中邦环境
ZONBONG ENVIRONMENT

ZONBONG LANDSCAPE Enviornmental Limited
中邦园林环境股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1855

Annual Report

2020

Contents

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Chu Wing Yin

AUTHORISED REPRESENTATIVES

Mr. Liu Haitao
Ms. Chu Wing Yin

AUDIT COMMITTEE

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

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

AUDITORS

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

COMPLIANCE ADVISER

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

LEGAL ADVISERS

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

PRINCIPAL BANKS

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

Shanghai Pudong Development Bank Co., Ltd., Changchun Branch
No. 3518, Renmin Road
Changchun City
Jilin Province, PRC

Huaxia Bank, Changchun Branch
No. 4888, Renmin Road
Changchun City
Jilin Province, PRC

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

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
31/F
148 Electric Road
North Point
Hong Kong

STOCK CODE

1855

COMPANY'S WEBSITE

www.zonbong.com

DATE OF LISTING

6 January 2021

Financial Highlights

FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

	For the year ended 31 December,			
	2020	2019	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Revenue	**1,001,427**	897,486	103,941	11.6%
Gross profit	**238,432**	233,371	5,061	2.2%
Other net income	**9,957**	13,899	(3,942)	(28.4%)
Selling expenses	**(13,113)**	(14,215)	1,102	(7.8%)
Administrative expenses	**(67,841)**	(62,249)	(5,592)	9.0%
Finance costs	**(38,065)**	(41,135)	3,070	(7.5%)
Profit before taxation	**99,352**	79,374	19,978	25.2%
Income tax	**(30,411)**	(29,921)	(490)	1.6%
Profit for the year	**68,941**	49,453	19,488	39.4%
Profit and total comprehensive income for the year	**71,381**	55,322	16,059	29.0%
Profit for the year attributable to:				
— Equity shareholders of the Company	**68,505**	49,496	19,009	38.4%
— Non-controlling interests	**436**	(43)	479	<(100%)
Earnings per share	***RMB***	*RMB*		
— Basic and diluted	**0.31**	0.23		
Profit and total comprehensive income for the year attributable to:				
— Equity shareholders of the Company	**70,939**	55,304	15,635	28.3%
— Non-controlling interests	**442**	18	424	>100%

	As at 31 December,			
	2020	2019	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Non-current assets	**366,237**	392,899	(26,662)	(6.8%)
Current assets	**1,699,903**	1,307,214	392,689	30.0%
Current liabilities	**1,523,553**	1,205,828	317,725	26.3%
Net current assets	**176,350**	101,386	74,964	73.9%
Non-current liabilities	**58,777**	86,856	(28,079)	(32.3%)
Net assets	**483,810**	407,429	76,381	18.8%

Chairman's Statement

Dear Shareholders,

On behalf of the Board of ZONBONG LANDSCAPE Environmental Limited, I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2020.

During 2020, in face of the complicated and challenging macro environment and unprecedented hit by Coronavirus, with solidarity and perseverance and in spite of difficulties, the Board and our competent management led our cadre and staff to cautiously make response to risks and challenges by expanding channels, grasping markets, adjusting structure and enhancing efficiency, successfully elevating us to higher stage in terms of integrated competitiveness.

Looking back on the last year, the Group fully tapped into its platform advantages in consolidating internal and external resources to increasingly improve the Group's market competitiveness, leading to solid growth in operations and amplifying the integrated competitiveness advantages of its principal businesses. The Group also successively acquired projects in places including Xiongan New Area and Fujian Province, achieving again a further advance of the Group's strategy of national deployment. Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司), a subsidiary of the Group, was accredited as a "High-tech Enterprise" (高新技術企業); and Water Culture Ecological Park built by the Group was awarded "the National Quality Engineering Award" (國家優質工程獎). While gradually being recognized for professional abilities, the Group has constantly optimized the corporate structure and improved the division of duties and responsibilities, as well as strengthened the management of our cadre team. In terms of corporate culture, the Group has pushed ahead our work based on a strong foundation to raise the cohesion and morale of the employees.

Since its establishment, the Group has always sticked to its original aspiration of becoming a responsible, conscientious enterprise, and always endeavored to make joint progress with the PRC and societal developments. Amid the pandemic, all people in our Group fight the pandemic with people across the PRC. For instance, the Group delegated a team on the mission of supporting the construction of mobile cabin hospital to Tonghua, Jilin Province during the city's critical stage of preventing and controlling the pandemic. The team encountered and conquered difficulties and severe cold through those harsh days and nights, successfully completing its support mission.

In 2021, the Group will bear in mind its enterprise mission of "Greening China for A Collective Future" (綠美中國、共享未來) and uphold its enterprise value of "Integrity, Responsibility, Efficiency, Innovation, Openness, Win-win" (誠信、責任、高效、創新、開放、共贏) during the process of marching towards the future with down-to-earth attitude and bold actions. Particularly, it will focus on works in aspects of: further facilitating the Group's technological accumulation in areas of environmental protection and ecological management and restoration through innovation in science and technology, sticking to the Go-out Strategy by improving the strategic layout in markets nationwide to improve enterprise efficiency; engaging professional institutions to conduct full-scale optimization and enhancement to the Company's management systems in order to deliver efficiency from management; and reinforcing the support to enterprise from responsibilities, safety and talent nurturing. In the coming year, the Group will strive for better operating performance and continue to enhance corporate value to reward society and our shareholders.

Liu Haitao
Chairman and Executive Director

Hong Kong, 26 March 2021

Management Discussion and Analysis

INDUSTRY REVIEW

During the year ended 31 December 2020 (the "**Year**"), the PRC economy was under downside pressure, through adjusting macroeconomic policies, the construction industry was facing both opportunities and challenges, and the adjustments of various national policies increased the capacity of the construction market and competition was more intensified, and mainly including:

(i) Market size of the landscaping market

The ongoing urbanisation process is the primary driver for the landscaping industry in the PRC. The continued construction of towns and counties, as well as the expansion of cities throughout the PRC, has provided a significant increase in the demand for landscaping services, including the establishment of green spaces in both public areas and in areas zoned for real estate development. In the last three years, the PRC government issued a series of policies and regulations to prevent the over-heat of real-estate market in megacities. In the response to the continuous pressure from the national deleverage movement for local governments in the PRC, many provinces and cities, including the Three Northeast Provinces, delayed or reduced the initiations of the scaled landscaping projects. As a result, the landscaping market in the PRC witnessed a cool down period and backed to the rational, stable and sustainable growth trend, which is expected to closely correlate to the growth rate of the PRC GDP. The landscaping market in the PRC is expected to grow after 2020 on the basis that:

(i) according to the report released by the National Academy of Economic Strategy under the Chinese Academy of Social Science, the urbanization ratio is expected to reach approximately 70% by 2035. Massive population is expected to permanently live in cities in the PRC which indicates the necessities of cities' expansion, including both infrastructures and real estate properties. New landscaping projects are anticipated to be initiated together with the expansions of the cities;

(ii) central government's promotion of urban afforestation is also a major driver for the local government to initiate new landscaping projects. According to the 13th FYP, the national targets of the green spaces and parks per capita and the green coverage rate in developed areas are over 14.6 square metres and 38.9% by the end of 2020 respectively; and

(iii) landscaping accounts for a crucial portion of the tourism projects construction in enhancing a location's overall image, attracting tourists and increasing the satisfaction rate for tourism experiences. The total size of the landscaping market is projected to reach approximately RMB596.9 billion by 2024, representing a CAGR of approximately 2.9% from 2019 to 2024.

(ii) Supportive government policies

The PRC government had presented a series of policies that are favourable to the development of landscaping and/or ecological restoration industries in the Three Northeast Provinces of the PRC, including: (i) "Technical guidelines for construction and maintenance management of landscaping in Heilongjiang Province" (黑龍江省園林綠化施工與養護管理技術導則) presented by Housing and Urban-Rural Development Bureau of Heilongjiang Province that promote improvement of overall landscaping and regulate on the construction and maintenance standard of landscaping in Heilongjiang Province; (ii) "Opinions on further strengthening urban landscaping" (進一步加強城市園林綠化工作的意見) presented by Jilin Province Government that target to improve the overall urban landscaping level in Jilin Province and increase the per capita urban park landscaping area to over 12 square metres; (iii) "Guiding opinions on the promotion of healthy development of urban landscaping" (關於促進城市園林綠化事業健康發展的指導意見) presented by Housing and Urban-Rural Development Bureau of Jilin Province to improve the construction quality of urban landscaping, strengthen on market supervision and daily maintenance, and promote technological innovation in the industry.

(iii) The Impact of the Coronavirus ("COVID-19") outbreak

The outbreak of COVID-19 did not have a significant impact on landscaping market in PRC in 2020 for the following reasons: (i) most landscaping projects in the PRC were delayed by 15 to 30 days, which is a manageable period in the project execution process; (ii) on 22 March 2020, the State Council of the PRC issued a notice on actively and orderly promoting the afforestation work under epidemic prevention conditions (《關於在防疫條件下積極有序推進春季造林綠化工作的通知》) and it stated that relevant departments should actively and orderly advance the afforestation work to ensure that the annual target tasks were fully completed. Local governments continued to carry out the construction of forest cities, garden cities, and forest villages, in order to promote the greening and beautification of institutions, schools, communities, camps, factories, mining areas, and improve human settlements in 2020.

BUSINESS REVIEW

During the Year, the annual revenue of the Group was approximately RMB1,001.4 million, representing an increase of approximately 11.6% over last year. The revenue was mainly generated from: i) landscaping, ii) ecological restoration and iii) others, and accounted for 62.0%, 30.2% and 7.8%, respectively.

During the Year, the Group is of the view that the submission of tenders allows us to keep our presence in the market and keep us abreast of latest market requirements, which benefits us in preparing for similar tenders in the future. In the Year, we submitted over 180 tenders, and recorded tender success rate of 28.7%.

The Group has successively won several large-scale projects, such as Contracting Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I) — Main Contracting Project for Tourism Infrastructure Reconstruction and Upgrade (Bid I) (長春新區北湖文旅產業融合提升一期工程建設項目 — 旅遊基礎設施改造提升工程總承包 (一標) 工程) with a bid price of approximately RMB464.0 million and Ecological Management and Restoration Project for West Lake Area (Phase II) (Main Contracting Project) (西湖區域生態環境治理工程 (二期) (工程總承包) 工程) with a bid price of approximately RMB250.0 million. The number of winning bids and the total bid price in the Year has increased from 22 and approximately RMB593.6 million respectively in last year to that of 53 and approximately RMB1,539.2 million respectively in current year.

