

ZONQING Environmental Limited 中庆环境股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1855



Interim Report
2023

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



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Haitao (劉海濤)
(Vice-chairman and Chief Executive Officer)
Ms. Wang Yan (王彥)

Non-executive Directors

Mr. Sun Juqing (孫舉慶) (Chairman)
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
Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISER

As to Hong Kong law
Eric Chow & Co. in Association with
Commerce & Finance Law Offices
3410, 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, Nangan 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

STOCK CODE

1855

COMPANY WEBSITE

www.zonqing.net

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



Management Discussion and Analysis

During the first half of 2023, the Group actively integrated its product lines to expand its businesses of construction and upgrading of urban parks, urban road and bridge construction and greening, water ecology, smart city maintenance and sanitation. The Group's related qualifications were strengthened continuously and the Group's bidding capacity was enhanced. In addition to solidifying its stronghold in Changchun, the Group also expanded its presence across the country and continued to develop its outbound markets. In the first half of 2023, the Group submitted a total of 272 tenders and achieved a successful tender rate of approximately 41.54%, with the contract value of newly awarded projects amounting to approximately RMB2,209.03 million.

During the first half of 2023, the Group has won the bid for several sizeable projects, such as:

- (i) the Jingyuetan Scenic Area (Tourism) Infrastructure Construction Project (Main Contracting) in Changchun City, Jilin Province (with a successful bid price of approximately RMB459.48 million);
- (ii) the Main Contracting for the New Urbanisation Construction Project (Phase I) PPP Project in Changchun New Area – Phase II Comprehensive Treatment of the Northern Section of the Yitong River (Urban Enhancement for Changchun New Area) (with a successful bid price of approximately RMB751.90 million);
- (iii) the Main Contracting for the Water Ecological Treatment of Baili Yitong River in Changchun – Service Facilities Enhancement (excluding sludge treatment plant) of the Yitong River Basin (with a successful bid price of approximately RMB524.17 million);
- (iv) the Changchun City Five Largest Wastewater Treatment Systems “One Plant, One Policy” Quality Improvement and Efficiency Enhancement Project – Second Bidding Section of the Jingyue District Project 2023 (Main Contracting) (with a successful bid price of approximately RMB114.12 million); and
- (v) the Construction Bidding Section 01 of the Changchun Municipal Infrastructure Maintenance Project 2023 (Road Maintenance and Drainage Facilities Maintenance Project) (with a successful bid price of approximately RMB48.50 million).

In particular, regarding outbound regional expansion, the Group has also won bids including the EPC Main Contracting for the Ecological Comprehensive Improvement Project at the Source of Longhe River (Lengshui Area) (with a successful bid price of approximately RMB20.00 million) and the bid for the Ecological Restoration Project of the Shoreline of Nangang Industrial Zone in Tianjin – Ecological Greenway Project at Nandi Road (Jinqi Highway - Xizhonghuan Extension).

In the first half of 2023, the Water Ecological Treatment of Baili Yitong River in Changchun – Nanxi Water Culture Ecological Park Project of Jinghe Design Group Limited* (境和設計集團有限公司) (“**Jinghe Design Group**”) was awarded the “First Class Award for Garden Landscape and Ecological Environment Design in the 2011 National Industry Excellent Survey and Design Awards” (二零二一年度全國行業優秀勘察設計獎園林景觀與生態環境設計一等獎) in March 2023; the application of LIM technology in the Changchun Water Culture Ecological Park Project won the “Third Class Award in the Seventh Construction Engineering BIM Competition” (第七屆建設工程BIM大賽三等獎); and the Dongfeng International Sika Deer Industrial Park Project won the “2022 Jilin Province Quality Engineering Decoration Award” (2022年度吉林省優質工程裝飾獎) in June 2023. At the same time, Jinghe Design Group was recognised as a “New, distinctive, specialised and sophisticated (專精特新)” small and medium-sized enterprise of Jilin Province in 2023 and appointed as a member of the standardisation work committee of China Society for the Promotion of Science and Technology Commercialization (group standard code: T/CSPSTC); the Supplementary Project for the Comprehensive Improvement in relation to Black and Odorous Water Body in the Urban Area of Liaoyuan City (Ecological Restoration and Enhancement of the Riparian Zone of Dongliao River) – Construction and Supervision of Landscaping Project (Phase I, Phase III) (Bidding Section I: Engineering Construction) and the Shenjunshan Ecological Restoration and Landscaping Project of Zonbong Ecology Environmental Construction Limited* (中邦生態環境有限公司) (“**Zonbong Ecology Environmental**”) were awarded the “Changbaishan Award for Quality Construction Works in Jilin Province” (吉林省建設工程省優質工程 “長白

Management Discussion and Analysis

山杯”獎) granted by the Jilin Provincial Construction Association (吉林省建築業協會). Zonbong Ecology Environmental was also awarded the national “Credit Star Certificate (6-Star)” (信用星級證書(6星)) jointly granted by the China Association of Construction Enterprise Management and its Credit Evaluation Committee and honoured as an “Excellent Construction Enterprise in Jilin Province” (吉林省優秀施工企業) by the Jilin Provincial Construction Association. The Water Environment Comprehensive Treatment Project of Yitong River Basin in Changchun – Yitong River Basin Black and Odorous Water Body Treatment Project East Drainage Ditch Sewage Pipe Project (Shitong Road) and the Changchun Five Largest Wastewater Treatment Systems “One Plant, One Policy” Quality Improvement and Efficiency Enhancement Project - Chuanhu Wastewater Treatment System of Municipal Construction Co. of the Group were honoured as “2022 Construction Safety Production Standardized Sites for City-wide Construction Projects” (2022年全市範圍建設工程項目施工安全生產標準化工地) by the Changchun City Construction Industry Safety Association (長春市建築業安全協會), while Changchun Chengjianweihu Group Co., Ltd.* (長春市城建維護集團股份有限公司) (“**Changchun Chengjianweihu**”) was awarded as an “Excellent Construction Enterprise in Jilin Province” by the Jilin Provincial Construction Association.

RISK MANAGEMENT

The Company believes that risk management is essential to the Group’s efficient and effective operation. The Company’s management assists the Board in evaluating material risk exposure to the Group’s business such as investment risk, interest rate risk and liquidity risk, participates in formulating appropriate risk management and internal control measures and to ensure their implementation in daily operational management. There was no material deficiency in the Group’s internal control over financial reporting during 1H2023.

PROSPECTS

From January 2023 to June 2023, the Group’s subsidiaries, being Beijing Zonqing Cultural & Commercial Tourism Operation Management Co., Limited* (北京中慶文商旅運營管理有限公司), Jinghe Design Group, Zonbong Ecology Environmental and Changchun Chengjianweihu worked in cooperation with each other and leveraged on the synergistic advantages formed via the integration of cultural, commercial, tourism and industrial activities ranging from project commercial planning, engineering design, construction services to urban construction and maintenance, sanitation, to cultural and tourism operations. The Group has secured new contracts amounting to RMB2,209.0 million in the first half of 2023 (first half of 2022: RMB160.2 million), an increase of 1,278.9% as compared to the same period last year. These include an urban upgrading project of approximately RMB752 million in Changchun New Area; a main contracting project for scenic spot (tourism) infrastructure construction of approximately RMB459 million in Jingyue District; a main contracting ecological management project for service facilities enhancement of approximately RMB524 million in the Yitong River Basin; and the Group thereby achieved new breakthrough in its business.

