherwise indicated)

7 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Depreciation of property, plant and equipment *(Note 12)*	**2,371**	2,366
Depreciation of right-of-use assets *(Note 14)*	**2,591**	2,873
Amortisation of intangible assets *(Note 13)*	**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 *(Note 19(a))*	**172,611**	269,023

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Current tax *(Note 29(a))*		
Provision for the year	**5,446**	13,875
Deferred tax *(Note 29(b))*		
Origination and reversal of temporary differences	**(24,002)**	(10,279)
	(18,556)	3,596

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

(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%).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	2022				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Directors					
Executive directors					
Liu Haitao	—	600	271	63	934
Wang Yan	—	428	265	36	729
Wang Xudong	—	520	446	36	1,002
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
Independent non-executive directors					
Gao Xiangnong	155	—	—	—	155
Yin Jun	155	—	—	—	155
Lee Kwok Tung Louis	155	—	—	—	155
	465	1,548	982	135	3,130

	2021				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Directors					
Executive directors					
Liu Haitao	—	561	391	59	1,011
Wang Yan	—	423	256	32	711
Wang Xudong	—	496	380	32	908
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
Independent non-executive directors					
Gao Xiangnong	178	—	—	—	178
Yin Jun	178	—	—	—	178
Lee Kwok Tung Louis	178	—	—	—	178
	534	1,480	1,027	123	3,164

9 DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of Mr. Sun, Ms. Lyu Hongyan and Mr. Shao Zhanguang were borne by companies under the control of the Controlling Parties during the years ended 31 December 2022 and 2021.

On 5 December 2022, Mr. Wang Xudong resigned as an executive director of the Company.

There was no payment to any of the directors or the individuals with highest emoluments (as disclosed in Note 10) as an inducement to join or upon joining the Company or as a compensation for loss of any office during the years ended 31 December 2022 and 2021. There was no arrangement under which a director has waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: two) are directors whose emolument is disclosed in Note 9. The aggregate of the emoluments in respect of other three individuals (2021: three) are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,572**	1,540
Discretionary bonuses	**940**	617
Retirement scheme contributions	**119**	116
	2,631	2,273

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2022	2021
	Number of individuals	Number of individuals
HKDNil — HKD1,000,000	**3**	3

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

11 (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 **No. of shares** ***'000***	2021 No. of shares *'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.

12 PROPERTY, PLANT AND EQUIPMENT

	Construction equipment RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2021				
As previously reported	10,295	1,174	10,993	22,462
Business combination under common control	—	—	875	875
As restated	10,295	1,174	11,868	23,337
Additions(Restated)	—	—	2,035	2,035
Disposals	—	(204)	(724)	(928)
At 31 December 2021 and 1 January 2022(Restated)	10,295	970	13,179	24,444
Additions	45	—	1,158	1,203
Disposals	(9)	—	(60)	(69)
At 31 December 2022	10,331	970	14,277	25,578
Accumulated depreciation:				
At 1 January 2021				
As previously reported	(4,761)	(1,003)	(6,907)	(12,671)
Business combination under common control	—	—	(220)	(220)
As restated	(4,761)	(1,003)	(7,127)	(12,891)
Charge for the year(Restated)	(970)	(49)	(1,347)	(2,366)
Written back on disposals	—	129	275	404
At 31 December 2021 and 1 January 2022(Restated)	(5,731)	(923)	(8,199)	(14,853)
Charge for the year	(985)	—	(1,386)	(2,371)
Written back on disposals	3	—	43	46
At 31 December 2022	(6,713)	(923)	(9,542)	(17,178)
Net book value:				
At 31 December 2022	3,618	47	4,735	8,400
At 31 December 2021 (Restated) *(Note 36)*	4,564	47	4,980	9,591

13 INTANGIBLE ASSETS

	Patents
	RMB'000
Cost:	
At 1 January 2021	3,684
Additions	1,500
At 31 December 2021,1 January 2022 and 31 December 2022	5,184
Accumulated amortisation:	
At 1 January 2021	(1,860)
Charge for the year	(393)
At 31 December 2021 and 1 January 2022	(2,253)
Charge for the year	(491)
At 31 December 2022	(2,744)
Net book value:	
At 31 December 2022	2,440
At 31 December 2021 (Restated) *(Note 36)*	2,931

The amortisation charge is included in "administrative expenses" in the consolidated statement of profit or loss.

14 RIGHT-OF-USE ASSETS

	Leasehold premises RMB'000
Cost:	
At 1 January 2021	
As previously reported	1,942
Business combination under common control	2,897
As restated	4,839
Additions	6,082
Expiration of lease term	(253)
Early termination of lease term	(129)
Modification of lease contract (Restated)	(424)
At 31 December 2021 (Restated) and 1 January 2022	10,115
Additions	2,586
Expiration of lease term	(412)
Early termination of lease term	(5,038)
At 31 December 2022	7,251
Accumulated depreciation:	
At 1 January 2021	
As previously reported	(777)
Business combination under common control	(402)
As restated	(1,179)
Charge for the year(Restated)	(2,873)
Expiration of lease term	253
Early termination of lease term	64
At 31 December 2021 (Restated) and 1 January 2022	(3,735)
Charge for the year	(2,591)
Expiration of lease term	412
Early termination of lease term	1,950
At 31 December 2022	(3,964)
Net book value:	
At 31 December 2022	3,287
At 31 December 2021 (Restated) *(Note 36)*	6,380

The Group has obtained the right to use the leasehold land and premises as its office through tenancy agreements. The leases typically run for an initial period of 2 to 4 years.

(Expressed in RMB unless otherwise indicated)

14 RIGHT-OF-USE ASSETS (CONTINUED)

The Group does not have the option to renew and early terminate the lease and there are no significant restrictions or covenants imposed to the lease. None of the leases includes variable lease payments.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 28, respectively.

Details of expense items in relation to leases recognised in profit or loss are set out in Notes 7(a) and 7(c).