During the Year, the Group has achieved initial success in national business layout and expansion, and successively won Xiong'an Commercial Service Center Landscape Engineering Project (雄安商務服務中心項目景觀工程項目) with a bid price of approximately RMB93.2 million, Binjiang Road Shenhai Expressway to Nanhui Expressway Environmental Renovation Project (濱江路沈海高速至南惠高速段環境整治工程項目) in Fujian Province with a bid price of approximately RMB74.6 million, Ecological Parking Lot Engineering Geological Prospecting Service Project 2020 for Bishan District (璧山區2020年生態停車場工程地勘服務項目) in Chongqing with a bid price of approximately RMB0.6 million, which showed a broader bidding area.

During the Year, the Group's Main Contracting Project of Nanxi Water Culture Ecological Park as part of the Ecological Treatment Project of Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 南溪水文化園生態園工程總承包) has won the National Quality Engineering Award (國家優質工程獎); the Engineering Design Project of Nanxi Water Culture Ecological Park in Changchun City (長春市南溪水文化生態園工程設計項目) has won the National Award of Landscape Engineering of the Science and Technology Awards by the Chinese Society of Landscape Architecture (國家級中國風景園林學會科學技術獎); and the Main Contracting Project of Dongxinkai River Range (Hekou Park and Yangpu Park) as part of the Ecological Management and Restoration Project for Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 東新開河流域專案工程總承包(河口公園、洋浦公園)專案) has won the Provincial Outstanding Project Prize of Construction Engineering in Jilin Province (吉林省建築工程省優質工程獎).

As far as the Board aware, the Group has complied with the relevant laws and regulations that have a significant impact in the Group in all material respects during the Year.

RISK MANAGEMENT

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

IMPORTANT RELATIONSHIP

Our Employees

The Group had a total of 468 employees as at 31 December 2020, all of which were based in the PRC. For the Year, staff costs were RMB73.7 million. Set forth below is a breakdown of the number of our employees by functions as at 31 December 2020:

Functions/departments	**Number of employees**
Board Office	11
Marketing and Sales Department	36
Auditing and Finance Department	21
Operation Department	6
Human Resource and Administration	15
Construction and Engineering	254
Design	125
Total	**468**

To enlarge our talent pool and to strengthen our technical capabilities, we have been focusing on the continuous professional development of our employees. The professional qualifications possessed by our employees as at 31 December 2020 are set forth as below:

Qualification	**Number of qualification holders**
Registered constructor	
Class A	18
Class B	50
Registered architect	
Class A	1
Class B	2
Professional engineer	
Professorate senior	13
Associate senior	63
Intermediate and associate	178
Registered engineer	
Class A	6
Class B	2
Registered	32
	365

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

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

Our Suppliers and Subcontractors

For the Year, the Group made procurement from and outsourced professional subcontracting services to approximately 862 suppliers and subcontractors across the PRC. The Group's suppliers and subcontractors are corporate entities or sole proprietors who are principally engaged in the supply or trading of plants and construction materials (such as cement, steels, timbers, stones and sand) and subcontracting of ancillary construction works in the PRC. The Group maintains a suppliers and subcontractors diversity policy and seek quotations from at least 3 suppliers or subcontractors for purchase of major raw materials or professional subcontracting to avoid over-reliance on any single supplier or subcontractors. In addition, to minimise cost and delivery time and given that certain standardised construction materials such as cement and steels are readily available in the PRC, the Group tends to make procurement from local suppliers which are in close proximity to the project sites whenever practicable. The procurement department of the Group maintains a list of qualified suppliers and subcontractors. Such list of qualified suppliers and subcontractors are selected based on criteria such as price, quality, record of timely delivery, proximity to the project site, supply capacity and customer service. During the preparation of budget for each project, potential price fluctuations of raw materials and professional subcontracting services are accounted for and any anticipated increase in costs will be taken into consideration and could be passed to our customers, to the extent feasible.

Our Customers

The Group's customers comprise state-invested enterprises, local governments, property owners and developers in private sector, entities that manage or operate construction projects and construction companies who act as the main contractor of the project and sub-contract a pre-defined section of the project to us. For the Year, the Group had approximately 132 customers, of which approximately 116 customers were state-invested enterprises or local governments, and the remaining customers were private enterprises and non-profit social organisations. The Group secures projects from major customers mainly through tendering and we are awarded contracts mostly on a one-off basis.

PROSPECTS

Currently, international economies are adversely affected by the COVID-19 outbreak, there are uncertainties in business and economic development, and the global economies are facing downside risk.

In 2020, the domestic economy in the PRC and even the global economy were universally impacted by COVID-19 pandemic. Although vaccination of COVID-19 vaccine has gradually started, some countries were still in the epidemic situation, and there are still uncertainties in the international economic situation. Up to now, the domestic COVID-19 pandemic has been under control, and economic activities have gradually returned to normal. In the year of the epidemic, the Group was able to achieve steady progress in its performance, which confirmed the Group's stable operation, management capability and its ability to cope with similar events in the event of the pandemic. The Group will continue to operate steadily and constantly improve its risk management level.

In 2021, the Group will adhere to its corporate mission of "Greening China to share the future (綠美中國、共享未來)" and its corporate values of "Integrity, Responsibility, Efficiency, Innovation, Openness and Win-win (誠信、責任、高效、創新、開放、共贏)" to keep up with the latest market trend, so as to strive for higher tender success rate and the value of winning bids. The Group expects to further expand the Group's technological development in the field of environmental protection and ecological governance through technological innovation, and lay a good foundation for continued expansion of the business in the field of ecological governance in the future; adhere to the go-global strategy to improve the strategic placement in the national market and thus enhance the corporate profitability. The Group will also strengthen the safety awareness and requirement and continue to provide training to personnel for the enterprises. In the coming year, the Group will strive for better operating performance and continue to enhance our Group's corporate value.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by 11.6% or RMB103.9 million from RMB897.5 million for last year to RMB1,001.4 million for the Year. The increase was mainly attributable to the newly awarded projects and bidding amount in 2020 was higher than in 2019 and part of projects under construction in previous years have carried over to 2020.

The revenue and the number of projects completed during the Year and the number of projects in progress as at 31 December 2020 as compared with that of last year is tabulated as follows:

	2020			2019		
Business segments	**Revenue**	**No. of projects completed during the year**	**No. of projects in progress as at the year end**	Revenue	No. of projects completed during the year	No. of projects in progress as at the year end
	RMB'000			*RMB'000*		
Landscaping	**621,208**	**15**	**67**	439,784	15	49
Ecological restoration	**302,737**	**4**	**37**	402,578	10	35
Others	**77,482**	**55**	**79**	55,124	32	51
Total	**1,001,427**	**74**	**183**	897,486	57	135

Compared with 2019, the increase in the overall number of projects for the Year, including projects completed during the Year and projects in progress as at 31 December 2020, was mainly due to the following reasons:

(i) The increase in projects under construction during the Year was attributable to the increase of newly awarded projects; and

(ii) The number of completed projects in 2020 are higher as compared with 2019 since the Group acquired more new projects in 2020 and some of them have a short-completion cycle.

Management Discussion and Analysis

Landscaping

The Group recorded an increase in revenue from the landscaping segment, from RMB439.8 million for last year to RMB621.2 million for the Year, representing an increase of 41.2% or RMB181.4 million. The increase was mainly due to the increase in the number of landscape works during the Year as compared to previous year, and the local governments increased investment in the landscape projects in order to boost domestic demand, resulting in an increase in revenue.

Ecological restoration

The Group recorded a decrease in revenue from the ecological restoration segment, from RMB402.6 million for last year to RMB302.7 million for the Year, representing a decrease of 24.8% or RMB99.9 million. Most of the projects were at their final stage in 2019, so the volume of work in these projects in 2020 reduced accordingly. Therefore, the revenue from ecological restoration projects in 2020 was lower than that in 2019. Starting from 2020, the Group expanded its business scope in urban water treatment, including water quality improvement, forest and grass ecological restoration, urban wetland construction, etc. These projects are currently in the phase of program demonstration and engineering design and implementation.

Others

The Group's revenue from the others segment was mainly derived from investigation, survey, design and technical consultancy for municipal construction projects, and it recorded an increase of 40.6% or RMB22.4 million from RMB55.1 million for last year to RMB77.5 million for the Year. The increase was mainly due to the increase in awarding the type of municipal and survey projects in 2020 as a result of exploring the market of new segment of services.

Cost of sales

The Group's cost of sales increased by 14.9% or RMB98.9 million from RMB664.1 million for last year to RMB763.0 million for the Year. The increase in cost of sales was due to the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 2.2% or RMB5.1 million from RMB233.4 million for last year to RMB238.4 million for the Year. The increase in gross profit was mainly due to the increase in overall revenue. Gross profit margin of the Group decreased from 26.0% for last year to 23.8% for the Year. The decrease in gross profit margin was due to (i) the Enhancement of Dongfeng Street Project (東風大街改造項目) was bid at a lower margin in 2020 as a result of exploring the market of a new segment of services; and (ii) the South Canal Project (南運河項目) and the Port Free Trade Zone Project (海港保税區項目) were bid at a lower margin in order to open up new regional markets.

Other net income

The Group's other net income decreased by 28.4% or RMB3.9 million from RMB13.9 million for last year to RMB10.0 million for the Year, which was mainly due to decrease in construction interest income from installment payment by the Group's customers in 2020.

Selling expenses

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

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Staff costs	**8,567**	10,011
Professional fees	**301**	662
Travel expenses	**1,283**	1,294
Others	**2,962**	2,248
	13,113	14,215

The selling expenses decreased from RMB14.2 million for last year to RMB13.1 million for the Year, representing a decrease of 7.8% or RMB1.1 million. The decrease was mainly due to the decrease in total staff costs caused by the drop of total number of sales representatives.

Administrative expenses

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

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Staff costs	**23,650**	25,551
Depreciation and amortisation	**2,537**	4,862
Professional fees	**24,606**	17,339
Taxation expenses	**5,091**	4,776
Rental expense	**3,700**	1,419
Entertainment expenses	**1,303**	2,323
Travel expenses	**900**	2,339
Others	**6,054**	3,640
	67,841	62,249

The administrative expenses increased from approximately RMB62.2 million for last year to RMB67.8 million for the Year, representing an increase of 9.0% or RMB5.6 million. The increase was mainly due to the increase in the Group's listing expenses and professional fees charged by professional parties for the Listing.