Regarding national policies, in August 2022, the General Office of the CPC Central Committee, together with the General Office of the State Council, published the “Cultural Development Plan for the 14th Five-Year Plan” and included the “deep integration of culture and tourism” as one of the main objectives of industry development, with an aim to carry out the pilot integration of the functions of public cultural institutions and tourism service centres, promote the integrated development of culture and tourism, sports, education, information, construction and manufacturing, and extend the industrial chain. In the Government Work Report published in March 2023, it was proposed that “efforts should be made to expand domestic demand. Government investment and policy incentives should effectively drive investment in society as a whole, with RMB3.8 trillion to be allocated as special-purpose bonds for local governments this year to speed up the implementation of major projects set out in the 14th Five-Year Plan and launch urban renewal projects. We should promote complementary development between regions and see that each region fully leverages its strengths. We should encourage and attract more private capital into major state projects and projects aimed at addressing areas of weakness in order to stimulate private investment.”



Management Discussion and Analysis

Under the strong guidance and support from government policy, the Group will vigorously utilise the synergistic integrated business of culture, commerce, tourism and industry (文商旅工一體化), continue to take advantage on its existing strengths in terms of qualification, experience and business integration, and continue to try to secure new business projects with its First-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包壹級資質); and, in addition to solidifying its stronghold in Changchun, in particular for its landscaping and ecological restoration related business, expand nationwide to cities including Tianjin, Chongqing, Beijing, Shandong and Guangzhou, with a plan to jointly bid for projects and jointly develop the national market with its various partners to complement each other's strengths and to extend its business to the whole process of consultancy. The Group will continue to consider qualification upgrades to stabilise and enhance its corporate creditworthiness, ensure AAA-grade corporate creditworthiness, and apply for national, provincial and municipal awards for outstanding design and engineering, thereby laying a solid foundation for sustained results growth.

Looking ahead to the second half of 2023, the Group's business focus will be to continue to integrate its product lines, closely follow the policy direction of the central government, expand the construction and upgrading of new urban parks, urban roads, bridges and greening construction, and introduce cultural and tourism operations, smart operation and maintenance and other ideas and technological ways into its existing products, so as to achieve city upgrading objectives and satisfy public's pursuit of a "Lifestyle of Health and Sustainability" (LOHAS).

The Company will continue to uphold the core concept of "customer-centred and endeavour-oriented", fulfil the corporate mission of "Greening China for a Collective Future", and achieve healthy and sustainable development of the Company. The Company is committed to becoming a leading brand of integrated operation service provider for the landscaping, ecological environment construction, and cultural and tourism industry.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 149.1% or approximately RMB544.5 million from approximately RMB365.3 million (Restated) for 1H2022 to approximately RMB909.8 million for 1H2023. The increase in revenue during 1H2023 was mainly due to (i) the Group's revenue (including the revenue generated by Jilin Modern Zhongqing and its subsidiaries) being adversely affected during 1H2022 due to the implementation of control and lockdown measures to combat the Covid-19 outbreak in Changchun city in March 2022, which only started to lift in around mid of May 2022; and (ii) the increase in newly awarded contracts in the 1H2023.

City renewal construction services

The Group recorded an increase in revenue from the city renewal construction services segment, from approximately RMB277.2 million (Restated) for 1H2022 to approximately RMB783.6 million for 1H2023, representing an increase of approximately 182.7% or approximately RMB506.4 million, which was mainly due to the increase in major contracts newly awarded during 1H2023.

City operation and maintenance services

The Group recorded a decrease in revenue from the city operation and maintenance services segment, from approximately RMB69.4 million (Restated) for 1H2022 to approximately RMB61.7 million for 1H2023, representing a decrease of approximately 11.1% or approximately RMB7.7 million, which was mainly due to the expiry of a sizeable environmental hygiene project in 2022, hence no revenue was recognised from this project in 2023.

Management Discussion and Analysis

Design and consultancy services

The Group recorded an increase in revenue from the design and consultancy services segment, from approximately RMB18.6 million (Restated) for 1H2022 to approximately RMB64.6 million for 1H2023, representing an increase of approximately 247.3% or approximately RMB46.0 million, which was mainly attributable to the newly awarded major consultancy projects undertaken during 1H2023.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 183.8% or approximately RMB94.5 million from approximately RMB51.4 million (Restated) for 1H2022 to approximately RMB145.9 million for 1H2023. The increase in gross profit was primarily due to (i) the effect of the rise in revenue of approximately RMB544.6 million in 1H2023, which was mainly due to the relaxation of pandemic containment measures and the increase in newly awarded major construction projects.

Other net income

The Group's other net income decreased by approximately 8.5% or approximately RMB0.4 million from approximately RMB4.7 million (Restated) for 1H2022 to approximately RMB4.3 million for 1H2023. The decrease was mainly attributable to the decrease in government grants in relation to the COVID-19 pandemic during 1H2023.

Selling expenses

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

The selling expenses decreased by approximately 8.5% or approximately RMB0.7 million from approximately RMB8.2 million (Restated) for 1H2022 to approximately RMB7.5 million for 1H2023. The decrease was mainly attributable to the reduction in number of staff.

Administrative expenses

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

The administrative expenses increased by approximately 12.5% or approximately RMB4.7 million from approximately RMB37.6 million (Restated) for 1H2022 to approximately RMB42.3 million for 1H2023, which was mainly due to the increase in fee charged by professional parties, primarily in relation to the acquisition of Jilin Modern Zhongqing.

Finance costs

The Group's finance costs mainly represented interest expenses on bank and other loans, and decreased by approximately 11.0% or approximately RMB4.0 million from approximately RMB36.3 million (Restated) for 1H2022 to approximately RMB32.3 million for 1H2023, which was mainly due to the absence of net foreign exchange loss of bank loan during 1H2023.



Management Discussion and Analysis

Share of profits of associates

The Group's share of profits of associates represented profits/(losses) shared from two associates, namely Changchun Xianbang Municipal and Landscape Limited* (長春現邦市政園林有限責任公司) (“**Changchun Xianbang**”) and Tianjin Nangang Municipal Garden Engineering Limited* (天津南港市政園林工程有限公司) (“**Tianjin Nangang**”).

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

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

During 1H2023, results of associates attributable to the Group decreased by approximately 42.2% or RMB0.7 million from share of profit of approximately RMB1.6 million (Restated) for 1H2022 to approximately RMB0.9 million for 1H2023.

Share of profits of a joint venture

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

During 1H2023, profits of a joint venture attributable to the Group decreased by approximately 57.1% or approximately RMB2.0 million from approximately RMB3.5 million (Restated) for 1H2022 to approximately RMB1.5 million for 1H2023. The fluctuation was mainly due to the decrease in revenue of the joint venture.

Income tax

The Group's income tax increased by approximately RMB12.9 million from approximately -RMB10.3 million (Restated) for 1H2022 to approximately RMB2.6 million for 1H2023, which was mainly due to the Group's turnaround from loss for 1H2022 to profit for 1H2023.

Management Discussion and Analysis

Net current assets

The Group's net current assets decreased by approximately 48.9% or approximately RMB252.7 million from approximately RMB516.7 million (Restated) as at 31 December 2022 to approximately RMB264.0 million as at 30 June 2023, the decrease was primarily due to the consideration payable to ZIHG in relation to the acquisition of Jilin Modern Zhongqing.

Liquidity and financial resources

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB131.1 million (31 December 2022: approximately RMB220.2 million (Restated)). As at 30 June 2023, the Group had borrowings of approximately RMB819.4 million (31 December 2022: approximately RMB1,053.7 million (Restated)). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB741.5 million (31 December 2022: approximately RMB974.8 million (Restated)) of the borrowings are payable within one year. Some of the borrowings were secured and guaranteed by controlling shareholders, trade receivables and contract assets and bank deposits of the Group, related parties or third-party guarantee companies.