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

			Proportion of ownership interest			
Name of subsidiary	**Place of establishment and operations**	**Particulars of paid-up capital**	**The Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
Zonbong Ecology Environmental Construction Limited (中邦生態環境有限公司) (Notes (i), (ii) and (iii))	The PRC	RMB325,000,000	99%	—	100%	Landscape design and gardening
Jinghe Design Group Limited (境和設計集團有限公司) (Notes (i), (ii) and (iv))	The PRC	RMB20,000,000	99%	—	100%	Design
Beijing Zonqing Ecological Technology Limited (北京中慶生態環境有限公司) (Notes (i), (ii) and (v))	The PRC	RMB5,151,500	99%	—	99%	Consulting
Jilin Jinghe Design Engineering Co., Ltd. (吉林省境和設計工程有限公司) (Notes (i) and (ii))	The PRC	RMB3,000,000	99%	—	100%	Design

Notes:

(i) The official names of the entities are in Chinese. The English translation of the names is for identification only.

(ii) These companies are domestic limited liability companies established in the PRC.

(iii) On 7 December 2022, this company changed its name from Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司) to Zonbong Ecology Environmental Construction Limited (中邦生態環境有限公司).

(iv) On 23 December 2022, this company changed its name from Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司) to Jinghe Design Group Limited (境和設計集團有限公司).

(v) On 20 September 2022, this company changed its name from Beijing Zhongke Zonbong Ecological Technology Limited (北京中科中邦生態科技有限公司) to Beijing Zonqing Ecological Technology Limited (北京中慶生態環境有限公司).

16 INTEREST IN ASSOCIATES

Name of associate	Place of establishment and business	Particulars of paid-up capital	Proportion of ownership interest held by the subsidiary	Principal activity
長春市現邦市政園林有限責任公司 (Changchun Xianbang Municipal and Landscape Limited) ("**Changchun Xianbang**")	The PRC	RMB99,256,000 *(Note (ii))*	50% *(Note (iii))*	Project management *(Note (i))*
天津南港市政園林工程有限公司 (Tianjin Nangang Municipal Garden Engineering Limited ("**Nangang Municipal**")	The PRC	RMB15,000,000	20% *(Note (iv))*	Municipal Garden Engineering

Changchun Xianbang and Nangang Municipal, associates in which the Group participates, are unlisted and quoted market prices are not available. Changchun Xianbang and Nangang Municipal are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate of Changchun Xianbang, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Changchun Xianbang	
	2022	2021
	RMB'000	*RMB'000*
Gross amounts of the associate		
Current assets	**179,359**	137,353
Non-current assets	**369,062**	365,157
Current liabilities	**(265,653)**	(198,832)
Non-current liabilities	**(137,817)**	(150,370)
Equity	**144,951**	153,308
Revenue	**39,725**	61,164
(Loss)/profit and total comprehensive income for the year	**(8,357)**	2,518
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**144,951**	153,308
Group's effective interest	**50%**	50%
Group's share of net assets of the associate	**72,539**	76,718
Carrying amount in the consolidated financial statements	**72,539**	76,718

(Expressed in RMB unless otherwise indicated)

16 INTEREST IN ASSOCIATES (CONTINUED)

Notes:

(i) Changchun Xianbang is responsible for financing, developing, operating and maintaining a Public-Private-Partnership ("**PPP**") project.

(ii) As at 31 December 2022, the paid-in capital of Changchun Xianbang is approximately RMB99,256,000 (31 December 2021: RMB99,256,000), of which approximately RMB49,628,000 (31 December 2021: RMB49,628,000), was injected by the Group. Due to the timing of capital injection by the investors of Changchun Xianbang, the effective interest at the end of each reporting period varies from the agreed percentage of 50%.

As at 31 December 2022, approximately RMB30,755,000 (31 December 2021: RMB30,755,000) was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Changchun Xianbang, of which approximately RMB15,377,000 (31 December 2021: RMB15,377,000) was contributed by the Group.

(iii) According to the articles of association of Changchun Xianbang, the resolutions in relation to material financial and operating decisions have to be passed by more than half of directors. As the Group only has rights to appoint two out of five of directors of Changchun Xianbang, the Group only has significant influence over the financial and operating policies of Changchun Xianbang.

(iv) As at 31 December 2022, the Group acquired 20% ownership in Nangang Municipal through injecting RMB4,721,000 to Nangang Municipal. As at 31 December 2022, the Group's share of net assets of Nangang Municipal is approximately RMB4,973,000.

17 INTEREST IN A JOINT VENTURE

Name of joint venture	Place of establishment and business	Particulars of paid-up capital	Proportion of ownership interest held by the subsidiaries	Principal activity
烏蘭浩特市天驕天駿旅遊開發有限公司 (Ulanhot Tianjiao Tianjun Tourism Development Limited) ("**Tianjun Tourism**")	The PRC	RMB181,044,000 *(Note (ii))*	75% *(Note (iii))*	Project management *(Note (i))*

Tianjun Tourism is an unlisted entity whose quoted market price is not available. Tianjun Tourism is accounted for using the equity method in the consolidated financial statements.

17 INTEREST IN A JOINT VENTURE (CONTINUED)

Summarised financial information of Tianjun Tourism, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2022	2021
	RMB'000	*RMB'000*
Gross amounts of the joint venture		
Assets and liabilities:		
Current assets	**100,462**	83,547
Non-current assets	**557,762**	594,525
Current liabilities	**(104,886)**	(99,944)
Non-current liabilities	**(292,495)**	(318,436)
Equity	**260,843**	259,692
Included in the above assets and liabilities:		
Cash and cash equivalents	**5,156**	9,107
Current financial liabilities (excluding trade and other payables and provisions)	**27,550**	27,439
Profit or loss:		
Revenue	**906**	28,356
Profit and total comprehensive income for the year	**1,151**	8,706
Included in the above profit:		
Depreciation and amortisation	**799**	814
Interest income	**33,731**	35,272
Interest expense	**19,821**	21,328
Income tax expense	**1,237**	3,756
Reconciled to the Group's interests in the joint venture		
Gross amounts of net assets of the joint venture	**260,843**	259,692
Group's interest held by subsidiaries	**75%**	75%
Group's share of net assets of the joint venture	**195,660**	194,797
Carrying amount in the consolidated financial statements	**195,660**	194,797

17 INTEREST IN A JOINT VENTURE (CONTINUED)

Notes:

(i) Tianjun Tourism is responsible for financing, developing, operating and maintaining a PPP project.