Finance costs

The Group's finance costs mainly represent interest expense on bank loans, and it decreased by 7.5% or RMB3.1 million from RMB41.1 million for last year to RMB38.1 million for the Year, which was mainly due to the decrease in average loan balances as compared with 2019.

Share of profits of an associate

The Group's share of profits of an associate represented profits shared from our associate, namely Changchun Xianbang Municipal and Landscape Limited (長春現邦市政園林有限責任公司) ("**Changchun Xianbang**"), which was incorporated in Changchun, the PRC, in 2017 as a project company responsible for financing, developing, operating and maintaining our Public-Private-Partnership ("**PPP**") project of Landscape and Greening Enhancement and Maintenance and Municipal Infrastructure Management and Maintenance for the Economic Development Zone (經開區綠化景觀提升維護及市政設施管理維護PPP項目) ("**EDZ Project**"), which commenced in 2017. The Group has been holding 50.0% equity interest in Changchun Xianbang since its incorporation and it was accounted as our associate given that the Group did not have the power to control its financial and operating policies.

During the Year, profits of an associate attributable to the Group decreased by 70.6% or RMB3.5 million from RMB4.9 million for last year to RMB1.4 million for the Year. The fluctuation was mainly because the operation of Changchun Xianbang required incremental scale of borrowings as compared with 2019 leading to the increase in finance costs.

Share of profits of a joint venture

The Group's share of profits of a joint venture represents profits shared from our jointly controlled project company, namely Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) ("**Tianjun Tourism**"), which was registered in Inner Mongolia, the PRC, as a company responsible for financing, developing, operating and maintaining our PPP project, the Shenjunshan Ecological Restoration and Landscaping Project (神駿山生態修復及景觀項目) ("**Shenjunshan Project**"), which commenced in 2017. The Group has been holding 75.0% equity interest in Tianjun Tourism since its incorporation and it was accounted as our joint venture given that the power to control its financial and operating policies was jointly held by the Group and another shareholder. During the Year, profits of Tianjun Tourism attributable to the Group maintained at similar level as compared with 2019.

Income tax

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

The Group's income tax expense increased by 1.6% or RMB0.5 million from RMB29.9 million for last year to RMB30.4 million for the Year, which was mainly due to the effect of increase in taxable profit and Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司), the Group's principal subsidiaries, enjoyed a preferential PRC Corporate Income Tax rate of 15% for its income tax as it was awarded as an enterprise with advanced and new technologies in the Year.

Net Current Assets

The table below sets forth selected information for current assets and current liabilities as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	*RMB'000*
Current Assets		
Inventories and other contract costs	**37,185**	21,368
Contract assets	**813,448**	631,139
Trade receivables	**653,600**	488,596
Prepayments, deposits and other receivables	**51,071**	76,895
Restricted bank deposits	**602**	15,601
Cash and cash equivalents	**143,997**	73,615
	1,699,903	1,307,214
Current liabilities		
Trade and bills payables	**703,415**	502,713
Accrued expenses and other payables	**182,949**	199,955
Contract liabilities	**191,274**	66,552
Lease liabilities	**635**	3,945
Bank and other loans	**430,000**	420,000
Income tax payable	**15,280**	12,663
	1,523,553	1,205,828
	176,350	101,386

Net current assets

The Group's net current assets increased by 73.9% or RMB75.0 million from RMB101.4 million as at 31 December 2019 to RMB176.4 million as at 31 December 2020. The increase was primarily due to the growth of business, increase in the number and scale of operating projects, and increase in current assets such as trade receivables and contract assets during the Year.

Management Discussion and Analysis

Inventories and other contract costs

The following table sets out a breakdown of inventories and other contract costs of the Group as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	*RMB'000*
Construction materials	**20,693**	11,006
Other contract costs	**16,492**	10,362
	37,185	21,368

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

The higher balance of inventories and contract costs as at 31 December 2020 as compared with 31 December 2019 was mainly due to (i) the continuous expansion in business scale of the Group and (ii) the increase in our contract costs as a result of a number of projects which the Group has obtained through tendering that commenced construction during the second half of 2020 but yet to receive progress completion certificates as at 31 December 2020.

Contract assets/contract liabilities

The following table sets forth an analysis of contract assets/contract liabilities as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	*RMB'000*
Contract assets	**813,448**	631,139
Contract liabilities	**(191,274)**	(66,552)
	622,174	564,587

The Group's contract assets increased by 28.9% or RMB182.3 million from RMB631.1 million as at 31 December 2019 to RMB813.4 million as at 31 December 2020, which was in line with the increase in revenue.

The Group's contract liabilities increased by 187.4% or RMB124.7 million from RMB66.6 million as at 31 December 2019 to RMB191.3 million as at 31 December 2020, which was mainly because the Group received advanced receipts from customers prior to the certification of projects.

Trade receivables

The Group's trade and other receivables increased by 18.9% or RMB111.0 million from RMB586.0 million as at 31 December 2019 to RMB697.0 million as at 31 December 2020. The increase was primarily due to (i) the increase in revenue during the Year and (ii) more frequent project certification by the Group as compared with 2019.

	2020	2019
	RMB'000	*RMB'000*
Non-current	**43,402**	97,418
Current	**653,600**	488,596
	697,002	586,014

	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
Gross carrying amount of trade receivables	**756,211**	615,278
Loss allowance	**(59,209)**	(29,264)
	697,002	586,014

The following table sets forth the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**340,653**	314,923
1 to 2 years	**141,379**	96,597
2 to 3 years	**76,378**	59,721
3 to 4 years	**41,554**	112,858
4 to 5 years	**97,038**	1,915
	697,002	586,014

The table below sets forth a summary of average turnover days of trade receivables for the years indicated:

	2020	2019
Average turnover days of trade receivables[1]	**249.9**	249.3

Note (1) Average turnover days of trade receivables for the year is derived by dividing the arithmetic mean of the opening and closing balances of gross amount of trade receivables for the relevant period by revenue and multiplying by 365 days.

The average turnover days of trade receivables were 249.9 days, which maintained at similar level as compared with that of 249.3 days as compared at 31 December 2019.

The table below sets forth a summary of average turnover days of the aggregate amount of gross amount of contract assets and trade receivables for the years indicated:

	2020	2019
Average turnover days of contract assets and trade receivables	**550.5**	520.1

Note (1) Average turnover days of the aggregate amount of contract assets and trade receivables for the year is derived by dividing the arithmetic mean of the opening and closing balances of the aggregate amount of gross amount of contract assets and trade receivables for the relevant period by revenue and multiplying by 365 days.

The average turnover days of the aggregate amount of contract assets and trade receivables increased from 520.1 days in last year to 550.5 days in the Year, mainly due to the increase in revenue for the Year. The customers together with the project supervisor will evaluate our completed construction works on a regular basis (usually monthly) and sign on the progress completion report confirming the results of such evaluation. Upon our receipt of the progress completion report, certain amount of contract assets relating to the certified construction works will be recognised as trade receivables (including current and non-current trade receivables).

Prepayments, deposits and other receivables

The following table sets forth an analysis of prepayments, deposits and other receivables as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	*RMB'000*
Amounts due from ZIHG and its subsidiaries, joint ventures and associates	**—**	30,304
Amounts due from an associate	**—**	16,075
Advances to third parties	**306**	1,880
Advances to staff	**163**	310
Tax recoverable	**14,015**	5,298
Prepayments for costs incurred in the initial listing of the Company's shares	**8,148**	4,219
Prepayments for purchase of raw materials	**4,379**	4,026
Deposits of bidding and performance for construction and design contracts	**5,842**	3,618
Deposits to secure the guarantees by third parties	**9,550**	6,250
Others	**8,796**	5,992
	51,199	77,972
Less: loss allowance	**(128)**	(1,077)
	51,071	76,895

All of the prepayments, deposits, and other receivables are expected to be recovered, recognised as expenses or transferred to equity within one year.

Restricted bank deposits

The Group's restricted bank deposits decreased by 96.1% or RMB15.0 million from RMB15.6 million as at 31 December 2019 to RMB0.6 million as at 31 December 2020, which was due to the release of the restricted bank deposits after the repayment of bills payables in June 2020.

Trade and bills payables

The table below sets forth, as at 31 December 2020 and 2019, the ageing analysis of trade and bills payables based on the invoice date:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**519,450**	375,235
1 to 3 years	**141,447**	104,009
Over 3 years	**42,518**	23,469
	703,415	502,713

The Group's trade and bills payables increased by 39.9% or RMB200.7 million from RMB502.7 million as at 31 December 2019 to RMB703.4 million as at 31 December 2020, which was due to the increase in cost of sales caused by the increase in revenue during the Year.

The table below sets forth a summary of average turnover days of trade and bills payables for the years indicated:

	2020	2019
Average turnover days of trade and bills payables(1)	**288.5**	264.9

Note (1) Average turnover days of trade and bills payables for the year is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills payables for the relevant period by cost of service rendered, excluding depreciation and multiplying by 365 days.

The average turnover days of trade and bills payables increased from 264.9 days in 2019 to 288.5 days in 2020, mainly due to slower payment to trade creditors.

CAPITAL EXPENDITURES, CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital expenditures

The table below sets forth our capital expenditures for the years indicated:

	2020	2019
	RMB'000	*RMB'000*
Construction equipment and motor vehicles	**170**	229
Investment to a joint venture	**26,914**	33,869
Investment to an associate	**—**	13,432
Others	**2,134**	538
	29,218	48,068

The Group expects to fund our planned capital expenditures with our internal resources and bank loans. Our planned capital expenditures may be subject to alterations due to variations in our future cash flows, results of operations and financial conditions, changes in the PRC and world economy, the availability of financing on terms acceptable to us, technical and other problems obtaining and installing equipment, changes in the regulatory environment in the PRC and other factors.

Lease commitments

The table below sets out the amount of payments due for future aggregate minimum lease payments under non-cancellable short-term leases as committed by the Group as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**1,771**	866

Capital commitments

The table below sets out the amount of the capital commitments of the Group as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	*RMB'000*
Contracted for	**—**	24,500
Authorised but not contracted for	**15,425**	24

As 31 December 2020, the capital commitments authorised but not contracted for mainly related to the purchase of a centralised ERP system for the Group's usage and the capital injection to a joint venture for the Shenjunshan Project.