As at 30 June 2023, there was no breach of loan covenants relating to the bank and other loans.

Gearing ratio

The gearing ratio (calculated by bank and other loans divided by total equity) increased from 1.1 times (Restated) as at 31 December 2022 to 1.2 times as at 30 June 2023, the increase was primarily due to the impact of the decrease of total equity arising from acquisition of Jilin Modern Zhongqing during 1H2023.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as the acquisition of 87.5% equity interests in Jilin Modern Zhongqing, which was completed on 30 June 2023, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures in 1H2023. Please refer to the announcement of the Company dated 11 April 2023 and the circular of the Company dated 9 June 2023 for details of the acquisition of 87.5% equity interests in Jilin Modern Zhongqing.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2023, except for the associates and the joint venture of the Group as mentioned in this Report, the Group did not hold any significant investments.

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



Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had 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 30 June 2023 the balance of the bank loan is RMB330,000,000 (31 December 2022: RMB RMB330,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. The amounts of financial guarantee issued in “accrued expenses and other payables” will be amortised in profit or loss as “other net income” over the guarantee period. As at 30 June 2023, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB20,171,000 (31 December 2022: RMB21,131,000).

As at 30 June 2023, the Group had 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 30 June 2023, the balance of the bank loan is RMB170,350,000 (31 December 2022: RMB180,000,000). The fair value of the financial guarantee provided by the Group was initially estimated RMB12,685,000 and RMB2,692,000 was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. The amounts of financial guarantee issued in “accrued expenses and other payables” will be amortised in profit or loss as “other net income” over the guarantee period. As at 30 June 2023, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB9,879,000.00 (31 December 2022: RMB10,670,000).

FINANCIAL GUARANTEES ISSUED

The Group’s financial guarantees issued amounted to approximately RMB30.1 million and approximately RMB31.8 million as at 30 June 2023 and 31 December 2022, 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.

Except for above mentioned, all of financial guarantees issued to related parties and third parties as at 31 December 2022 were released during the six months ended 30 June 2023.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

Currency risk

The Group did not enter into any hedging arrangement or foreign currency forward contract during the 1H2023. Given the Group's operation is mainly in the PRC in RMB, the currency risk is insignificant.

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of an interim dividend for 1H2023 (1H2022: nil).

Employees and remuneration policies

As at 30 June 2023, the Group had 844 employees. The Group's Remuneration Management Policy and Fringe Benefits System has been formulated to establish a systematic remuneration system, which enabling the employees to have full vision and understanding of the Group's human resources management function, human resources management policies and system, composition and accounting of remuneration and fringe benefits etc., so as to ensure and enhance the transparency and fairness. The remuneration committee of the Company (the "**Remuneration Committee**") was set up for reviewing the Group's remuneration policy and structure of the Directors, senior management and employees of the Group. The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Yin Jun, Mr. Lee Kwok Tung Louis and Mr. Gao Xiangnong, and Mr. Yin Jun is the chairman of the Remuneration Committee.



Other Information

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

As at 30 June 2023, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules, are set out as follows:

(i) Long positions in our shares

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

Notes:

- Mr. Sun Juqing is the spouse of Ms. Zhao Hongyu. Ms. Zhao Hongyu is the beneficial owner of 35% shareholding in Zonqing International and is therefore deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO. Accordingly, Mr. Sun is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.
- Given that Mr. Liu Haitao is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.

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

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

Other Information

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during 1H2023 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and minor children) to hold any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

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

As at 30 June 2023, 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 30 June 2023, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules during 1H2023.

COMPETING BUSINESS

During the first half of 2023, the Group acquired 87.5% equity interest in Jilin Modern Zhongqing (the "**Acquisition**"), which together with its subsidiaries are primarily engaged in the provision of environmental hygiene services and construction and maintenance services for public work projects. Following the Acquisition, the Group's business operations now cover the municipal construction sector, on top of the existing landscaping and ecological restoration sector. On the other hand, ZIHG Group, which is controlled by the Ultimate Controlling Shareholders, is primarily engaged in the infrastructure and municipal construction works business and other businesses. Nevertheless, the respective municipal construction business of the Group and the ZIHG Group can be delineated from each other in terms of both geographical locations and the nature of services provided. For more details, please refer to the circular of the Company in relation to the Acquisition dated 9 June 2023.

Furthermore, pursuant to (i) the Deed of Non-competition given by the Ultimate Controlling Shareholders in favor of the Company as disclosed in the Prospectus, and (ii) the non-competition undertaking given by the ZIHG Group in the equity transfer agreement for the Acquisition, ZIHG Group shall not, whether directly or indirectly, engage in business activity that competes or may compete with the existing business of Group (including Jilin Modern Zhongqing and its subsidiaries).

Taking into consideration of the above, the Directors are of the view that the respective businesses of the Group and the ZIHG Group can be delineated and there is no material conflict of interests between the Group on one hand and the ZIHG Group on the other hand.

Save as disclosed in this Report, 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 1H2023.

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 voting rights at general meetings of the Company (on a one vote per share basis) in the share capital 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 and/or add resolutions to the agenda of a meeting. 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.

Other Information

Nomination of Directors for Election

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

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

Contact Details

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

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

Email: IR@zonbong.com

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

SHARE OPTION SCHEME

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

The purpose of the Share Option Scheme is to provide an incentive or reward for any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries, and any suppliers, clients, consultants, agents and advisers, for their contribution or potential contribution to the Company and/or any of its subsidiaries.

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 30 June 2023, hence there are no share option vested, exercised, expired, cancelled or lapsed under the Share Option Scheme since Listing, nor any outstanding share option as at 30 June 2023. There were 27,500,000 shares option available for grant as at both 1 January 2023 and 30 June 2023, as no share options had been granted in the six months ended 30 June 2023.

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 1H2023.



Other Information

RELATED PARTIES TRANSACTIONS

The material related party transactions entered into by the Group during 1H2023 are set out in Note 19, including transactions that constitute connected/continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

Save for the contracts described in Note 8, 9, 10, 11, 12 and 13 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 1H2023 or at any time during 1H2023; and (b) there is no contract of significance (i) between the Company or its subsidiaries and Company's Controlling Shareholders or its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by Company's Controlling Shareholders or its subsidiaries.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms in accordance to the required standard of dealings as set out in the Model Code. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors since the Listing Date (as defined in the Prospectus).

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place subsequent since 30 June 2023 and up to the date of this Report.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions as set out in Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company will continue to review and enhance its corporate governance to ensure compliance with the CG Code.

Other Information

REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Company (“**Audit Committee**”) comprises three independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis (Chairman), Mr. Gao Xiangnong and Mr. Yin Jun. The unaudited interim results of the Group for the six months ended 30 June 2023 and the interim financial statements have been reviewed by the Audit Committee.