(ii) As at 31 December 2022, the paid-in capital of Tianjun Tourism is approximately RMB181,043,900 (31 December 2021: RMB181,043,900), of which approximately RMB135,783,000 (31 December 2021: RMB135,783,000), was injected by the Group. Due to the timing of capital injection by the investors of Tianjun Tourism, the interest held by subsidiaries at the end of each reporting period varies from the agreed percentage of 75%.

As at 31 December 2022, approximately RMB37,353,000 (31 December 2021: RMB37,353,000) was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Tianjun Tourism, of which approximately RMB28,015,000 (31 December 2021: RMB28,015,000) was contributed by the Group.

(iii) According to the articles of association of Tianjun Tourism, the resolutions in relation to significant financial and operating decisions have to be approved by all shareholders. Therefore, the Group does not have the power to control the financial and operating policies of Tianjun Tourism.

18 OTHER EQUITY INVESTMENTS

	2022	2021
	RMB'000	*RMB'000*
Unlisted equity investments, at FVOCI (non-recycling)		
— 長春城投城鎮化建設投資有限公司 (Changchun Chengtou Urbanisation Construction Investment Limited) ("**Changchun Chengtou**") *(Note (i))*	**3,415**	3,000
— 潤德建設投資 (長春) 有限公司 (Runde Construction Investment Changchun Co., Ltd.) ("**Runde Construction**") *(Note (ii))*	**11,950**	11,153
— 梅河口市慶豐建設項目管理有限公司 (Meihekou Qingfeng Construction Project Management Co., Ltd.) ("**Meihekou Qingfeng**") *(Note (iii))*	**1,920**	2,796
	17,285	16,949

The Group designated its unlisted equity investments in Changchun Chengtou, Runde Construction and Meihekou Qingfeng at FVOCI (non-recycling), as the investments are held for strategic purposes. The directors of the Company consider that Group does not have significant influence over any of these investments. No dividends were received from the above investments during the year ended 31 December 2022 (2021: RMBNil). The investments are classified as Level 3 fair value measurement, and the fair value was determined by the directors with reference to a valuation report issued by a third party valuer using the market approach or income approach. Further details are disclosed in Note 31(e).

18 OTHER EQUITY INVESTMENTS (CONTINUED)

Notes:

(i) Changchun Chengtou is a private company engaged in development, investment, construction, maintenance, operation and management of urban infrastructure construction projects in the PRC.

(ii) Runde Construction is a private company engaged in development, design, construction, investment of urban infrastructure projects in the PRC.

(iii) Meihekou Qingfeng is a private company engaged in project management, which is responsible for financing, developing, operating and maintaining the PPP project in the PRC.

19 INVENTORIES AND OTHER CONTRACT COSTS

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

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Carrying amount of inventories used in construction contracts	**172,611**	269,023

(b) Contract costs

Capitalised contract costs relate to costs incurred to fulfil a contract if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, and are expected to be recovered. Contract costs are recognised as part of "cost of sales" in the consolidated statement of profit or loss in the period in which revenue from the related sales is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2022 was RMB2,078,000 (2021: RMB15,423,000 (Restated)).

The amounts of capitalised contract costs that is expected to be recovered after more than one year as at 31 December 2022 is RMB9,357,000 (31 December 2021: RMB2,599,000 (Restated)). All of the other capitalised contract costs are expected to be recovered within one year.

Incremental costs of obtaining a contract are immaterial during the years ended 31 December 2022 and 2021.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Contract assets		
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 34(c))*	**123,900**	94,085
— due from a joint venture *(Note 34(c))*	**51,416**	51,883
— due from an associate *(Note 34(c))*	**50,932**	33,660
— due from companies managed by key management personnel of ZIHG *(Note 34(c))*	**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" *(Note 21)*	**1,087,474**	1,003,228

ZIHG is controlled by the Controlling Parties.

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.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Contract liabilities		
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 34(c))*	**2,935**	12,529
— due to a joint venture *(Note 34(c))*	**18,324**	19,022
— due to an associate *(Note 34(c))*	**—**	729
— due to companies managed by key management personnel of ZIHG *(Note 34(c))*	**394**	393
— due to third parties	**208,818**	121,986
	230,471	154,659

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

Movements in contract liabilities

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Balance at 1 January	**154,659**	194,338
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(59,235)**	(90,785)
Increase in contract liabilities as a result of billing in advance of construction and design activities	**135,047**	51,106
Balance at 31 December	**230,471**	154,659

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

21 TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 34(c))*	**75,406**	93,290
— due from a joint venture *(Note 34(c))*	**18,480**	17,682
— due from an associate *(Note 34(c))*	**12,034**	23,735
— due from companies managed by key management personnel of ZIHG *(Note 34(c))*	**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.

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

Ageing analysis

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

	2022 RMB'000	2021 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. Further details on the Group's credit policy and credit risk arising from trade and bills receivable are set out in Note 31(a).