INDEBTEDNESS

Debts

	2020 RMB'000	2019 RMB'000
Bank and other loans		
Guaranteed by related parties	**40,000**	90,000
Guaranteed by third parties	**215,000**	—
Guaranteed by related parties and third parties	**—**	105,000
Guaranteed by related parties and secured by trade receivables and contract assets of the Group	**90,000**	275,000
Secured by trade receivables and contract assets of the Group	**115,000**	—
Unsecured and unguaranteed	**—**	5,000
	460,000	475,000
Other loan:		
Unguaranteed and unsecured	**20,000**	20,000
	480,000	495,000
Amount due to related parties	**2,612**	17,482
Amount due to third party	**81,239**	95,600
Lease liabilities	**905**	8,117
	84,756	121,199
Contingent liabilities	**542,700**	460,000
Financial guarantees issued	**38,805**	39,496

As at 31 December 2020, the Group had borrowings of approximately RMB480.0 million (31 December 2019: approximately RMB495.0 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB430.0 million (31 December 2019: approximately RMB420.0 million) of the borrowings are payable within 1 year. Some of the borrowings were secured and guaranteed by controlling shareholders, trade receivables and contract assets of the Group, related parties or third-party guarantee companies. All guarantees and counter-guarantees provided by ZIHG and its subsidiaries, joint ventures and associates and controlling shareholders have been released upon the Listing Date, and were replaced by assets pledge to secure the loans or the relevant loans have been repaid by the Group.

As at 31 December 2020, the Group had utilised all of the banking facilities of RMB200.0 million.

As at 31 December 2020, none of the covenants relating to the bank loans had been breached.

Management Discussion and Analysis

KEY FINANCIAL RATIOS

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

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Gross profit margin (%) [(1)]	**23.8**	26.0
Net profit margin (%) [(2)]	**6.9**	5.5
Return on equity (%) [(3)]	**15.6**	13.4
Return on total assets (%) [(4)]	**3.7**	3.1

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current ratio [(5)]	**1.1**	1.1
Gearing ratio [(6)]	**1.0**	1.2
Net debt to equity ratio [(7)]	**0.7**	1.0

Notes:

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

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

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

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

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

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

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

Return on equity

The return on equity increased from 13.4% for last year to 15.6% for the Year, primarily due to increase in profit for the Year.

Return on total assets

The return on total assets increased from 3.1% for last year to 3.7% for the Year, primarily due to increase in profit for the Year.

Current ratio

The current ratio was 1.1, which maintained at similar level as compared with that of 1.1 as at 31 December 2019.

Gearing ratio

The gearing ratio decreased from 1.2 as at 31 December 2019 to 1.0 as at 31 December 2020, primarily due to the decrease in loan balance as at 31 December 2020 and the increase in equity during the Year.

Net debt to equity ratio

The net debt to equity ratio changed from 1.0 as at 31 December 2019 to 0.7 as at 31 December 2020, primarily due to the increase in equity and the increase in cash and bank balances as at 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

Apart from the capital injection to a joint venture of RMB26.9 million, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures for the Year.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020 and 31 December 2019, the Group did not hold any significant investments.

Contingent liabilities

As at 31 December 2020 and 31 December 2019, a subsidiary of the Group had issued a guarantee in respect of a loan made by a bank to Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract amounting to RMB410.0 million, among which RMB310.0 million (including principal and interests) is to be guaranteed by a subsidiary of the Group. As at 31 December 2020 and 31 December 2019, the balances of the bank loan borrowed by Tianjun Tourism were approximately RMB390.0 million and RMB310.4 million, respectively.

As at 31 December 2020 and 31 December 2019, a subsidiary of the Group has issued a guarantee in respect of a loan made by a bank to Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang obtained a long-term bank loan with the principal amount of RMB300.0 million among which RMB330.0 million (including principal and interests) is to be guaranteed by a subsidiary of the Group. As at 31 December 2020 and 31 December 2019, the balances of the bank loan were RMB232.7 million and RMB150.0 million, respectively.

Financial guarantees issued

The Group's financial guarantees issued amounted to approximately RMB38.8 million and RMB39.5 million as at 31 December 2020 and 31 December 2019, respectively, which was provided for the guarantees provided by a subsidiary of 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 a subsidiary of 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.

As at 31 December 2020, the aggregate amount of financial assistance provided to and guarantees given for these affiliated companies by the Group amounted to RMB38.8 million, representing 1.9% of the consolidated total assets of the Group of RMB2,066.1 million as at 31 December 2020.

The financial information of these affiliated companies as at 31 December 2020 are set out in note 16 and 17 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is listed on the main board of the Stock Exchange as at 6 January 2021. Save as disclosed in the part headed "USE OF PROCEEDS FROM THE LISTING" in this Report, the Group had no future plan for material investments or capital assets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT PRINCIPAL RISKS AND UNCERTAINTIES

Business Risks

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

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

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

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

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

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

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

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

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

Risks associated with the accuracy of costs estimation

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

Management Discussion and Analysis

Financial Risks

The Group is exposed to various types of financial risks including credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Particulars of financial risk management of the Group are set out in note 30 to the consolidated financial statements.

Credit risk

The Group's credit risk is primarily attributable to the carrying amounts of trade and other receivables, cash and cash equivalents and contract assets.

At 31 December 2020, approximately 14.3% of the total trade receivables and contract assets, respectively, were due from the Group's largest debtor, and approximately 47.1% of the total trade receivables and contract assets, respectively, were due from the Group's five largest debtors. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has limited credit risk on cash and bank balances because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

Liquidity risk

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to our interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates exposed the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2020, fixed rate borrowings accounted for 84.4% of total borrowings of the Group whereas variable rate borrowings accounted for 15.6% of total borrowings of the Group.

Currency risk

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

USE OF PROCEEDS FROM THE LISTING

On 6 January 2021, the shares of the Company were subsequently listed on the Main Board of the Stock Exchange. The shares were issued to the public at HKD2.00 per share, and the Group received net proceeds of approximately HKD54.7 million from the Global Offering of its shares (the "**Global Offering**") after deduction of the underwriting fees and commissions and other expenses payables by the Group in connection with the Global Offering.

Up to the date of this Report, the amount of the net proceeds which has remained unutilised amounted to approximately HKD42.8 million. Set out below are details of the allocation of the net proceeds, the utilised and unutilised amount of the net proceeds as at the date of this Report:

Use of proceeds	*Percentage*	**Allocation of the net proceeds** *HKD million*	**Utilised amount (as at the date of this Report)** *HKD million*	**Unutilised amount (as at the date of this Report)** *HKD million*
Establishment of regional design offices in Beijing, Shanghai and Chongqing	14.8%	8.1	1.0	7.1
Upfront costs of the construction work of the Changchun Zoo Project	23.7%	13.0	—	13.0
Investment into Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司)	26.1%	14.3	—	14.3
Acquiring a centralised ERP system	7.4%	4.0	—	4.0
Repayment of bank loan	18.0%	9.8	9.8	—
General working capital of the Group	10.0%	5.5	1.1	4.4
	100%	54.7	11.9	42.8

As at the date of this Report, the Directors do not anticipate any change to the plan as to the use of proceeds and the unutilised net proceeds will be applied and utilised in the manner consistent with the proposed allocations and the proposed timeline as set out in the Prospectus.

Based on Directors' current expectation and estimation barring unforeseen circumstances, the remaining unutilised net proceeds are expected to be utilised by the end of 2022.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Liu Haitao (劉海濤), aged 46, is the chairman of the Board, the Chief Executive Officer and an Executive Director. He was appointed as a Director on 8 March 2019 and was redesignated as an Executive Director on 24 September 2019. He is responsible for formulating and implementing business and operation strategies of the Group, as well as making major business and operational decisions for the Group. Mr. Liu has more than 20 years of management experience in the construction industry.

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

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

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

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

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

Mr. Wang Xudong (王旭東), aged 47, was appointed as an Executive Director and chief operating officer of the Company on 18 March 2020 and 14 December 2020, respectively. He has been the general manager of the Group since 1 January 2015. Mr. Wang Xudong has more than 20 years of management experience in the construction industry. Prior to joining the Group, Mr. Wang Xudong worked in the planning department from September 1992 to March 1996 at Changchun Municipal Construction (Group) Co. Ltd (長春市政建設(集團)有限公司), a company providing municipal construction services. From April 1996 to March 2009, he worked as the manager of the planning department and subsequently the manager of the Sixth Engineering Department at Changchun Chengjian Road and Bridge Limited (長春市城建路橋有限公司), a company providing construction services for municipal projects and sculpture engineering. He then worked at ZCLLC as a project manager from March 2009 to March 2012 and as the deputy general manager (mainly responsible for the management of the production department) from March 2012 to March 2014. In January 2015, he joined Zonbong Landscape and has served as its general manager responsible for its overall management and operation since then.

Mr. Wang Xudong graduated at the Changchun City Direct Institution Amateur University (長春市直屬機關業餘大學) with a programme in administrative management in July 1997. He obtained a bachelor's degree in civil engineering by way of correspondence education from Heilongjiang Institute of Education (黑龍江省教育學院) in July 2016. Mr. Wang Xudong was granted the qualification of senior engineer in road and bridge engineering by the Jilin Provincial Personnel Department (吉林省人事廳) on 1 January 2008, and the qualification of certified chief senior engineer in road and bridge engineering by the Human Resources and Social Security of Jilin Province (吉林省人力資源和社會保障廳) on 1 January 2017, as well as the qualification of constructor of municipal works by the Construction Department of Jilin Province (吉林省建設廳) (now known as the Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳)) on 17 July 2008.

Ms. Wang Yan (王彥), aged 40, was appointed as an Executive Director of the Company on 18 March 2020. She was appointed as the chief financial officer of the Company and the deputy general manager of the Group on 14 December 2020 and 26 September 2014, respectively. Ms. Wang Yan has more than 14 years of financial management experience in the construction industry. She worked at ZCLLC from March 2006 to September 2014, with her last position held as finance manager. Since September 2014, she has become the chief financial officer of Zonbong Landscape.

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

Non-executive Directors

Mr. Sun Juqing (孫舉慶), aged 50, was appointed as a Non-executive Director of the Company on 24 September 2019. He has more than 20 years of experience in the construction industry. Mr. Sun has held directorships in Zonbong Landscape since December 2012 and in Jilin Zonbong since September 2018.

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

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

Ms. Lyu Hongyan (呂鴻雁), aged 44, was appointed as a Non-executive Director of the Company on 24 September 2019. She has more than 17 years of experience in accounting and financial management. Ms. Lyu Hongyan has held directorships in Zonbong Landscape since December 2014 and Jilin Zonbong since September 2018.