On behalf of the Board

Mr. Sun Juqing

Chairman

Hong Kong, 30 August 2023



Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000 (Restated) (Note 20)
Revenue	4	909,819	365,267
Cost of sales		<u>(763,885)</u>	<u>(313,874)</u>
Gross profit		145,934	51,393
Other net income		4,273	4,680
Selling expenses		(7,520)	(8,168)
Administrative expenses		(42,299)	(37,606)
Impairment losses on trade and other receivables and contract assets		<u>(24,402)</u>	<u>(57,607)</u>
Profit/(loss) from operations		75,986	(47,308)
Finance costs	5(a)	(32,329)	(36,295)
Share profits of associates		908	1,572
Share of profits of a joint venture		<u>1,512</u>	<u>3,526</u>
Profit/(loss) before taxation	5	46,077	(78,505)
Income tax	6	<u>(2,586)</u>	<u>10,250</u>
Profit/(loss) for the period		<u>43,491</u>	<u>(68,255)</u>
Attributable to:			
Equity shareholders of the Company		37,102	(65,240)
Non-controlling interests		<u>6,389</u>	<u>(3,015)</u>
Profit/(loss) for the period		<u>43,491</u>	<u>(68,255)</u>
Earnings/(loss) per share (RMB cents)			
Basic and diluted	7	<u>13</u>	<u>(24)</u>

The notes on pages 25 to 53 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 15(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 — unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000 (Restated) (Note 20)
Profit/(loss) for the period	43,491	(68,255)
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income		
— net movement in fair value reserve	(4,272)	(374)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	1,090	1,274
Other comprehensive income for the period	(3,182)	900
Total comprehensive income for the period	40,309	(67,355)
Attributable to:		
Equity shareholders of the Company	33,920	(64,344)
Non-controlling interests	6,389	(3,011)
Total comprehensive income for the period	40,309	(67,355)

The notes on pages 25 to 53 form part of this interim financial report.



Consolidated Statement of Financial Position

At 30 June 2023 — unaudited

(Expressed in RMB)

		At 30 June 2023	At 31 December 2022 (Restated) (Note 20)
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		38,320	37,575
Intangible assets		2,200	2,440
Right-of-use assets		7,775	8,574
Interest in associates		78,420	77,512
Interest in a joint venture		197,172	195,660
Other equity investments		71,436	75,622
Deferred tax assets	14(b)	82,931	77,422
Non-current portion of trade receivables	9	9,743	18,988
		<u>487,997</u>	<u>493,793</u>
Current assets			
Inventories and other contract costs		63,282	36,193
Contract assets	8(a)	922,096	1,055,709
Trade and bills receivables	9	1,546,605	1,560,456
Prepayments, deposits and other receivables		537,968	794,377
Restricted bank deposits	10	7,745	22,223
Cash and cash equivalents	10	131,057	220,233
		<u>3,208,753</u>	<u>3,689,191</u>
Current liabilities			
Trade and bills payables	11	1,131,472	1,237,478
Accrued expenses and other payables	12	612,989	348,290
Contract liabilities	8(b)	428,885	583,036
Bank and other loans	13	741,488	974,781
Lease liabilities		1,312	2,610
Income tax payable		28,652	26,270
		<u>2,944,798</u>	<u>3,172,465</u>
Net current assets		<u>263,955</u>	<u>516,726</u>

Consolidated Statement of Financial Position

At 30 June 2023 — unaudited

(Expressed in RMB)

		At 30 June 2023	At 31 December 2022 (Restated) (Note 20)
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Total assets less current liabilities		751,952	1,010,519
Non-current liabilities			
Bank loans	13	77,932	78,932
Lease liabilities		1,078	815
Deferred tax liabilities	14(b)	12,072	12,762
		91,082	92,509
NET ASSETS		660,870	918,010
CAPITAL AND RESERVES	15		
Share capital		230	230
Reserves		551,676	867,523
Total equity attributable to equity shareholders of the Company		551,906	867,753
Non-controlling interests		108,964	50,257
TOTAL EQUITY		660,870	918,010

Approved and authorised for issue by the Board of directors on 30 August 2023.

Liu Haitao
Director

Wang Yan
Director

The notes on pages 25 to 53 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Special reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022											
as previously reported	230	90,063	318,628	45,625	5,579	1,834	—	132,668	594,627	9,450	604,077
Adjustment for business combination under common control (Note 20)	—	—	172,585	16,075	(4,449)	—	10,125	177,976	372,312	45,474	417,786
As restated	230	90,063	491,213	61,700	1,130	1,834	10,125	310,644	966,939	54,924	1,021,863
Changes in equity for the six months ended 2022:											
Loss for the period (Restated)	—	—	—	—	—	—	—	(65,240)	(65,240)	(3,015)	(68,255)
Other comprehensive income (Restated)	—	—	—	—	(378)	1,274	—	—	896	4	900
Total comprehensive income	—	—	—	—	(378)	1,274	—	(65,240)	(64,344)	(3,011)	(67,355)
Deemed contribution arising from reorganisation (Restated)	—	—	852	—	—	—	—	—	852	98	950
Distributions of a subsidiary	—	—	—	—	—	—	—	—	—	(2,000)	(2,000)
Appropriation to reserves	—	—	—	—	—	—	144	(144)	—	—	—
	—	—	852	—	—	—	144	(144)	852	(1,902)	(1,050)
At 30 June 2022	230	90,063	492,065	61,700	752	3,108	10,269	245,260	903,447	50,011	953,458

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Special reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2023											
as previously reported	230	90,063	306,043	46,315	5,910	4,960	—	26,692	480,213	6,737	486,950
Adjustment for business combination under common control (Note 20)	—	—	305,315	16,926	984	—	11,772	52,543	387,540	43,520	431,060
As restated	230	90,063	611,358	63,241	6,894	4,960	11,772	79,235	867,753	50,257	918,010
Changes in equity for the six months ended 2023:											
Profit for the period	—	—	—	—	—	—	—	37,102	37,102	6,389	43,491
Other comprehensive income	—	—	—	—	(4,272)	1,090	—	—	(3,182)	—	(3,182)
Total comprehensive income	—	—	—	—	(4,272)	1,090	—	37,102	33,920	6,389	40,309
Contributions from non-controlling shareholders (Note 2)	—	—	(1,851)	—	—	—	—	—	(1,851)	10,587	8,736
Disposal of interest to non-controlling shareholders in a subsidiary (Note 2)	—	—	(31,642)	(1,754)	(102)	—	(1,220)	(7,442)	(42,160)	42,160	—
Distributions of a subsidiary	—	—	—	—	—	—	—	—	—	(429)	(429)
Business combination under common control (Note 2)	—	—	(305,756)	—	—	—	—	—	(305,756)	—	(305,756)
Appropriation to reserves	—	—	—	—	—	—	2,415	(2,415)	—	—	—
	—	—	(339,249)	(1,754)	(102)	—	1,195	(9,857)	(349,767)	52,318	(297,449)
At 30 June 2023	230	90,063	272,109	61,487	2,520	6,050	12,967	106,480	551,906	108,964	660,870

The notes on pages 25 to 53 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023 — unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2023	2022 (Restated) (Note 20)
		RMB'000	RMB'000
Operating activities			
Cash used in operations		(23,113)	(111,164)
Income tax paid		(6,489)	(17,787)
Net cash used in operating activities		(29,602)	(128,951)
Cash flows from investing activities			
Payments for purchase of non-current assets		(5,237)	(1,734)
Capital contributions to an associate		—	(4,721)
Capital contributions to other equity investment		—	(8,161)
Net proceeds from disposal of non-current assets		1,367	38
Payments for advances granted to related parties		(375,950)	(688,655)
Payments for advances granted to third parties		(630)	(19,010)
Payments for loans granted to an associate		(6,630)	(6,582)
Proceeds from repayment of advances granted to related parties		579,556	930,691
Proceeds from repayment of advances granted to third parties		7,270	—
Interest received		480	5,394
Net cash generated from investing activities		200,226	207,260
Cash flows from financing activities			
Proceeds from bank and other loans		1,053,660	752,358
Proceeds from advances from related parties		234,599	75,218
Proceeds from advances from third parties		27,272	187,078
Repayment of bank and other loans		(1,287,953)	(818,273)
Repayment of advances from related parties		(239,637)	(71,308)
Repayment of advances from third parties		(25,994)	(173,713)
Capital element of lease rentals paid		(2,118)	(1,613)
Interest element of lease rentals paid		(104)	(153)
Decrease/(increase) in restricted deposits		6,920	(3,710)
Decrease/(increase) in deposits paid to secure guarantees granted by third parties		890	(7,093)
Interest paid		(33,647)	(31,662)
Contributions from non-controlling shareholders		8,736	—
Distributions of a subsidiary		(2,429)	—
Net cash used in financing activities		(259,805)	(92,871)
Net decrease in cash and cash equivalents		(89,181)	(14,562)
Cash and cash equivalents at 1 January	11	220,233	88,870
Effect of foreign exchange rate changes		5	2
Cash and cash equivalents at 30 June	11	131,057	74,310

The notes on pages 25 to 53 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

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 construction and maintenance services for landscaping, ecological restoration and public work projects, provision of environmental hygiene services and other related projects.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “**IASB**”). It was authorised for issue on 30 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2023.