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000 (Restated)
Amounts due from ZIHG and its subsidiaries, joint ventures and associates *(Note 34(c))*	**2,732**	101,150
Amounts due from an associate *(Note 34(c))*	**37,319**	13,430
Amounts due from a joint venture *(Note 34(c))*	**50**	—
Advances to third parties	**833**	12,823
Advances to staff	**351**	374
Tax recoverable	**8,085**	14,417
Prepayments for purchase of raw materials	**5,681**	8,174
Deposits of bidding and performance for construction and design contracts	**1,905**	4,034
Deposits to secure the guarantees by third parties *(Note 27(d))*	**15,890**	8,900
Others	**4,836**	7,109
	77,682	170,411
Less: loss allowance	**(333)**	(341)
	77,349	170,070

All of the prepayments, deposits, and other receivables are expected to be recovered or recognised as expenses within one year.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Cash at bank and on hand	**152,112**	59,605
Less: restricted bank deposits	**(22,213)**	(12,110)
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**129,899**	47,495

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

The Group's business operations in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Bank and other loans RMB'000 (Note 27)	Interest payable RMB'000 (Note 25)	Amounts due to third parties RMB'000 (Note 25)	Advances from related parties RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 28)	Dividends payable RMB'000 (Note 25)	Derivative financial instrument RMB'000 (Note 26)	Total RMB'000
At 1 January 2022 (Restated)		504,565	2,567	21,239	—	5,423	307	1,170	535,271
Changes from financing cash flows:									
Proceeds from new loans		780,110	—	—	253,950	—	—	—	1,034,060
Repayment of loans		(623,293)	—	—	(176,500)	(2,068)	—	—	(801,861)
Interest paid		—	(36,847)	—	—	(187)	—	—	(37,034)
Total changes from financing cash flows		156,817	(36,847)	—	77,450	(2,255)	—	—	195,165
Exchange adjustments		1,818	—	—	—	—	—	(1,170)	648
Other changes:									
Increase in lease liabilities from entering into new leases during the year		—	—	—	—	2,586	—	—	2,586
Interest expenses	7(a)	—	39,338	—	—	325	—	—	39,663
Early termination of lease term		—	—	—	—	(3,024)	—	—	(3,024)
Total other changes		—	39,338	—	—	(113)	—	—	39,225
At 31 December 2022		663,200	5,058	21,239	77,450	3,055	307	—	770,309

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Note	Bank and other loans *RMB'000* *(Note 27)*	Interest payable *RMB'000* *(Note 25)*	Amounts due to third parties *RMB'000* *(Note 25)*	Lease liabilities *RMB'000* *(Note 28)*	Dividends payable *RMB'000* *(Note 25)*	Derivative financial instrument *RMB'000* *(Note 26)*	Total *RMB'000*
At 1 January 2021								
As previous reported		480,000	1,092	81,239	905	307	—	563,543
Adjustment for business combination under common control		—	—	—	2,405	—	—	2,405
As restated		480,000	1,092	81,239	3,310	307	—	565,948
Changes from financing cash flows:								
Proceeds from new loans		440,198	—	143,600	—	—	—	583,798
Repayment of loans (Restated)		(415,000)	—	(203,600)	(2,927)	—	—	(621,527)
Interest paid (Restated)		—	(35,632)	—	(387)	—	—	(36,019)
Total changes from financing cash flows (Restated)		25,198	(35,632)	(60,000)	(3,314)	—	—	(73,748)
Exchange adjustments		(633)	—	—	—	—	—	(633)
Other changes:								
Increase in lease liabilities from entering into new leases during the year		—	—	—	6,082	—	—	6,082
Interest expenses (Restated)	7(a)	—	37,107	—	363	—	—	37,470
Fair value loss of forward foreign exchange contract	7(a)	—	—	—	—	—	1,170	1,170
Early termination of lease term		—	—	—	(64)	—	—	(64)
Modification of lease contract (Restated)		—	—	—	(954)	—	—	(954)
Total other changes (Restated)		—	37,107	—	5,427	—	1,170	43,704
At 31 December 2021 (Restated)		504,565	2,567	21,239	5,423	307	1,170	535,271

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement represent leases rental paid and comprise the following:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Within operating cash flows	**(5,194)**	(10,248)
Within financing cash flows	**(2,255)**	(3,314)
	(7,449)	(13,562)

24 TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Trade payables		
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 34(c))*	**8,655**	7,287
— due to companies managed by key management personnel of ZIHG *(Note 34(c))*	**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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

25 ACCRUED EXPENSES AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Amounts due to ZIHG and its subsidiaries, joint ventures and associates	**98,271**	4,135
Amount due to non-controlling interests	**2,000**	—
Amounts due to third parties *(Note (i))*	**21,239**	21,239
Payables for staff related costs	**54,494**	41,666
Dividends payable	**307**	307
Interest payable	**5,058**	2,567
Others	**14,069**	14,935
Financial liabilities measured at amortised cost	**195,438**	84,849
Financial guarantees issued *(Note 33)*	**31,801**	35,303
Payables for miscellaneous taxes	**36,486**	24,497
	263,725	144,649

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) As at 31 December 2022, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB28,299,000 (31 December 2021: RMB31,801,000). All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

26 DERIVATIVE FINANCIAL INSTRUMENT

Derivative financial instrument represents forward foreign exchange contract entered to manage the currency risk of bank loan denominated in United States dollar ("**USD**"). Change in the fair value of forward foreign exchange contracts is recognised in profit or loss.

27 BANK AND OTHER LOANS

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

	2022 RMB'000	2021 RMB'000
Bank loans:		
Guaranteed by related parties	**149,000**	5,000
Guaranteed by third parties *(Note 27(d))*	**157,908**	178,485
Guaranteed by related parties and third parties *(Note 27(d))*	**75,346**	75,383
Guaranteed by a third party and secured by trade and bills receivables and contract assets of the Group *(Notes 27(c) and 27(d))*	**29,663**	47,723
Guaranteed by a third party and secured by bank deposits of the Group *(Notes 27(c) and 27(d))*	**49,473**	49,974
Secured by trade and bills receivables and contract assets of the Group *(Note 27(c))*	**25,000**	128,000
Secured by bank deposits of the Group *(Note 27(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 *(Note 34(c))*	**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 RMB'000	2021 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

27 BANK AND OTHER LOANS (CONTINUED)

(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. Further details of the Group's management of liquidity risk are set out in Note 31(b). At 31 December 2022, none of the covenants relating to the bank loans had been breached (31 December 2021: None).