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

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

Mr. Shao Zhanguang (邵占廣), aged 42, was appointed as a Non-executive Director of the Company on 24 September 2019. He has 15 years of experience in the construction industry. He has held directorships from December 2012 to February 2021 in Zonbong Landscape and Zonbong Shanshui from December 2013 to February 2021. He was appointed as Supervisor in Zonbong Landscape since February 2021.

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

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

Independent Non-executive Directors

Mr. Gao Xiangnong (高向農), aged 52, was appointed as an Independent Non-executive Director of the Company on 14 December 2020. Prior to joining the Group, Mr. Gao Xiangnong served as the chief financial officer from September 2003 to December 2005 and then as an executive director and the Chief Executive Officer since January 2006 at NutryFarm International Limited (formerly known as MultiVision Intelligent Surveillance Limited), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (stock code: AZT). From February 2004 to July 2018, he also served as an Independent Non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company listed on GEM of the Stock Exchange (stock code: 8301).

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

Mr. Yin Jun (尹軍), aged 66, was appointed as an Independent Non-executive Director of the Company on 14 December 2020.

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

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

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

Mr. Lee Kwok Tung Louis (李國棟), aged 53, was appointed as an Independent Non-executive Director of the Company on 14 December 2020.

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

Mr. Lee Kwok Tung Louis is currently an Independent Non-executive Director of CGN Mining Company Limited (中廣核礦業有限公司) (stock code: 1164), Windmill Group Limited (海鑫集團有限公司) (stock code: 1850), Redsun Properties Group Limited (弘陽地產集團有限公司) (stock code: 1996), Fusen Pharmaceutical Company Limited (福森藥業有限公司) (stock code: 1652) and Tus International Limited (啟迪國際有限公司) (stock code: 872), all of which are listed on the Stock Exchange.

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

SENIOR MANAGEMENT

Mr. Sun Lipeng (孫立朋), aged 41, was appointed as the regional deputy general manager of the Group in January 2018. He is responsible for the management of the projects of Zonbong Landscape in Jilin Province. Mr. Sun Lipeng has more than 12 years of experience in construction project management. He has been serving as the deputy general manager of Zonbong Landscape since January 2018. Prior to that, he was the deputy chief production manager of Zonbong Landscape from January 2016 to December 2017. Before joining the Group, he was the deputy chief production manager of the ZIHG Group from January 2013 to December 2015, and the project manager of the ZIHG Group from January 2011 to December 2012. From February 2008 to December 2010, he was the construction team leader of the ZIHG Group.

Mr. Sun Lipeng received a bachelor's degree in Civil Engineering from Jilin University (吉林大學) in 2009. Mr. Sun Lipeng obtained a second level architect professional certificate in 2008 from the Department of Housing and Urban-Rural Development of Jilin Province, China. He was also qualified as an engineer and senior engineer in China in 2011 and 2018, respectively.

Mr. Wang Shiwei (王世威), aged 39, was appointed as the deputy general manager of the engineering department in January 2018. He is primarily responsible for the production management of Zonbong Landscape. From July 2016 to December 2017, he was the director of the engineering department of Zonbong Landscape. Mr. Wang Shiwei joined Zonbong Landscape in April 2008 as a construction team leader and was promoted to chief engineer and project manager in January 2010 and January 2014 respectively, and subsequently to deputy director of the engineering department in January 2015, responsible for its production management.

Mr. Wang Shiwei was awarded a bachelor's degree in Civil Engineering by Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as the Jilin Jianzhu University (吉林建築大學)) in July 2005, and received his intermediate level engineer qualification from Jilin Human Resources and Social Security Department in January 2009.

Mr. Wang Peng (王棚), aged 38, has been the regional deputy general manager of the Group since January 2019. He is primarily responsible for the management of projects of Zonbong Landscape in East Inner Mongolia, Shandong and Beijing. Mr. Wang Peng joined Zonbong Landscape in February 2008 and worked as a technician till January 2009. From February 2009 to February 2010, he was the project manager of Zonbong Landscape. From March 2010 to August 2010, Mr. Wang Peng was the manager of the engineering department of Zonbong Landscape. From September 2010 to January 2014, he was the deputy chief production manager of Zonbong Landscape. He was then promoted to be the project director and project manager of Zonbong Landscape, responsible for the production management of Zonbong Landscape from February 2014 to December 2018.

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

Mr. Wang Xuesong (王雪松), aged 46, has been the chief engineer of Zonbong Shanshui since January 2019. He is primarily responsible for overseeing the Company's project design quality and technology research and development. Prior to that, he was the manager of the ecological department of Zonbong Landscape from February 2018 to December 2018. Before Mr. Wang Xuesong joined the Group, he worked for Changchun Municipal Engineering Design and Research Institute as a designer responsible for the water supply and drainage engineering design from August 2014 to August 2017.

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

COMPANY SECRETARY

Ms. Chu Wing Yin (朱泳賢), aged 31, was appointed as the company secretary of the Company since 14 December 2020 for the purposes of Rules 3.28 and 8.17 of the Listing Rules. She joined the Group as company secretary in May 2019. She is primarily responsible for overseeing the company secretarial, compliance and corporate governance and financial management matters of the Group.

Ms. Chu Wing Yin has more than eight years of experience in auditing, accounting, financial advisory and corporate governance. Prior to joining the Group, Ms. Chu Wing Yin worked in international accounting firms from October 2012 to July 2018 with her last position as an audit manager at KPMG.

Ms. Chu Wing Yin received her Bachelor's degree in Business Administration with a major in Accountancy in July 2012 from City University of Hong Kong. She was admitted as a Certified Public Accountant by the HKICPA in July 2016.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions as set out in Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Under Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be segregated and performed by different individuals. As at the date of this Report, the positions of the Chairman of the Board ("**Chairman**") and the Chief Executive Officer are held by the same individual, namely, Mr. Liu Haitao. Although the positions of the Chairman and the Chief Executive Officer are not separately held, the Board has reviewed the organisation human resources planning and is of the view that this is the most appropriate arrangement in the interest of the shareholders as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises three Independent Non-executive Directors who will continue to provide their views and comments to Mr. Liu Haitao as Chairman and Chief Executive Officer. The directors believe that the current arrangement does not have a material effect on the corporate governance of the Company.

In accordance with code provision A.5.1 of the CG Code, the Company established its nomination committee ("**Nomination Committee**") to lead the process for the appointment of the directors, and to identify and nominate suitable candidates for appointment to the Board. The Nomination Committee currently comprises three Independent Non-executive Directors, namely Mr. Gao Xiangnong, Mr. Lee Kwok Tung Louis and Mr. Yin Jun. Mr. Gao Xiangnong is the chairman of the Nomination Committee. The Company is committed to the objective that the Board should include a balance composition of Executive Directors and Independent Non-executive Directors so that there is an independent element on the Board which can effectively exercise independent judgement.

As the Shares of the Company were subsequently listed on the Stock Exchange after the end of the reporting period, the CG Code was not applicable to the Company during the year ended 31 December 2020.

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

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

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

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

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

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

Confirmation of Independence of Independent Non-Executive Directors

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

Chairman and Chief Executive Officer

Under Provision A.2.1 of the CG Code, the rules of Chairman and chief executive officer should be separated and performed by different individuals. As at the date of this Report, the roles of chairman and chief executive officer of the Company are not separated.

Mr. Liu Haitao is appointed as the Chairman and the Chief Executive Officer of the Company. He is responsible for formulating and implementing business and operation strategies of the Group, as well as making major business and operational decisions for the Group.

The Board considers that vesting the roles of both Chairman and the Chief Executive Officer in Mr. Liu Haitao is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the Board and the senior management, which comprises of experienced and high-caliber individuals. The Board currently comprises three Independent Non-executive Directors, and therefore has a fairly strong independence element in its composition.

For more details on the overlapping chairman and chief executive officer, please refer to "Corporate Governance Report — Corporate Governance Practices" section of this Report.

Non-executive Directors and Independent Non-executive Directors

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

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

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

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

Board Diversity Policy

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

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

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda. The Board held a meeting on 26 March 2021 and, amongst other matters, considered and approved the consolidated financial statements for the year ended 31 December 2020 and the corresponding Independent Auditor's Report.

The attendance record of each Director at the Board meeting and Board Committee meetings of the Company held during the period from the Listing Date and up to the date of this Report is set out in the table below:

Name of Directors	Number of attendance
Executive Directors	
Mr. Liu Haitao	1/1
Mr. Wang Xudong	1/1
Ms. Wang Yan	1/1
Non-executive Directors	
Mr. Sun Juqing	1/1
Ms. Lyu Hongyan	1/1
Mr. Shao Zhanguang	1/1
Independent Non-executive Directors	
Mr. Gao Xiangnong	1/1
Mr. Yin Jun	1/1
Mr. Lee Kwok Tung Louis	1/1

General Meetings

No general meeting was held during the period from the Listing Date and up to the date of this Report.

BOARD COMMITTEES

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

Audit Committee

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

The Board has delegated to the Audit Committee the responsibility for the establishment and the maintenance of a framework of internal controls, risk management and ethical standards for the Group's management. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Yin Jun, and Mr. Gao Xiangnong. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020.

During the period from the Listing Date to the date of this Report, two Audit Committee meetings were held. The attendance record of each member of the Audit Committee is set out in the table below:

Name of Members of the Audit Committee	Number of attendance
Mr. Lee Kwok Tung Louis (*Chairman*)	2/2
Mr. Yin Jun	2/2
Mr. Gao Xiangnong	2/2

Remuneration Committee

The primary duties of the Remuneration Committee are to (i) oversee the remuneration packages of the Company and its subsidiaries payable to their directors and the members of their senior management; and (ii) determine the specific remuneration packages of all executive directors and senior management of the Company and to establish a transparent procedure for developing policy on such remuneration.

During the period from the Listing Date to the date of this Report, two Remuneration Committee meetings were held. The attendance record of each member of the Remuneration Committee is set out in the table below:

Name of Members of the Remuneration Committee	Number of attendance
Mr. Yin Jun (*Chairman*)	2/2
Mr. Gao Xiangnong	2/2
Mr. Lee Kwok Tung Louis	2/2

Nomination Committee

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

During the period from the Listing Date to the date of this Report, the Nomination Committee held a meeting on 26 March 2021 to review the structure, size and composition of the Board, assess the independence of Independent Non-executive Directors. The attendance record of each member of the Nomination Committee is set out in the table below:

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2020. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 84 to 90 of this Report.