In July 2022, the Group acquired the entire equity interests of Jilin Jinghe Design Engineering Co., Ltd. (“**Jilin Jinghe Design**”), a fellow subsidiary of the Group, from Zhongqing Investment Holding Group Limited Liability Company (“**ZIHG**”) and a third party at considerations of RMB12,207,000 and RMB378,000, respectively.

In June 2023, the Group acquired the 87.5% equity interests of Jilin Modern Zhongqing City Construction Co. Ltd. (“**Jilin Modern Zhongqing**”), a fellow subsidiary of the Group, from ZIHG at considerations of RMB305,756,000.

Jilin Jinghe Design and Jilin Modern Zhongqing became subsidiaries of the Group upon the completion of the acquisitions. These business combinations under common control have been accounted for using the principle of merger accounting. The interim financial report of the Group has been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the periods presented. The opening balance at 1 January 2022 has been restated, with consequential adjustments to comparatives for the six months ended 30 June 2022. The details of the restated balances have been disclosed in Note 20 to the interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

2 BASIS OF PREPARATION (CONTINUED)

In March 2023, Jilin Modern Zhongqing increased its registered capital from RMB20,000,000 to RMB340,700,000, such registered capital of RMB305,756,000, RMB17,472,000 and RMB17,472,000 was subscribed and fully paid by ZIHG, Mr. Sun Yangang and Mr. Li Peng, respectively. Upon completion of the capital contributions, Jilin Modern Zhongqing was owned as to 89.74% by ZIHG, 5.13% by Mr. Sun Yangang and 5.13% by Mr. Li Peng and Jilin Modern Zhongqing acquired 90.65% equity interests of Changchun Chengjianwei Group Co., Ltd. at a cash consideration of RMB340,700,000 from ZIHG. The net assets of 10.26% interests of Jilin modern Zhongqing attributable to equity shareholders of the Company was transferred to non-controlling interests.

In April 2023, Jilin Modern Zhongqing increased its registered capital from RMB340,700,000 to RMB349,436,000, such increased registered capital of RMB8,736,000 was subscribed and fully paid by Kai Ming Investment Holding Limited (“**Kai Ming Investment**”). Upon completion of the capital contribution, Jilin Modern Zhongqing was owned as to 87.50% by ZIHG, 5.00% by Mr. Sun Yangang, 5.00% by Mr. Li Peng and 2.50% by Kai Ming Investment. The differences between net asset of 2.5% interests of Jilin modern Zhongqing attributable to equity shareholders of the Company and the consideration of RMB8,736,000 was recognised in other reserve.

For the six months ended 30 June 2023, the Group had net cash used in operating activities of RMB29,602,000.

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 13(a)); and/or
 - (ii) provide additional bank facilities to the Group.
- ZIHG, which is controlled by the controlling parties of the Group, has committed to provide the necessary financial support, including but not limited to:
 - (i) renewal of the short-term loans from ZIHG and its subsidiaries upon maturity (see Note 13(a)); and/or
 - (ii) provision of additional loan facilities from ZIHG and its subsidiaries, as needed.

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

- IFRS17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

4 REVENUE AND SEGMENT REPORTING

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

- City renewal construction services: this segment includes construction services for landscaping, ecological restoration and municipal projects;
- City operation and maintenance services: this segment includes: (1) provision of maintenance services to landscaping, ecological restoration and municipal projects and public infrastructures; (2) provision of environmental hygiene services including cleaning and hygiene services to public infrastructures; and
- Design and consultancy services: this segment includes investigation, survey, design and consultancy for construction projects.

As mentioned in Note 2 to the interim financial report, the acquisition of Jilin Modern Zhongqing has been completed and the Group have undertaken significant additional activities through acquisition of Jilin Modern Zhongqing. The Group's most senior executive management considered the adoption of new segments is appropriate, and the comparative data of segments for the six months ended 30 June 2022 have been restated.



Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022 (Restated)
	RMB'000	RMB'000
Disaggregated by major products or service lines		
— Revenue from city renewal construction services	783,582	277,212
— Revenue from city operation and maintenance services	61,674	69,436
— Revenue from design and consultancy services	64,563	18,619
	<u>909,819</u>	<u>365,267</u>

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

(b) Segment reporting

(i) Segment results

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

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

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

Notes to the Unaudited Interim Financial Report

(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 six months ended 30 June 2023 and 2022 is set out below.

	Six months ended 30 June 2023			Total RMB'000
	City renewal construction services RMB'000	City operation and maintenance services RMB'000	Design and consultancy services RMB'000	
Disaggregated by timing of revenue recognition				
Point in time	—	—	2,730	2,730
Over time	783,582	61,674	61,833	907,089
Revenue from external customers and reportable segment revenue	<u>783,582</u>	<u>61,674</u>	<u>64,563</u>	<u>909,819</u>
Reportable segment gross profit	<u>115,975</u>	<u>9,977</u>	<u>19,982</u>	<u>145,934</u>
	Six months ended 30 June 2022 (Restated)			Total RMB'000
	City renewal construction services RMB'000	City operation and maintenance services RMB'000	Design and consultancy services RMB'000	
Disaggregated by timing of revenue recognition				
Point in time	—	—	—	—
Over time	277,212	69,436	18,619	365,267
Revenue from external customers and reportable segment revenue	<u>277,212</u>	<u>69,436</u>	<u>18,619</u>	<u>365,267</u>
Reportable segment gross profit/(losses)	<u>36,258</u>	<u>18,193</u>	<u>(3,058)</u>	<u>51,393</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2023	2022
		(Restated)
	RMB'000	RMB'000
Revenue		
Reportable segment revenue and consolidated revenue (Note 4(b)(i))	909,819	365,267
Profit/(loss)		
Total reportable segment gross profit	145,934	51,393
Other net income	4,273	4,680
Selling expenses	(7,520)	(8,168)
Administrative expenses	(42,299)	(37,606)
Impairment losses on trade and other receivables and contract assets	(24,402)	(57,607)
Finance costs	(32,329)	(36,295)
Share of profits of associates	908	1,572
Share of profits of a joint venture	1,512	3,526
Consolidated profit/(loss) before taxation	46,077	(78,505)

(iii) Geographic information

The Group's revenue is generated from the city renewal construction services, city operation and maintenance services and design and consultancy services in the People's Republic of China ("PRC"). The Group does not have material assets or operations outside the PRC, therefore, no segment analysis based on geographical locations of the customers and assets is presented.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	(Restated) RMB'000
Interest on bank and other loans and loans from related parties	32,224	32,818
Interest on lease liabilities	105	210
Net foreign exchange loss of bank loan	—	3,267
	<u>32,329</u>	<u>36,295</u>

(b) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	(Restated) RMB'000
Depreciation of property, plant and equipment	4,367	3,809
Depreciation of right-of-use assets	1,882	2,420
Amortisation of intangible assets	240	240
Leases charges relating to short-term leases and leases of low-value assets	5,515	5,502
Research and development costs	54,418	17,378
Cost of inventories	<u>197,757</u>	<u>116,151</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2023	2022
		(Restated)
	RMB'000	RMB'000
Current tax		
Provision for the period	8,871	4,001
Deferred tax (Note 14(a))		
Origination and reversal of temporary differences	(6,285)	(14,251)
	<u>2,586</u>	<u>(10,250)</u>

The Company and subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2023 (six months ended 30 June 2022: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB Nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and the subsidiaries of the Group incorporated in the Cayman Islands and the British Virgin Islands, are not subject to any income tax.