28 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2022		2021 (Restated)	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**2,240**	**2,308**	3,247	3,403
After 1 year but within 2 years	**483**	**518**	2,094	2,259
After 2 years but within 5 years	**332**	**396**	82	94
	815	**914**	2,176	2,353
	3,055	**3,222**	5,423	5,756
Less: total future interest expenses		**(167)**		(333)
Present value of lease liabilities		**3,055**		5,423

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Net balance of income tax payable at 1 January	**8,457**	15,285
Provision for the year *(Note 8(a))*	**5,446**	13,875
Income tax paid	**(10,368)**	(20,703)
Net balance of income tax payable at 31 December	**3,535**	8,457
Represented by:		
Income tax recoverable (included in tax recoverable) *(Note 22)*	**(2,959)**	(3,005)
Income tax payable	**6,494**	11,462

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Accrued payables	Credit loss allowance	Fair value adjustments in connection with the acquisition of subsidiaries	Equity method investment income	Derivative financial instrument measured at FVPL	Unused tax losses	Unrealised gains and losses	Withholding tax on distributable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021									
As previous reported	5,854	25,095	(430)	(8,321)	—	2,247	466	(1,800)	23,111
Adjustment for business combination under common control *(Note 36)*	—	146	—	—	—	—	—	—	146
As restated	5,854	25,241	(430)	(8,321)	—	2,247	466	(1,800)	23,257
Credited/(charged) to profit or loss (Restated)	6,250	6,755	87	(2,459)	175	(529)	—	—	10,279
At 31 December 2021 and 1 January 2022 (Restated)	**12,104**	**31,996**	**(343)**	**(10,780)**	**175**	**1,718**	**466**	**(1,800)**	**33,536**
Credited/(charged) to profit or loss	**1,994**	**22,731**	**88**	**(203)**	**(175)**	**(433)**	**—**	**—**	**24,002**
At 31 December 2022	**14,098**	**54,727**	**(255)**	**(10,983)**	**—**	**1,285**	**466**	**(1,800)**	**57,538**

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Net deferred tax assets	**68,418**	43,872
Net deferred tax liabilities	**(10,880)**	(10,336)
	57,538	33,536

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and deductible temporary differences arising from certain subsidiaries of the Group of RMB4,417,000 as of 31 December 2022 (31 December 2021: RMB9,198,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The year of expiry of unused tax losses and deductible temporary differences not recognised is as follows:

	2022	2021
	RMB'000	*RMB'000*
Year of expiry:		
2023	**—**	1,273
2024	**—**	2,593
2025	**1,501**	2,840
2026	**2,492**	2,492
2027	**424**	—
	4,417	9,198

(d) Deferred tax liabilities not recognised

Pursuant to the corporate income tax law, a 10% withholding tax is levied on dividends declared to foreign investors. As at 31 December 2022, temporary difference unrecognised for deferred tax liabilities relating to undistributed profits of subsidiaries amounted to RMB20,040,000 (31 December 2021: RMB138,734,000). Deferred tax liabilities of RMB2,004,000 (31 December 2021: RMB13,873,000) have not been recognised in this respect as it is probable that such profits will not be distributed in the foreseeable future.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	1	10,560	1,170	(42,001)	(30,270)
Changes in equity:					
Loss for the year	—	—	—	(3,867)	(3,867)
Other comprehensive income for the year	—	—	368	—	368
Total comprehensive income for the year	—	—	368	(3,867)	(3,499)
Capitalisation issue	183	(183)	—	—	—
Issuance of shares upon listing	46	79,686	—	—	79,732
	229	79,503	—	—	79,732
At 31 December 2021	230	90,063	1,538	(45,868)	45,963
At 1 January 2022	**230**	**90,063**	**1,538**	**(45,868)**	**45,963**
Changes in equity:					
Profit for the year	**—**	**—**	**—**	**300**	**300**
Other comprehensive income for the year	**—**	**—**	**3,288**	**—**	**3,288**
Total comprehensive income for the year	**—**	**—**	**3,288**	**300**	**3,588**
At 31 December 2022	**230**	**90,063**	**4,826**	**(45,568)**	**49,551**

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

	At 31 December 2022 and 2021	
	Number of shares	*HKD'000*
Authorised:		
Ordinary shares of HKD0.001 each	10,000,000,000	10,000

	HKD shares	
	No. of shares	*RMB'000*
Ordinary shares, issued and fully paid:		
At 1 January 2021	821,028	1
Capitalisation issue	219,178,972	183
Issuance of shares	55,000,000	46
At 31 December 2021 and 31 December 2022	275,000,000	230

On 14 December 2020, the Company increased the authorised share capital from HKD390,000 divided into 390,000,000 Shares of HKD0.001 each to HKD10,000,000 divided into 10,000,000,000 of HKD0.001 each.

Pursuant to the shareholders' resolutions of the Company passed on 14 December 2020, the Company allotted and issued a total of 219,178,972 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 14 December 2020 by way of capitalisation of the sum of HKD219,000 (equivalent to approximately RMB183,000) standing to the credit of the share premium account of the Company, and these shares rank pari passu in all respects with the shares in issue. This capitalisation issue was completed on 6 January 2021.

On 6 January 2021, 55,000,000 new ordinary shares of HKD0.001 each were issued at a price of HKD2.00 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HKD55,000 (equivalent to approximately RMB46,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD109,945,000 (equivalent to approximately RMB91,616,000) net of share issuance expenses of RMB11,930,000 were credited to the share premium account.

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Dividends

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

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: HKDNil).

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

No final dividend in respect of the previous financial year has been approved during the year ended 31 December 2022 (2021: HKDNil).

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Act (as revised) of the Cayman Islands.

(ii) Other reserve

The other reserve comprises: (i) the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of a business under common control; (ii) the difference between the carrying value of non-controlling interests and the consideration received from the non-controlling shareholder; (iii) deemed contribution and distribution arising from a group reorganisation; and (iv) the contribution from the Controlling Parties through the waiver of interest.

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Group's subsidiary established in the PRC is required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to statutory reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held during the year (see Note 2(g)).

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the companies comprising the Group into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 2(w).