EMOLUMENTS OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Pursuant to the Code Provision B.1.5 of the CG Code, the following table sets forth the emoluments of the Directors and members of Senior Management for the year ended 31 December 2020 categorised by bands:

Band	Total emoluments *(Note) (RMB)*	Number of Directors	Number of members of Senior Management
1	0 – 400,000	6	—
2	400,000 – 800,000	2	4
3	800,000 – 1,200,000	1	—

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

Further details of the emoluments of the Directors and the five highest paid employees for year ended 31 December 2020 required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

DIVIDEND POLICY

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

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

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

AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, KPMG, in respect of audit and non-audit services provided to the Group for the year ended 31 December 2020 is set out below:

Services rendered	**Service Category Fee Paid/Payable** *RMB'000*
Audit service	5,700
Non-audit service	1,878

The amount of audit services fee included the service fee in connection with the Listing of the Company. The non-audit services conducted by the Auditor mainly include professional services on financial management consultation and environmental, social and governance ("**ESG**") advisory.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

INSIDE INFORMATION

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

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

COMPANY SECRETARY

Ms. Chu Wing Yin, who is the company secretary of the Company, reports directly to the Board and is responsible for, inter alia, providing updated and timely information to all Directors from time to time. Since the Company was listed on the Stock Exchange on the Listing Date, Rule 3.29 of the Listing Rules was not applicable to the Company for the period from 1 January 2020 to 31 December 2020.

Biographical details of Ms. Chu Wing Yin are set out in the section headed "Directors and Senior Management" in the Report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

Putting Forward Proposals at General Meetings

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

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

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a written resolution of the Shareholders passed on 14 December 2020, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

Report of the Directors

The Directors are pleased to present their Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

REORGANISATION AND GLOBAL OFFERING

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

The Shares of the Company were listed on the Main Board of the Stock Exchange on 6 January 2021 (the "**Listing Date**") through Global Offering as described in the section headed "Structure of the Global Offering" in the Prospectus.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 91 to 92 of this Report.

DIVIDEND

The Group has not declared any dividend to its then Shareholders in period comprising the financial years of 2017, 2018, 2019, and the first 6 months in 2020 as stated in the Prospectus. The board of directors of the Company (the "**Board**") does not recommend the payment of any final dividend for the year ended 31 December 2020. There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 31 May 2021. A notice convening the 2020 Annual General Meeting will be issued and sent to the Shareholders in April 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 26 May 2021 to 31 May 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch register in Hong Kong, Boardroom Share Registrars Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 25 May 2021.

Report of the Directors

BUSINESS REVIEW

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

COMPLIANCE WITH THE RELEVANT LAWS AND RESOLUTIONS

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

ENVIRONMENTAL POLICY AND PERFORMANCE

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

The ESG Report of the Company for the year ended 31 December 2020 containing the information required under Appendix 27 to the Listing Rules are included in the pages 66 to 83 of this Report.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated financial statements on pages 91 to 178 of this Report.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the past four years are set on page 179 of this Report.

SHARE CAPITAL

Details of the movement in the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity, pages 95 to 96 and note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2020, the Company did not have any reserves available for distribution to the Shareholders of the Company (2019: RMB Nil).

Report of the Directors

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as of 31 December 2020 are set out in note 15 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

The biographical details of the Directors are disclosed on pages 28 to 31 in this Report.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme pursuant to the written resolutions of the Shareholders and Directors passed on 14 December 2020 which took effect upon Listing. No share option has been granted by the Company under the Share Option Scheme since Listing and up to the date of this Report. The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme

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

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

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

3. Life of the Share Option Scheme

(a) Conditions of the Share Option Scheme

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

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

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

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

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

(b) Life of the Share Option Scheme

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

4. Grant of options

(a) Making of offer

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

(b) Acceptance of offer

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

(c) Restrictions on time of grant

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

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

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

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

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

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

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

(d) Grant to connected persons

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

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

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

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

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

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

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

(b) Performance target

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

5. Exercise price

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

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

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

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

6. Maximum number of Shares available for subscription

(a) Scheme Limit

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

(b) Renewal of Scheme Limit

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

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

(c) Grant of options beyond Scheme Limit

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

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

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

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

(e) Grantee's maximum holding

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

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

(f) Adjustment

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

7. Capital restructuring

(a) Adjustment of options

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

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

(ii) the Exercise Price; and/or

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

(b) Independent financial advisor confirmation

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

8. Cancellation of options

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

9. Assignment of options

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

10. Rights attached to the Shares

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

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

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

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

11. Exercise of options

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

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

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

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

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

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

12. Lapse of options

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

(i) the expiry of the Option Period;

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

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

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

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

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

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

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

13. Alteration of the Share Option Scheme

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

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

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

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

   (ii) the sanction of a special resolution.

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

14. Termination

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

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2020, the Group had a total of 468 employees (31 December 2019: 498). For this Year, the Group incurred staff costs, including Directors' remuneration of approximately RMB73.7 million (2019: approximately RMB83.0 million).

The Group's Remuneration Management Policy and Fringe Benefits System has been formulated to establish a systematic remuneration system, which enabling the employees to have full vision and understanding of the Group's human resources management function, human resources management policies and system, composition and accounting of remuneration and fringe benefits etc., so as to ensure and enhance the transparency and fairness. We have established a systematic and effective talent training mechanism to enhance employees' sense of belonging through diversified employee activities and provide competitive remuneration and fringe benefits to our employees. We would ensure our employees are awarded on a performance related basis within the general framework of the Group's Remuneration Management System.

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

Details of the emoluments of the Directors and members of Senior Management are set out under the section headed "Corporate Governance Report — Emoluments of Directors and Senior Management" in this Report. Details of the emoluments of the Directors for year ended 31 December 2020 are also set out in note 9 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

RETIREMENT BENEFIT SCHEMES

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

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

PERMITTED INDEMNITY PROVISION

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

RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the year are set out in note 33 to the consolidated financial statements included transactions that constitute continuing connected transactions upon the listing of the Company for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with in so far they are applicable.

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

During the year ended 31 December 2020, the Group had the following related party transactions which could have constituted connected transactions of the Company if the Company were listed:

(i) Purchase of goods of approximately RMB3,262,000 (2019: approximately RMB2,419,000) from ZIHG and its subsidiaries, joint ventures and associates;

(ii) Guarantees provided by related parties for the Group's bank loans as at 31 December 2020 of approximately RMB130,000,000 (2019: approximately RMB470,000,000); and

(iii) Wavier of interest of approximately RMB1,000,000 (2019: RMB Nil).

The above do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules given that the Company was listed after the reporting period.

CONTINUING CONNECTED TRANSACTIONS

The followings are the connected persons of the Company:

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

During the year ended 31 December 2020, the Group had the following transactions which constituted continuing connected transactions upon the Company's listing that took place after the reporting period:

(1) Equipment usage framework agreement [1]

The Group entered into an equipment usage framework agreement with ZIHG on 14 December 2020, pursuant to which ZIHG Group will use the Group's water sprinkling vehicles for the three years ending 31 December 2022. The transaction amount for the year ended 31 December 2020 was RMB77,000, which did not exceed the annual cap of RMB136,000 for the year ended 31 December 2020.

(2) Infrastructure construction works framework agreement [2]

The Group entered into an infrastructure construction works framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to engage the ZIHG Group to provide infrastructure construction works services, which shall include but are not limited to the construction of roads and bridges for the three years ending 31 December 2022. The transaction amount for the year ended 31 December 2020 was RMBNil, which did not exceed the annual cap of RMB1,278,000 for the year ended 31 December 2020.

(3) Technical consultancy services framework agreement [2]

The Group entered into a technical consultancy services framework agreement with ZIHG on 14 December 2020, pursuant to which The Group agreed to provide technical consultancy services for municipal works to ZIHG Group for the three years ending 31 December 2022. The transaction amount for the year ended 31 December 2020 was RMB1,163,000, which did not exceed the annual cap of RMB1,375,000 for the year ended 31 December 2020.

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

The Group entered into a survey and design services framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to provide survey and design services to the ZIHG Group for landscaping, ecological restoration and/or municipal works projects for the three years ending 31 December 2022. The transaction amount for the year ended 31 December 2020 was RMB20,457,000, which did not exceed the annual cap of RMB20,544,000 for the year ended 31 December 2020.

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

The Group entered into a property leasing framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to lease properties from the ZIHG Group for office use for the three years ending 31 December 2022. The transaction amount for the year ended 31 December 2020 was RMB2,589,000, which did not exceed the annual cap of RMB2,700,000 for the year ended 31 December 2020.

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

The Group entered into a landscaping and ecological restoration construction works services framework agreement with ZIHG on 14 December 2020, pursuant to which the Group agreed to provide landscaping and ecological restoration construction work services to the ZIHG Group for the three years ending 31 December 2022. The transaction amount for the year ended 31 December 2020 was RMB53,232,000, which did not exceed the annual cap of RMB70,777,000 for the year ended 31 December 2020.

Notes:

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

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

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

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

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

(2) on normal commercial terms or better; and

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740. *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in the Annual Report In accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

(i) Long positions in our shares

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

Notes:

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers are primarily state-invested enterprises or local governments, private enterprises and non-profit social organisations. Revenue from the largest customer accounted for 13.5% (2019: 13.2%) of the Group's total revenue, and sales to five largest customers combined is 46.4% (2019: 59.1%) of the Group's total revenue for the Year.

Purchases/subcontracting fee from the largest supplier/subcontractor accounted for 5.2% (2019: 7.6%) of the Group's total cost of sales, and the Group's five largest suppliers and subcontractors accounted for 20.8% (2019: 20.5%) of the Group's total cost of sales for the Year.

None of the Directors or any of their respective associates or any Shareholder which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2020 and 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Discussions of the principal risks and uncertainties faced by the Group are set out in the section headed "Management Discussion and Analysis — Quantitative and Qualitative Disclosures about Principal risks and Uncertainties" of this Report and note 30 to the consolidated financial statements and such contents form part of this Directors' Report.

TAX RELIEF AND EXEMPTION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements of this Report. As at 31 December 2020, the Group did not hold any property for development, sold or investment.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING BUSINESS

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

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

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

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

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2020.

CHARITABLE DONATION

Charitable donations made by the Group amounted to RMB0.9 million (2019: RMB Nil) for the year ended 31 December 2020.