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).

Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2023 (six months ended 30 June 2022: PRC Corporate Income Tax rate of 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries entitle additional tax deductible allowance amounted to 100% of qualified research and development costs for the six months ended 30 June 2023 (six months ended 30 June 2022: 75%).

7 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB37,102,000 (six months ended 30 June 2022: loss of RMB65,240,000 (Restated)), and 275,000,000 ordinary shares in issue during the interim period (six months ended 30 June 2022: 275,000,000 ordinary shares).

(b) Diluted earnings/(loss) per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2023 and 2022. Hence, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Contract assets		
— due from ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	54,845	123,900
— due from a joint venture (Note 19(c))	51,429	51,416
— due from an associate (Note 19(c))	57,746	50,932
— due from companies managed by a key management personnel of ZIHG (Note 19(c))	1,906	14,539
— due from third parties	<u>1,006,346</u>	<u>1,058,486</u>
	1,172,272	1,299,273
Less: loss allowance	<u>(250,176)</u>	<u>(243,564)</u>
	<u>922,096</u>	<u>1,055,709</u>
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" (Note 9)	<u>1,521,962</u>	<u>1,559,577</u>

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

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB438,192,000 (31 December 2022: RMB455,828,000 (Restated)), which are expected to be billed after more than one year.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

8 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2023 RMB'000	At 31 December 2022 (Restated) RMB'000
Contract liabilities		
— due to ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	9,955	3,663
— due to a joint venture (Note 19(c))	18,324	18,324
— due to companies managed by a key management personnel of ZIHG (Note 19(c))	902	394
— due to third parties	399,704	560,655
	<u>428,885</u>	<u>583,036</u>

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9 TRADE AND BILLS RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 (Restated) RMB'000
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	161,314	84,886
— due from a joint venture (Note 19(c))	18,480	18,480
— due from an associate (Note 19(c))	8,311	12,034
— due from companies managed by a key management personnel of ZIHG (Note 19(c))	8,185	33,205
— due from third parties	<u>1,536,350</u>	<u>1,601,067</u>
	1,732,640	1,749,672
Bills receivable for contract work	<u>13,087</u>	<u>1,752</u>
	1,745,727	1,751,424
Less: loss allowance	<u>(189,379)</u>	<u>(171,980)</u>
	<u>1,556,348</u>	<u>1,579,444</u>
Reconciliation to the consolidated statement of financial position:		
Non-current	9,743	18,988
Current	<u>1,546,605</u>	<u>1,560,456</u>
	<u>1,556,348</u>	<u>1,579,444</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9 TRADE AND BILLS RECEIVABLES (CONTINUED)

Ageing analysis

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

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Within 1 year	839,774	735,224
1 to 2 years	363,983	525,701
2 to 3 years	151,629	145,543
3 to 4 years	78,379	40,181
4 to 5 years	44,079	49,413
Over 5 years	78,504	83,382
	1,556,348	1,579,444

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

10 CASH AND CASH EQUIVALENTS

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Cash at bank and on hand	138,802	242,456
Less: restricted bank deposits	(7,745)	(22,223)
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	131,057	220,233

The Group's business operations in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 TRADE AND BILLS PAYABLES

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Trade payables		
— due to ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	21,036	14,698
— due to companies managed by key management personnel of ZIHG (Note 19(c))	4,863	20,685
— due to third parties	1,101,273	1,140,402
Bills payables	4,300	61,693
	<u>1,131,472</u>	<u>1,237,478</u>

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

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Within 1 year	605,664	685,188
1 to 3 years	362,525	444,249
Over 3 years	163,283	108,041
	<u>1,131,472</u>	<u>1,237,478</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

12 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Amounts due to ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	400,258	101,964
Amount due to an equity shareholder of the Company (Note 19(c))	1,844	—
Amount due to companies managed by key management personnel of ZIHG (Note 19(c))	60	—
Distribution payable to non-controlling interests	—	2,000
Amounts due to third parties (Note (i))	37,109	35,831
Payables for staff related costs	52,120	66,798
Dividends payable	307	307
Interest payable	3,637	5,058
Payables for purchase of property, plant and equipment	4,420	3,455
Others	11,528	14,254
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	511,283	229,667
Financial guarantees issued (Note 18)	30,050	31,801
Payables for miscellaneous taxes	71,656	86,822
	<hr/>	<hr/>
	612,989	348,290
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) As at 30 June 2023, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB26,548,000 (31 December 2022: RMB28,299,000). All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 BANK AND OTHER LOANS

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

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Bank loans:		
Guaranteed by related parties	14,952	149,000
Guaranteed by third parties (Note 13(d))	254,571	273,705
Guaranteed by related parties and third parties (Note 13(d))	301,596	302,169
Guaranteed by related parties and secured by trade receivables and contract assets of the Group (Note 13(c))	—	29,748
Guaranteed by a third party and secured by trade receivables and contract assets of the Group (Note 13(c) and (Note 13(d)))	—	29,663
Guaranteed by a third party and secured by bank deposits of the Group (Notes 13(c) and 13(d))	35,105	49,473
Guaranteed by related parties and a third party and secured by trade receivables and contract assets of the Group (Notes 13(c) and 13(d))	98,512	—
Secured by trade receivables and contract assets of the Group (Note 13(c))	25,000	25,000
Secured by bank deposits of the Group (Note 13(c))	—	6,220
Unguaranteed and unsecured	49,329	30,000
	779,065	894,978
Other loans:		
Unguaranteed and unsecured loans from third parties	16,945	17,145
Unguaranteed and unsecured loans from ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	23,410	141,590
	819,420	1,053,713

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

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

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Within 1 year or on demand	741,488	974,781
After 1 year but within 2 years	1,000	2,000
After 2 year but within 5 years	76,932	76,932
	77,932	78,932
	819,420	1,053,713

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 BANK AND OTHER LOANS (CONTINUED)

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

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Trade receivables and contract assets	252,549	270,571
Bank deposits	1,800	8,720

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

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Counter-guarantee by related parties	689,784	559,900
Trade and bills receivables and contract assets	542,099	340,670
Guarantee deposits	20,900	21,790

- (e) All of the Group's banking facilities were utilised as of 30 June 2023 and 31 December 2022.
- (f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2023, none of the covenants relating to the bank loans had been breached (31 December 2022: None)