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The capital management policy remained the same as that in previous year.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as total debt (which includes bank and loans, amounts due to third parties and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2022 and 2021 was as follows:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Current liabilities:		
Amounts due to third parties	**21,239**	21,239
Amounts due to related parties	**77,450**	—
Lease liabilities	**2,240**	3,247
Bank and other loans	**663,200**	479,565
	764,129	504,051
Non-current liabilities:		
Bank loans	—	25,000
Lease liabilities	**815**	2,176
Total debt	**764,944**	531,227
Less: cash on hand and in bank	**(129,899)**	(47,495)
Adjusted net debt	**635,045**	483,732
Total equity and adjusted capital	**486,950**	604,077
Adjusted net debt-to-capital ratio	**130%**	80%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees as at the end of the reporting period is disclosed in Note 33.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2022, 11.7% (31 December 2021: 10.7% (Restated)) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 43.8% (31 December 2021: 43.3% (Restated)) of the total trade receivables and contract assets, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables and contract assets for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
Current (not past due)	**2.5%**	**336,602**	**8,458**
Within 1 year past due	**5.1%**	**728,805**	**37,509**
1 to 2 years past due	**10.1%**	**632,353**	**63,725**
2 to 3 years past due	**25.6%**	**232,663**	**59,456**
Over 3 years past due	**77.8%**	**246,345**	**191,625**
		2,176,768	**360,773**

	2021 (Restated)		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	2.5%	336,849	8,564
Within 1 year past due	3.9%	993,791	38,595
1 to 2 years past due	13.2%	360,191	47,561
2 to 3 years past due	31.3%	186,151	58,185
Over 3 years past due	57.3%	101,790	58,334
		1,978,772	211,239

Expected loss rates are based on actual loss experience over the past 9 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Movements in the loss allowance account in respect of trade receivables and contract assets during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Balance at 1 January	**211,239**	167,236
Impairment losses recognised during the year	**203,331**	91,047
Impairment losses written-back during the year	**(53,797)**	(27,026)
Amounts written off during the year	**—**	(20,018)
Balance at 31 December	**360,773**	211,239

Note:

(i) The impairment losses recognised are contributed to the origination of new trade receivables and contract assets net of those settled and the increase in days past due.

(b) Liquidity risk

The treasury function is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of loans to cover expected cash demands.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2022				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	**785,538**	**—**	**—**	**785,538**	**785,538**
Accrued expenses and other payables measured at amortised cost	**195,438**	**—**	**—**	**195,438**	**195,438**
Bank and other loans	**682,318**	**—**	**—**	**682,318**	**663,200**
Lease liabilities	**2,308**	**518**	**396**	**3,222**	**3,055**
	1,665,602	**518**	**396**	**1,666,516**	**1,647,231**

	2021 (Restated)				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	943,446	—	—	943,446	943,446
Accrued expenses and other payables measured at amortised cost	84,849	—	—	84,849	84,849
Bank and other loans	493,211	26,077	—	519,288	504,565
Lease liabilities	3,403	2,259	94	5,756	5,423
	1,524,909	28,336	94	1,553,339	1,538,283

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

	2021 Contractual undiscounted cash (outflow)/inflow	
	Within 1 year or on demand	Total
	RMB'000	*RMB'000*
Derivatives settled gross:		
Other forward foreign exchange contracts:		
— outflow	(50,195)	(50,195)
— inflow	48,923	48,923

The maximum amount guaranteed in relation to the financial guarantees issued is disclosed in Note 33.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2022		2021 (Restated)	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Bank and other loans	**4.35%-9.00%**	**638,200**	1.25%-9.00%	414,565
Lease labilities	**6.18%**	**3,055**	6.18%	5,423
		641,255		419,988
Variable rate borrowings:				
Bank loans	**5.64%**	**25,000**	5.17%-5.64%	90,000
Total borrowings		**666,255**		509,988
Fixed rate borrowings as a percentage of total borrowings		**96.2%**		82.4%

(ii) Sensitivity analysis

At 31 December 2022 it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB213,000 (2021: RMB765,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through a bank loan that is denominated in USD. As at 31 December 2022, the balance of the bank loan and related interests is USDNil (31 December 2021: USD7,592,000). The Group uses forward foreign exchange contracts to manage its currency risk until the settlement date of the bank loan denominated in USD.

Changes in the fair value of forward foreign exchange contracts that economically hedge monetary liabilities denominated in foreign currencies are recognised in profit or loss (see Note 7(a)). At 31 December 2022, The net fair value of forward foreign exchange contracts used by the Group as economic hedges of monetary liabilities denominated in foreign currencies was RMBNil (31 December 2021: RMB1,170,000), recognised as derivative financial instrument (see Note 26).

(e) Fair value measurement

(i) Assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements categorised into Level 2	
	2022	2021
	RMB'000	*RMB'000*
Recurring fair value measurements		
Derivative financial instrument	—	1,170

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements categorised into Level 3	
	2022	2021
	RMB'000	*RMB'000*
Recurring fair value measurements		
Other equity investments	**17,285**	16,949

During the years ended 31 December 2022 and 2021 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current forward rate. The discount rate used is derived from the PRC government yield curve as at the end of the reporting period plus an adequate constant credit spread.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability	20.6% (2021: 25%)
	Discounted cashflow approach (bb)	Discount rate	9.3% (2021: 9.3%)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

(aa) The fair value of the non-listed shares is determined by using enterprise value per book value or value per earnings before interest, taxes, depreciation and amortisation of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2022 it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB194,000 (2021: RMB189,000).

(bb) The fair value of the non-listed shares is determined by discounting projected cash flow. The valuation takes into account the expected cash flow according to the PPP agreement. The discount rate used has been adjusted to reflect specific risks relating to respective investees. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2022 it is estimated that with all other variables held constant, a decrease in discount rate by 1% would have increased the Group's other comprehensive income by RMB35,000 (2021: RMB30,000), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB34,000 (2021: RMB15,000).

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

	2022	2021
	RMB'000	*RMB'000*
Unlisted equity securities:		
At 1 January	**16,949**	14,711
Net unrealised gains recognised in other comprehensive income during the year	**336**	2,238
At 31 December	**17,285**	16,949

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2021.

32 COMMITMENTS

Capital commitments outstanding at 31 December 2022 not provided for in the consolidated financial statements were as follows:

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

33 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 is RMB330,000,000 (31 December 2021: RMB 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: RMB23,051,000).