Report of the Directors

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

For the year ended 31 December 2020, there was no serious and material dispute between the Group and its employees, customers and suppliers.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

USE OF PROCEEDS FROM THE LISTING

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

CORPORATE GOVERNANCE

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

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements for the year ended 31 December 2020 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. The Audit Committee has recommended the same to the Board for approval.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of KPMG as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

There is no change of independent auditor for this year and up to the date of this Report.

On behalf of the Board

Mr. Liu Haitao
Chairman

Hong Kong, 26 March 2021

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

This is the first Environmental, Social and Governance Report (the "**ESG Report**") issued by ZONBONG LANDSCAPE Environmental Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**" or "**Zonbong**"), which mainly focuses on the Group's efforts and contributions in environmental, social and governance aspects as well as its outlook for the future.

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

Reporting Period and Scope

The ESG Report discloses the Company's approaches, initiatives, and performance in relation to ESG management from 1 January 2020 to 31 December 2020 (the "**Year**" or "**Reporting Period**"). Some contents of the ESG Report dates to before 2020 and into 2021, thereby increasing reference value of the ESG Report. The textual contents and environmental scope data disclosed in the ESG Report cover all subsidiaries of the Group.

Main Reporting Guidelines

The Environmental, Social and Governance Report issued by the Group has been prepared with reference to the Environmental, Social and Governance Report Guide (the "**ESG Report Guide**") (effective for the financial year beginning on or after 1 July 2017) of the Stock Exchange of Hong Kong Limited (the "**HKEX**") as set out in Appendix 27 to the Listing Rules.

Publication

The ESG Report is published in both Chinese and English versions as sections in the Annual Report. All stakeholders can access to the ESG Report on the website of HKEX at www.hkexnews.hk. In case of any discrepancy in the ESG Report, the Chinese version shall prevail.

Contact Information

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

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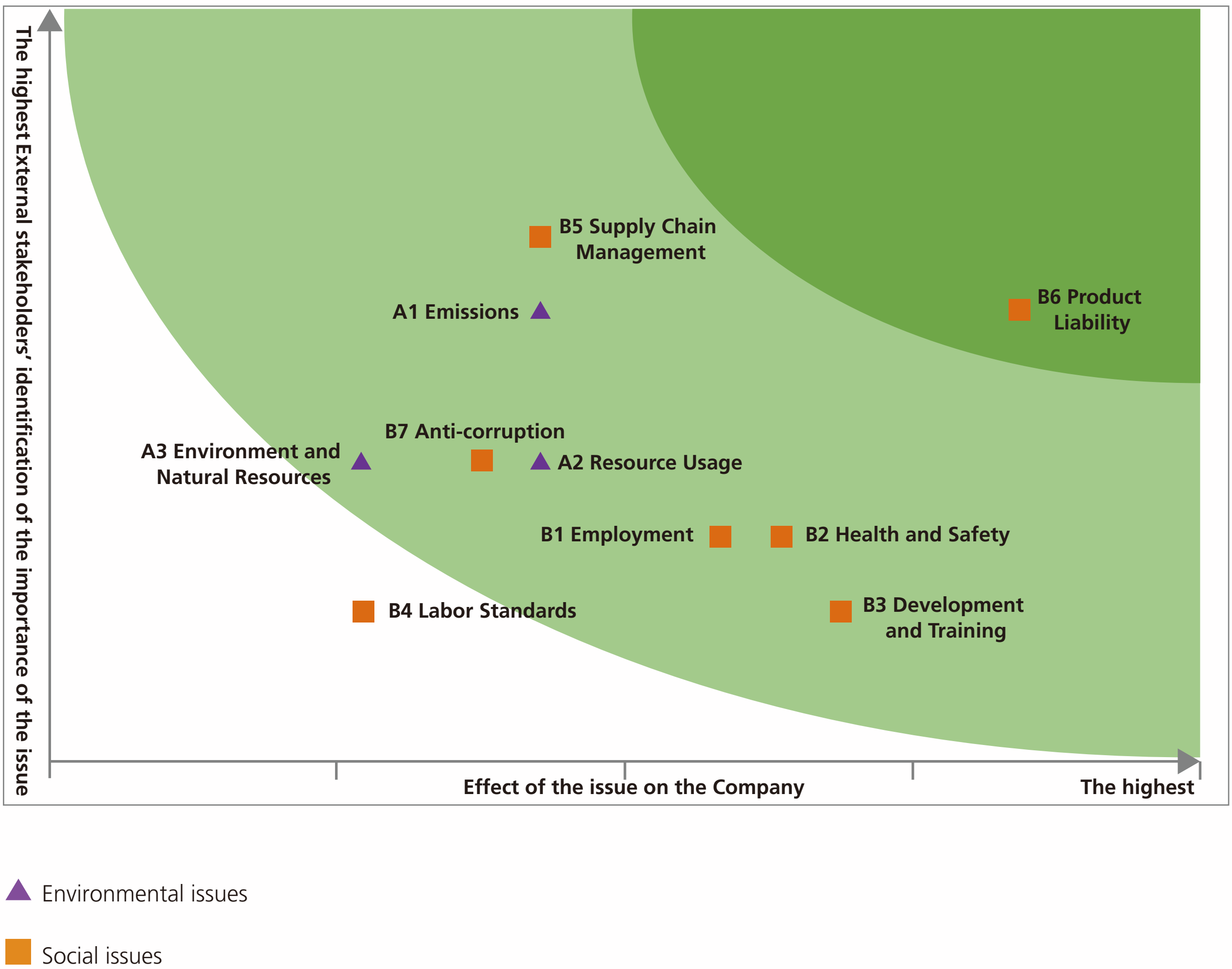
MATERIALITY ASSESSMENT OF ISSUES

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

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



ENVIRONMENTAL PROTECTION

A1 Emissions

The Group strictly adheres the environmental protection policies, laws and regulations of the state and local governments, strictly complies with the Environmental Protection Law of the People's Republic of China, the Law of People's Republic of China on Prevention and Control of Water Pollution, the Law of People's Republic of China on Prevention and Control of Atmospheric Pollution and the Law of People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste, etc.. We take active measures to manage our emissions and fulfill our environmental responsibilities.

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

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

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

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

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

The waste generated by the Group mainly includes greening waste and construction waste generated from on-site construction activities of gardening and landscaping projects, all of which are harmless wastes. The small branches and lawn pruning waste from green waste are treated by direct burial and conversion into organic fertilizer. Larger branches, etc. are sent directly to the biomass power plant for biomass power generation. For construction waste, we also developed and implemented a construction site management plan to classify and handle on-site waste, separate recyclable waste and reapply it directly to the construction process or recycle it through recycling manufacturers for reprocessing. On-site construction, if subcontracted to professional construction units, is responsible for the disposal of the waste generated. In addition, we set up recycling bins in our offices to remind employees to sort recyclables and non-recyclables to promote waste minimization.

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

A2 Resource Usage

The Group's energy consumption in the course of its operations includes direct energy consumption and indirect energy consumption. Direct energy consumption refers to fuel consumed by mobile vehicles, which also includes construction machinery such as hookers and bulldozers and indirect energy consumption refers to electricity consumption. The raw materials involved in the landscaping projects include seedlings, gravel for paving foundations, concrete and stone for paving surfaces.

The water resources consumed by the Group in manufacturing and office operations are all from the municipal pipeline network and do not involve water extraction. Meanwhile, due to the nature of the Group's business, there is no use of packaging materials involved in the operation process. In the future, the Group will continue to monitor energy consumption, effectively control the use of resources and energy, and continuously promote energy conservation and emission reduction to achieve sustainable development.

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

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

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

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

➢ Recycle construction materials and replacement of clean energy. The construction team uses materials available at the project site to build landscape facilities and reduce the consumption of raw materials, such as using soil excavated at the construction site for the construction of rockeries or using the removal of old foundation materials to replace the foundation materials used to build the right-of-way. Clean energy sources such as natural gas, LPG, and electricity are used at the construction site whenever possible, instead of coal and wood-fueled boilers.

Environmental KPIs Table

Index name	Index unit	2020
Total amount of greenhouse gas emissions	tonnes of carbon dioxide equivalent	525.71
Greenhouse gas emission intensity	kg of CO_2 equivalent/ten thousand yuan of operating income	5.25
Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent	302.71
Indirect greenhouse gas emissions	tonnes of carbon dioxide equivalent	223.00
Total amount of hazardous waste generated	kg	5.29
Hazardous waste generation intensity	kg/thousand square meters	3.00
Ink cartridges	kg	5.00
Batteries	kg	0.29
Total amount of non-hazardous waste generated	kg	184,780.00
Non-hazardous waste generation intensity	kg/ten thousand yuan of operating income	1.85
Paper	kg	40.00
Household waste	kg	4,500.00
Trash from pruning of trees, shrubs and ground cover, dust nets, etc.	kg	180,240.00
Total amount of sewage discharged	cubic meter	4,752.75
Discharge of domestic sewage in office area	cubic meter	534.75
Discharge of domestic sewage during construction	cubic meter	4,218.00
Total amount of electricity consumed	kWh	753,617.43
Electricity consumption intensity	kWh/ten thousand yuan of operating income	7.53
Electricity consumption in office area	kWh	95,017.43
Electricity consumption during construction	kWh	658,600.00
Total amount of water consumed	cubic meter	46,124.13
Water consumption intensity	cubic meters/ten thousand yuan of operating income	0.46
Water consumption in office area	cubic meter	802.13
Water consumption during construction	cubic meter	45,322.00[1]

A3 Environment and Natural Resources

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

1 The amount of domestic sewage discharged during construction in this year is the sewage generated from temporary construction and temporary office, which is treated to meet the discharge index before discharge; water consumption during construction refers to the water used during construction, including watering of trees, hedges, lawns, etc. The two indicators are not essentially related, so the differences are not comparable.

Dongxinkai River Basin Project

The Dongxinkai River belongs to the second Songhua River Range and is a first-class tributary on the right size of the middle reaches of the Yitu Ula River in the Yinma River Basin, originating in the east of the former Shibeiling in Sandao Town, Erdao District, Changchun City, and flowing from southeast to northwest through Changchun Economic and Technological Development Zone, Erdao District and Kuancheng District, and entering the Yitu Ula River from the southwest of Donggoujiatun in Xinglongshan Town. With a watershed area of 79 km^2 (excluding Changjiadian ditch) and a river length of 16.5 km, it is a seasonal river that undertakes industrial and agricultural drainage, domestic sewage and rainwater drainage in the eastern part of the city. Four parks will be built on both sides of the Dongxinkai River basin, namely Hekou Park, Changjia Park, Yangpu Park and Sports Park, in order to restore the water ecology and landscaping of the Dongxinkai River basin. The Group has assisted in developing the ecological restoration and landscaping construction on both sides of the river since March 2017.