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14 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:	Accrued payables RMB'000	Credit loss allowance RMB'000	Fair value adjustments in connection with the acquisition of subsidiaries RMB'000	Equity method investment income RMB'000	Derivative financial instrument measured at FVPL RMB'000	Unused tax losses RMB'000	Unrealised gains and losses RMB'000	Withholding tax on distributable profits RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Fair value adjustments in connection with other equity investments RMB'000	Total RMB'000
At 1 January 2022											
As previously reported	12,104	31,996	(343)	(10,780)	175	1,718	466	(1,800)	—	—	33,536
Adjustment for business combination under common control (Note 20)	—	10,069	—	—	—	—	—	—	(2,265)	883	8,687
As restated	12,104	42,065	(343)	(10,780)	175	1,718	466	(1,800)	(2,265)	883	42,223
Credited/(charged) to profit or loss (Restated)	1,994	21,023	88	(203)	(175)	852	—	—	(72)	—	23,507
Charged to reserve (Restated)	—	—	—	—	—	—	—	—	—	(1,070)	(1,070)
At 31 December 2022 and 1 January 2023 (Restated)	14,098	63,088	(255)	(10,983)	—	2,570	466	(1,800)	(2,337)	(187)	64,660
Credited/(charged) to profit or loss	—	3,742	44	(500)	—	2,615	—	—	384	—	6,285
Charged to reserve	—	—	—	—	—	—	—	—	—	(86)	(86)
At 30 June 2023	14,098	66,830	(211)	(11,483)	—	5,185	466	(1,800)	(1,953)	(273)	70,859

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

	At 30 June 2023 RMB'000	At 31 December 2022 (Restated) RMB'000
Net deferred tax assets	82,931	77,422
Net deferred tax liabilities	(12,072)	(12,762)
	70,859	64,660

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(Expressed in RMB unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2023 and 31 December 2022	
	Number of shares	HKD'000
Authorised:		
Ordinary shares of HKD0.001 each	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid ordinary shares:		
At 31 December 2022 and 30 June 2023	<u>275,000,000</u>	<u>230</u>

(b) Dividends

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

The directors of the Company do not recommend the payment of a dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: HKDNil).

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

No final dividend in respect of the previous financial year has been approved during the six months ended 30 June 2023 (six months ended 30 June 2022: HKDNil).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value measurements categorised into Level 3

At 30 June 2023	At 31 December 2022 (Restated)
RMB'000	RMB'000

Recurring fair value measurements

Assets:

Other equity investments	71,436	75,622
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During the six months ended 30 June 2023 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: None). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

(i) Fair value hierarchy (Continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability: 20.6% (2022: 20.6%)
	Discounted cashflow approach (bb)	Discount rate: 7% and 9.3% (2022: 7% and 9.3% (Restated))

(aa) The fair value of the non-listed shares is determined by using enterprise value per book values of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2023, 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 RMB727,000 (2022: RMB803,000 (Restated)).

(bb) The fair value of the non-listed shares is determined by discounting projected cash flow. The valuation takes into account the expected cash flow according to the Public-Private-Partnership agreement. The discount rate used has been adjusted to reflect specific risks relating to respective investees. The fair value measurement is negatively correlated to the discount rate. As at 30 June 2023, 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 RMB102,000 (2022: RMB111,000 (Restated)), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB95,000 (2022: RMB104,000 (Restated)).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	(Restated) RMB'000
Unlisted equity securities:		
At 1 January	75,622	59,999
Net unrealised losses recognised in other comprehensive income during the period	(4,186)	(522)
At 30 June	<u>71,436</u>	<u>59,477</u>

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2023 and 31 December 2022.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

17 COMMITMENTS

Capital commitments outstanding at 30 June 2023 and 31 December 2022 not provided for in the interim financial report were as follows:

	At 30 June 2023	At 31 December 2022 (Restated)
	RMB'000	RMB'000
Authorised but not contracted for	1,286	4,908

18 CONTINGENT LIABILITIES

As at 30 June 2023, the Group has issued a guarantee in respect of a bank loan of Ulanhot Tianjiao Tianjun Tourism Development Limited (“**Tianjun Tourism**”), a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2023, the balance of the bank loan is RMB330,000,000 (31 December 2022: RMB RMB330,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. The amounts of financial guarantee issued in “accrued expenses and other payables” will be amortised in profit or loss as “other net income” over the guarantee period. As at 30 June 2023, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB20,171,000 (31 December 2022: RMB21,131,000).

As at 30 June 2023, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang Municipal and Landscape Limited (“**Changchun Xianbang**”), an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2023, the balance of the bank loan is RMB170,350,000 (31 December 2022: RMB180,000,000). The fair value of the financial guarantee provided by the Group was initially estimated RMB12,685,000 and RMB2,692,000 was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. The amounts of financial guarantee issued in “accrued expenses and other payables” will be amortised in profit or loss as “other net income” over the guarantee period. As at 30 June 2023, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB9,879,000.00 (31 December 2022: RMB10,670,000).

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

The directors do not believe it probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, and the Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries and other emoluments	3,762	3,501
Contributions to defined contribution retirement schemes	282	263
	<u>4,044</u>	<u>3,764</u>

(b) Other transactions with related parties

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

	Six months ended 30 June	
	2023	2022
	RMB'000	(Restated) RMB'000
Rendering of construction, survey, design, technical consultancy and other services	40,148	10,985
Receiving services	1,516	3,349
Purchase of goods	5,937	238
Lease charges relating to short-term leases and leases of low-value assets	1,272	1,358
Loan received from related parties	644,060	144,800
Loan repaid to related parties	762,240	83,800
Proceeds from advances from related parties	232,755	75,218
Repayment of advances from related parties	239,637	71,308
Payment for advances granted to related parties	375,950	688,655
Proceeds from repayment of advances granted to related parties	579,556	930,691
Issuance of bills	—	50,000
Acquisition of equity interests of Jilin Modern Zhongqing	305,756	—
	<u>305,756</u>	<u>—</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties (Continued)

(ii) Transactions with a joint venture

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Rendering of construction services	13	—
Income from financial guarantee issued (Note 18)	960	960
	<u>973</u>	<u>960</u>

(iii) Transactions with an associate

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Rendering of construction services	6,559	9,450
Loans granted to a related party	6,630	6,582
Income from financial guarantee issued (Note 18)	791	791
	<u>13,980</u>	<u>16,823</u>

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

	Six months ended 30 June	
	2023	2022
	RMB'000	(Restated) RMB'000
Rendering of construction service	—	431
Purchase of goods	—	5,790
Receiving services	60	—
	<u>60</u>	<u>6,221</u>

(v) Transactions with an equity shareholder of the Company

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Proceeds from advances from related parties	1,844	—
	<u>1,844</u>	<u>—</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 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

	At 30 June 2023 RMB'000	At 31 December 2022 (Restated) RMB'000
Trade in nature:		
Contract assets (Note 8(a))	54,845	123,900
Trade and bills receivables (Note 9)	161,314	84,886
Trade and bills payables (Note 11)	21,036	14,698
Contract liabilities (Note 8(b))	9,955	3,663
Accrued expenses and other payables (Note 12)	8,034	8,614
Non-trade in nature:		
Prepayments, deposits and other receivables	376,002	579,608
Accrued expenses and other payables (Note 12)		
— Advances from related parties	74,261	81,143
— Payables for acquisition	317,963	12,207
Bank and other loans (Note 13(a))	23,410	141,590
Guarantees provided by related parties for the bank loans at the end of the reporting period	415,060	480,917
Guarantees provided to related parties for the bank loans at the end of the reporting period	—	630,000
	<u>376,002</u>	<u>579,608</u>

In July 2023, The Group's prepayments, deposits and other receivables of RMB369,931,000 was settled by ZIHG and the Group settled the payables for acquisition to ZIHG of RMB317,963,000.