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 is 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).

33 CONTINGENT LIABILITIES (CONTINUED)

The directors do not believe it probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, and the Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries and other emoluments	**8,735**	7,518
Discretionary bonuses	**3,912**	2,680
Contributions to defined contribution retirement schemes	**644**	521
	13,291	10,719

Total remuneration is included in "staff costs" (see Note 7(b)).

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties:

In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Rendering of construction, survey, design, technical consultancy and other services	**49,981**	118,701
Purchase of goods	**491**	1,136
Service received	**7,036**	2,257
Service income	**182**	136
Loan received from related parties	**266,090**	—
Loan repaid to related parties	**125,500**	—
Interest expenses on loan from related parties	**2,302**	—
Proceeds from advances from related parties	**253,950**	—
Repayment of advance from related parties	**176,500**	—
Lease charges relating to short-term leases and leases of low-value assets	**2,436**	2,601
Guarantees provided by related parties for the Group's bank loans at the end of the reporting period *(Note 27(a))*	**224,346**	80,383
Payment for advances granted to related parties	**2,582**	2,630
Proceeds from repayment of advances granted to related parties	**101,000**	3,590
Issuance of bills	**—**	100,000
Acquisition of equity interests of Jilin Jinghe Design from a related party	**12,207**	—

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties: (Continued)

(ii) Transactions with a joint venture

	2022 *RMB'000*	2021 *RMB'000*
Rendering of construction services	**252**	23,253
Service income	**—**	2,170
Income from financial guarantee issued	**1,920**	1,920
Payment for advances granted to a related party	**50**	—
Guarantee provided by the Group for the joint venture's bank loan at the end of the reporting period	**330,000**	360,000

(iii) Transactions with an associate

	2022 *RMB'000*	2021 *RMB'000*
Rendering of construction services	**18,534**	36,586
Payment for advances granted to a related party	**23,889**	13,430
Income from financial guarantee issued	**1,582**	1,582
Guarantee provided by the Group for the associate's bank loan at the end of the reporting period	**180,000**	193,850

(iv) Transactions with key management personnel of ZIHG and companies managed by key management personnel of ZIHG

	2022 *RMB'000*	2021 *RMB'000* (Restated)
Rendering of construction service	**1,334**	14,649
Services received	**5,257**	—
Purchase of goods	**4,035**	—

Financial guarantees provided by the Group for long-term bank loans of an associate and a joint venture will be released upon the maturity and repayment of the bank loans in 2029 and 2033, respectively.

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Trade in nature:		
Contract assets *(Note 20(a))*	**123,900**	94,085
Trade and bills receivables *(Note 21)*	**75,406**	93,290
Trade and bills payables *(Note 24)*	**8,655**	7,287
Contract liabilities *(Note 20(b))*	**2,935**	12,529
Accrued expenses and other payables *(Note 25)*	**8,614**	3,180
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**2,732**	101,150
Accrued expenses and other payables		
– Advances from related parties *(Note 25)*	**77,450**	955
– Payable for acquisition consideration *(Note 25)*	**12,207**	—
Bank and other loans *(Note 27)*	**140,590**	—

(ii) Due from or due to a joint venture

	2022	2021
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**51,416**	51,883
Trade and bills receivables *(Note 21)*	**18,480**	17,682
Contract liabilities *(Note 20(b))*	**18,324**	19,022
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**50**	—

34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Due from or due to an associate

	2022	2021
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**50,932**	33,660
Trade and bills receivables *(Note 21)*	**12,034**	23,735
Contract liabilities *(Note 20(b))*	**—**	729
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**37,319**	13,430

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Trade in nature:		
Contract assets *(Note 20(a))*	**14,539**	16,332
Trade and bills receivables *(Note 21)*	**33,205**	97,069
Trade and bills payables *(Note 24)*	**7,678**	—
Contract liabilities *(Note 20(b))*	**394**	393

All of the advances granted to related parties and advances received from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. All loans from related parties are unsecured, interest bearing and have fixed terms of repayment.

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Interests in subsidiaries		**52,143**	—
Current assets			
Prepayments, deposits and other receivables *(Note (i))*		**—**	46,023
Cash and cash equivalents		**49**	12
		52,192	46,035
Current liabilities			
Accrued expenses and other payables *(Note (ii))*		**2,641**	72
Net assets		**49,551**	45,963
CAPITAL AND RESERVES	*30*		
Share capital		**230**	230
Reserves		**49,321**	45,733
TOTAL EQUITY		**49,551**	45,963

Notes:

(i) The balance included amounts due from its subsidiaries.

(ii) The balance included loans from equity shareholders and amounts due to its subsidiaries.

36 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 or loss for the year ended 31 December 2021 are as follows:

36 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

At 31 December 2020

	As previously reported	Jilin Jinghe Design	Elimination	Restated
	RMB'000	*RMB'000*	*RMB'000*	*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

36 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

At 31 December 2020 (Continued)

	As previously reported RMB'000	Jilin Jinghe Design RMB'000	Elimination RMB'000	Restated RMB'000
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
Total equity attributable to equity shareholders of the Company	474,235	4,195	93	478,523
Non-controlling interests	9,575	—	—	9,575
TOTAL EQUITY	483,810	4,195	93	488,098

36 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

At 31 December 2021

	As previously reported	Jilin Jinghe Design	Elimination	Restated
	RMB'000	*RMB'000*	*RMB'000*	*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

36 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

At 31 December 2021 (Continued)

	As previously reported RMB'000	Jilin Jinghe Design RMB'000	Elimination RMB'000	Restated RMB'000
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
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

36 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

For the year ended 31 December 2021

	As previously reported	Jilin Jinghe Design	Elimination	Restate
	RMB'000	*RMB'000*	*RMB'000*	*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

36 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

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

(Expressed in RMB unless otherwise indicated)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of the consolidated financial statements, the IASB has issued a number of amendments and new standards, which are not yet effective for the year ended 31 December 2022, and which have not been adopted in the consolidated financial statements. These include the following.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance contracts* and amendments to IFRS17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2024
Amendments to IAS 1, *Non-current liabilities with covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a sale and Leaseback*	1 January 2024
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the directors consider the immediate parent of the Group to be ZONQING International Investment Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

At 31 December 2022, the directors consider the ultimate controlling party of the Group is the Controlling Parties.