(ii) Due from or due to a joint venture

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade in nature:		
Contract assets (Note 8(a))	51,429	51,416
Trade and bills receivables (Note 9)	18,480	18,480
Contract liabilities (Note 8(b))	18,324	18,324
Non-trade in nature:		
Prepayments, deposits and other receivables	50	50
Guarantee provided by the Group for the joint venture's bank loan outstanding at the end of the reporting period (Note 18)	330,000	330,000
	<u>330,000</u>	<u>330,000</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade in nature:		
Contract assets (Note 8(a))	57,746	50,932
Trade and bills receivables (Note 9)	8,311	12,034
Non-trade in nature:		
Prepayments, deposits and other receivables	43,949	37,319
Guarantee provided by the Group for the joint venture's bank loan outstanding at the end of the reporting period (Note 18)	170,350	180,000

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

	At 30 June 2023 RMB'000	At 31 December 2022 (Restated) RMB'000
Trade in nature:		
Contract assets (Note 8(a))	1,906	14,539
Trade and bills receivables (Note 9)	8,185	33,205
Contract liabilities (Note 8(b))	902	394
Trade and bills payables (Note 11)	4,863	20,685
Non-trade in nature:		
Accrued expenses and other payables (Note 12)	60	—

(v) Due from or due to an equity shareholder of the Company

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-trade in nature:		
Accrued expenses and other payables	1,844	—

All of the advances granted to related parties and advances received from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. All of the loans from related parties and loans to related parties are unsecured, interest bearing and have fixed terms of repayment.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in Note 2 to the interim financial report, the acquisitions of Jilin Jinghe Design and Jilin Modern Zhongqing have been accounted for based on merger accounting. Accordingly, the assets and liabilities of Jilin Jinghe Design and Jilin Modern Zhongqing 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 and Jilin Modern Zhongqing 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 2022 and the consolidated statement of profit or loss for the six months ended 30 June 2022 are as follows:

At 31 December 2022

	As previously reported RMB'000	Jilin Modern Zhongqing RMB'000	Elimination RMB'000	Recognition of non- controlling interests RMB'000	Restated RMB'000
Assets and liabilities					
Non-current assets					
Property, plant and equipment	8,400	29,175	—	—	37,575
Intangible assets	2,440	—	—	—	2,440
Right-of-use assets	3,287	5,287	—	—	8,574
Interest in associates	77,512	—	—	—	77,512
Interest in a joint venture	195,660	—	—	—	195,660
Other equity investments	17,285	58,337	—	—	75,622
Deferred tax assets	68,418	9,004	—	—	77,422
Non-current portion of trade receivables	18,988	—	—	—	18,988
	391,990	101,803	—	—	493,793
Current assets					
Inventories and other contract costs	30,103	6,090	—	—	36,193
Contract assets	710,406	345,303	—	—	1,055,709
Trade and bills receivables	1,088,353	472,637	(534)	—	1,560,456
Prepayments, deposits and other receivables	77,349	719,608	(2,580)	—	794,377
Restricted bank deposits	22,213	10	—	—	22,223
Cash and cash equivalents	129,899	90,334	—	—	220,233
	2,058,323	1,633,982	(3,114)	—	3,689,191

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

At 31 December 2022 (Continued)

	As previously reported RMB'000	Jilin Modern Zhongqing RMB'000	Elimination RMB'000	Recognition of non- controlling interests RMB'000	Restated RMB'000
Current liabilities					
Trade and bills payables	785,538	452,474	(534)	—	1,237,478
Accrued expenses and other payables	263,725	87,145	(2,580)	—	348,290
Contract liabilities	230,471	352,565	—	—	583,036
Bank and other loans	663,200	311,581	—	—	974,781
Lease liabilities	2,240	370	—	—	2,610
Income tax payable	6,494	19,776	—	—	26,270
	<u>1,951,668</u>	<u>1,223,911</u>	<u>(3,114)</u>	<u>—</u>	<u>3,172,465</u>
Non-current liabilities					
Bank loans	—	78,932	—	—	78,932
Lease liabilities	815	—	—	—	815
Deferred tax liabilities	10,880	1,882	—	—	12,762
	<u>11,695</u>	<u>80,814</u>	<u>—</u>	<u>—</u>	<u>92,509</u>
NET ASSETS	<u>486,950</u>	<u>431,060</u>	<u>—</u>	<u>—</u>	<u>918,010</u>
CAPITAL AND RESERVES					
Share capital	230	—	—	—	230
Reserves	479,983	391,455	—	(3,915)	867,523
Total equity attributable to equity shareholders of the Company	<u>480,213</u>	<u>391,455</u>	<u>—</u>	<u>(3,915)</u>	<u>867,753</u>
Non-controlling interests	<u>6,737</u>	<u>39,605</u>	<u>—</u>	<u>3,915</u>	<u>50,257</u>
TOTAL EQUITY	<u>486,950</u>	<u>431,060</u>	<u>—</u>	<u>—</u>	<u>918,010</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

For the six months ended 30 June 2022:

	As previously reported <i>RMB'000</i>	Jilin Jinghe Design <i>RMB'000</i>	Jilin Modern Zhongqing <i>RMB'000</i>	Restated <i>RMB'000</i>
Revenue	227,305	7,692	130,270	365,267
Cost of sales	(189,681)	(6,666)	(117,527)	(313,874)
Gross profit	37,624	1,026	12,743	51,393
Other net income	3,340	77	1,263	4,680
Selling expenses	(5,364)	(79)	(2,725)	(8,168)
Administrative expenses	(22,214)	(2,166)	(13,226)	(37,606)
Impairment losses on trade and other receivables and contract assets	(46,269)	(679)	(10,659)	(57,607)
Loss from operations	(32,883)	(1,821)	(12,604)	(47,308)
Finance costs	(19,566)	(31)	(16,698)	(36,295)
Share of profits of associates	1,572	—	—	1,572
Share of profits of a joint venture	3,526	—	—	3,526
Loss before taxation	(47,351)	(1,852)	(29,302)	(78,505)
Income tax	5,827	167	4,256	10,250
Loss for the period	<u>(41,524)</u>	<u>(1,685)</u>	<u>(25,046)</u>	<u>(68,255)</u>
Attributable to:				
Equity shareholders of the Company	(41,112)	(1,685)	(22,443)	(65,240)
Non-controlling interests	(412)	—	(2,603)	(3,015)
Loss for the period	<u>(41,524)</u>	<u>(1,685)</u>	<u>(25,046)</u>	<u>(68,255)</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

20 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 loss per share for the six months ended 30 June 2022 is as follows:

	Impact on loss per share of the Group <i>RMB cents</i> (Restated)
Reported figures before restatement	15
Restatement arising from business combination under common control	<u>9</u>
	<u><u>24</u></u>



Definitions and Glossary of Technical Terms

"1H2022"	the six months ended 30 June 2022
"1H2023"	the six months ended 30 June 2023
"Articles of Association" or "Articles"	the second amended and restated memorandum and articles of association of the Company adopted on 17 November 2022 and effective on 18 November 2022
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive office of the Company
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Interim Report, Hong Kong, Macau Special Administration Region and Taiwan
"Company", "the Company" or "We"	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
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this Report, means the controlling shareholders of the Company, being Zongqing International, Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive director(s) of the Company
"Group" or "the Group"	the Company and its subsidiaries

Definitions and Glossary of Technical Terms

“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 6 January 2021
“Listing Date”	6 January 2021, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“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



Definitions and Glossary of Technical Terms

“Ultimate Controlling Shareholder(s)”	refers to Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
“ZIHG”	Zhongqing Investment Holding Group Limited Liability Company* (中慶投資控股(集團)有限責任公司), formerly known as Changchun Mingju Commerce Limited* (長春市銘聚商貿有限責任公司), a company established under the laws of the PRC on 16 May 2014 and a connected person of the Company
“ZIHG Group”	ZIHG together with its subsidiaries and associates as defined under the Listing Rules

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

* For identification purpose only