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
Revenue	**653,441**	936,595	1,001,427	897,486	809,444
(Loss)/profit before taxation	**(124,560)**	37,006	99,352	79,374	97,954
Income tax	**(18,556)**	3,596	30,411	29,921	27,141
(Loss)/profit attributable to equity shareholders of the Company	**(105,286)**	33,558	68,505	49,496	70,413
(Loss)/profit attributable to non-controlling interests	**(718)**	(148)	436	(43)	400

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)		
Non-current assets	**391,990**	385,865	369,533	392,899	338,789
Current assets	**2,058,323**	1,993,922	1,711,259	1,307,214	1,149,319
Total assets	**2,450,313**	2,379,787	2,080,792	1,700,113	1,488,108
Current liabilities	**1,951,668**	1,738,198	1,532,444	1,205,828	1,045,130
Total assets less current liabilities	**498,645**	641,589	548,348	494,285	442,978
Non-current liabilities	**11,695**	37,512	60,250	86,856	103,547
NET ASSETS	**486,950**	604,077	488,098	407,429	339,431
Equity					
Share capital	**230**	230	1	1	165,002
Reserves	**479,983**	594,397	478,522	402,295	172,940
Total equity attributable to equity shareholders of the Company	**480,213**	594,627	478,523	402,296	337,942
Non-controlling interests	**6,737**	9,450	9,575	5,133	1,489
TOTAL EQUITY	**486,950**	604,077	488,098	407,429	339,431

Note: The summary of the consolidated results of the Group for the years ended 31 December 2018 and 2019 and of the assets, equity and liabilities as at 31 December 2018 and 2019 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is prepared on the basis as set out in Note 2(b) to the consolidated financial statements.

In July 2022, the Group acquired the entire equity interests of Jilin Jinghe Design, a fellow of the Group, from 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 statements of financial position as of 31 December 2020 and 2021 and the consolidated results for the year ended 31 December 2021 have been restated.

Definitions and Glossary of Technical Terms

"Articles of Association" or "Articles"	the amended and restated articles of association of the Company conditionally adopted on 14 December 2020
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Chief Executive Officer"	the chief executive office of the Company
"Company", "the Company" or "We"	ZONQING Environmental Limited (中庆环境股份有限公司) (formerly known as ZONBONG LANDSCAPE Environmental Limited (中邦园林环境股份有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 8 March 2019
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Report, Hong Kong, Macau Special Administration Region and Taiwan
"the Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this report, means the controlling shareholders of the Company, being Zonqing International, Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive director(s) of the Company
"Group" or "the Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Non-executive Director(s)"	the independent non-executive director(s) of the Company
"Jilin Shengyi"	Jilin Shengyi Engineering Consulting Limited (吉林晟藝工程諮詢有限公司), a limited liability company established under the laws of the PRC on 28 February 2019 and owned as to 35% by Ms. Zhao Hongyu, 27% by Mr. Sun Juqing, 5% by Mr. Liu Haitao and 33% by other nine PRC individuals. It is an associate of the Controlling Shareholders
"Jilin Zonbong"	Jilin Zonbong Ecological Environmental Limited (吉林中邦生態環境有限公司), a company established under the laws of the PRC on 29 September 2018 and an indirect wholly-owned subsidiary of the Company
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 6 January 2021

Definitions and Glossary of Technical Terms

"Listing Date"	6 January 2021, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director(s)"	the non-executive director(s) of the Company
"Prospectus"	the prospectus issued by the Company dated 22 December 2020
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares with a nominal value of HKD0.001 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Ultimate Controlling Shareholder(s)"	refers to Ms. Zhao Hongyu, Mr. Sun, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"ZCLLC"	Zhongqing Construction Limited Liability Company (中慶建設有限責任公司), formerly known as Changchun Chengda Luqiao Limited (長春市成達路橋有限責任公司), a company established under the laws of the PRC on 27 October 2004 and a wholly-owned subsidiary of ZIHG and a connected person of the Company
"Zhongke Zonbong"	Beijing Zhongke Zonbong Ecological Technology Limited (北京中科中邦生態科技有限公司), a company established under the laws of the PRC on 14 April 2016 and owned as to 99% by Jilin Zonbong, an indirect wholly-owned subsidiary of the Company and 1% by Jilin Shengyi, an associate of the Controlling Shareholders

Definitions and Glossary of Technical Terms

"ZIHG"	Zhongqing Investment Holding Group Limited Liability Company (中慶投資控股(集團)有限責任公司), formerly known as Changchun Mingju Commerce Limited (長春市銘聚商貿有限責任公司), a company established under the laws of the PRC on 16 May 2014 and a connected person of the Company
"ZIHG Group"	ZIHG together with its subsidiaries and associates as defined under the Listing Rules
"Zonbong Environment"	ZonBong Garden Environment Co., Limited (中邦园林环境有限公司), a company incorporated in Hong Kong on 3 April 2019 and an indirect wholly-owned subsidiary of the Company
"Zonbong Landscape"	Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司), formerly known as Changchun Qida Green Landscape Engineering Limited (長春市啟達綠化景觀工程有限公司) and Zonbong Landscape Co., Ltd. (中邦園林股份有限公司), a company established under the laws of the PRC on 22 December 2008 and an indirect wholly-owned subsidiary of the Company
"Zonbong Shanshui"	Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司), a company established under the laws of the PRC on 3 June 2009 and an indirect wholly-owned subsidiary of the Company, formerly known as Jilin Province Zhongsheng Municipal Construction Design Limited (吉林省中盛市政工程設計有限公司), Jilin Province Zhongsheng Design and Consulting Company Limited (吉林省中盛設計諮詢股份有限公司) and Jilin Province Zhongsheng Design and Consulting Limited (吉林省中盛設計諮詢有限公司)

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