I. Hekou Park

The Hekou Park is positioned to be a vibrant public space. As a place for exchange activities for the surrounding residents, it connects the urban green belt clusters as a natural backdrop, strengthens the uniqueness of the site, builds an iconic landmark, takes on cultural history, adapts to future development, encourages diverse activities and experiences, and creates an all-encompassing urban green valley.


II. Changjia Park

The Changjia Park is characterized by its compliance with the upper master plan and the integration of ecological dense forest, natural semi-open dense forest and developed grassland with the functions of the planned area. It ensures the safety of urban drainage and flood prevention, and realizes the storage, infiltration and purification of rainwater to build a resilient sponge city.


III. Yangpu Park

The Yangpu Park project restores the damaged ecological background, restores natural habitats, and provides diverse habitat spaces and continuous migration corridors for native organisms.

IV. Sports Park

The nature of the Sports Park is a comprehensive park for recreation and entertainment. Citizens around the park have a huge demand for the site and the completion of the park is an ideal leisure place for fitness enthusiasts. As an important node of the Yitu Ula River water ecology reservation project, the project site serves as an effective means to deal with non-point source pollution of sponge city.

At present, the ecological environment of the Dongxinkai River basin has been basically restored with black and odorous water bodies completely eliminated in 2018 and the monitoring data of each water quality monitoring point reaching surface category 5 water and above standard throughout 2020. In the future, through the construction of vegetation restoration, landscape gardening and wetland projects on both sides of the river, the harmonious natural landscape will be truly realized.

EMPLOYMENT AND LABOR PRACTICES

B1 Employment

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

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

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

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

We have formulated the Welfare Management System to give full play to the protection and motivation role of welfare, and to standardize and strengthen the welfare management of employees in the Group. Employee benefits include statutory benefits and corporate benefits. The Group pays social insurance and high temperature insurance for all employees, while corporate benefits include medical check-up benefits, holiday benefits, wedding and funeral benefits, birthday benefits, heating subsidies, communication subsidies, fuel subsidies, title subsidies, missed meal subsidies, accommodation subsidies, family visit subsidies, overseas subsidies, home rental subsidies, and summer heat protection subsidies. During the epidemic in 2020, Zonbong purchased masks, disinfectant alcohol, hand sanitizer and other epidemic prevention materials for the employees of the Company, and strictly prevented and controlled the epidemic to ensure the safety of the employees.

In 2020, the Group did not have any irregularities in terms of remuneration packages, or irregularities in terms of working hours and holidays.

B2 Health and Safety

In accordance with national laws, Zonbong pays social insurance, including medical insurance, for all employees, and provides accidental commercial insurance for employees who cannot pay the statutory insurance, including re-recruited retired employees and interns, to ensure that employees can be protected accordingly in case of accidents. We arrange annual health check-ups for all employees to facilitate employees to keep abreast of their health conditions.

The Group attaches importance to occupational health and work safety at all construction sites and is committed to providing a safe and comfortable working environment for our employees. In order to better guide our employees to work safely, we have developed comprehensive safety policies and guidelines such as the Safe and Civilized Construction Standards Manual, Visual Identity System Manual and Safety Management Manual. Each project is equipped with its own emergency management system to prevent emergency safety incidents. During the project construction period, we equip our employees with reflective vests, insulated gloves, helmets, insulated shoes, safety belts and other safety protective equipment according to the job requirements. We set up fire-fighting equipment or safety protective facilities for dangerous sites according to the operation site conditions. We regularly inspect and maintain fire-fighting and protective facilities to ensure that they comply with applicable international or industry standards in terms of installation and use. During the reporting period, we did not have any safety incidents of general or above level, or any non-compliance with occupational health and safety laws and regulations.

In the future, we will continue to implement capital investment for safe construction and operation, and continuously improve safety construction to create a harmonious and safe working atmosphere. We will strive to continuously improve conditions for production and operation, reduce the labor intensity of employees, and optimize the working environment through technical transformation such as adopting new construction technologies, new techniques, new equipment and new materials, so that the safety and health of employees can be effectively guaranteed.

B3 Development and Training

To pursue the common development of enterprises and employees, the Group establishes a training system for talent development to improve the knowledge and skill of employees, so as to strengthen corporate training management and talent development and promote sustainable development of the Group. At present, the Group has established relevant management regulations, training systems and learning platforms, including the Training Management Regulation, the Training System of 20XX (the respective year) and the University Learning Platform, and the Human Culture Department is responsible for the establishment and improvement of training management systems, regulations and resource platforms on an ongoing basis. Each year, according to the corresponding training regulations and system, we conduct research on training needs at the beginning of the year to refine the development of training plans, track, supervise and provide guidance for the implementation of training, and make training summaries and assessment after the training. Through the above measures, we ensure that each training is effectively implemented.

In order to meet the training needs of personnel in different positions and at different levels and allocate training course resources more effectively, the Group stratifies and grades various training jobs, combines online and offline trainings and sets up different types of training courses such as Jinghang class (競航班), Linghang class (領航班), Qihang class (啓航班) and special training camp (項目班子特訓營) for project teams, to achieve more effective training with proper training methods and courses. We analyze technical knowledge and ability of employees to identify their business blind spots, and implement targeted training to make up for their weak links, achieving the expected target in the average results of training assessment and gradually enhancing the ability of employees. In 2020, we organized extensive trainings in several fields, including professional skills training, induction training for new employees, professionalism for middle management and leadership for senior management, covering a wide range of content, including technology, safety, quality, engineering, water ecology, market management, business management, process system and corporate culture, which improved the knowledge and skills of employees.

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

B4 Labor Standards

Zonbong strictly abides by the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and other relevant laws and regulations in all recruitment and employment, and strictly prohibited child labor and forced labor. We have established a Recruitment Management System, and the Human Culture Department will conduct strict verification and background checks on the identity cards, academic certificates and resumes provided by interviewees. As for formally newly-hiring employee, an agreement will be signed to require he or she to assume legal responsibility for the truthfulness of all information he or she provides for hiring. We also introduce the information including company introduction, job duties, working environment, workplace, salary standard, etc. to ensure that both parties get the true and effective information. We recruit talents through various channels, such as campus recruitment, social recruitment and headhunting, to achieve diversification of talent recruitment. We treat employees of different nationalities, races, genders, and ages fairly to prevent employment discrimination, child labor, and forced labor. We also effectively protect the legitimate rights and interests of our employees and make rational arrangements for their working hours in accordance with the Company's Personnel Management System, and give employees time off for overtime work.

During the Year, Zonbong did not have any cases of discrimination, child labor and forced labor.

OPERATING PRACTICES

B5 Supply Chain Management

Zonbong attaches importance to the management of suppliers and divides them into potential suppliers, qualified suppliers, unqualified suppliers and blacklisted suppliers for cooperation. The Group has established a supplier information database and enters qualified suppliers into the information database.

In the process of supplier selection, the Group pays special attention to the issues of environmental protection at work site and labor protection as most of the projects with suppliers involve landscaping and road construction. In addition to examining whether the subcontracting suppliers have all the valid licenses, whether they have the relevant engineering construction qualifications, experience in similar operations within the past three years and qualified engineering quality, we also pay attention to the integrity of the subcontracting suppliers' operation, whether there are irregularities such as defaulting on workers' wages, and whether the subcontracting suppliers should have no records of major safety and quality accidents, etc. Zonbong strictly selects suppliers and maintains fairness and impartiality in the procurement process, and blacklists suppliers with bid-rigging, colluding in bidding, bribery and other behaviors so as to never cooperate with them.

In terms of supplier evaluation and assessment, we classify suppliers into four grades of A, B, C and D according to the evaluation results. Suppliers with evaluation results of A, B and C can continue to retain qualified supplier status, while those with evaluation results of D are unqualified suppliers or directly blacklisted for cooperation. The rating of suppliers will have different rating scores depending on the project and contract execution stage, and will be dynamically evaluated during the whole process.

B6 Product Liability

Zonbong has taken a series of measures to ensure the quality of products and services and to protect our intellectual property, therefore to achieve a win-win situation with customers by making effective communication, enhancing information security and fulfilling our own product liability.

Product and Service Quality

The Group attaches great importance to the quality of products and services, for which, it had established a strong technical team and set advanced technical standards, which shall be followed strictly by technical personnel. We engaged third-party inspection institution to conduct on-site quality assessment in accordance with the relevant requirements of national quality acceptance standards, and the acceptance rate of project quality completion achieved 100%. We considered both the requirements for high-tech enterprises and the development direction of our business and products to formulate the R&D plan and to set quality standard to be improved, in particular, we formulated plans for patents, technical application methods of engineering and process, quality management achievements, demonstration projects, etc. to provide guidance for improving product quality. In the future, Zonbong will establish a technology and quality standard system indexed by products to promote technology synergy and integration: for core products, we will establish a technical standard system after reviewing based on products, refine high technology and improve such system at all levels so as to support the product quality improvement technically. The integration of design, construction and maintenance is highlighted when going over the advanced technology and experience and the technical standard system was widely promoted and applied, which together formed the core competitiveness of brand quality supporting the sustainable development of Zonbong.

Information Security

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

Intellectual Property Protection

Zonbong attaches importance to the management of intellectual property in order to protect the technological innovations and enhance the core competitiveness of the Company. The Group abides by the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Trademark Law of People's Republic of China and respects the intellectual property rights of others, meanwhile, we also determined to protect our own intellectual property free from infringement. In 2020, Zonbong declared 50 independent intellectual property rights and obtained 18 software copyrights. As of the end of 2020, the Group had obtained a total of 91 intellectual property rights, including 3 registered inventories, 11 utility model and design patents, a total of 71 copyright registrations, 5 trademarks and 1 domain name.

Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司), a subsidiary of the Group, motivates its employees to carry out inventions and production and process technology transformation, declares intellectual property rights in a timely manner for the intellectual achievements, assigns dedicated personnel in the product development department to be responsible for management of the intellectual property rights, establishes intellectual property files and data platforms, classifies intellectual property rights according to their actual value that can be created, their importance to the development of the company and maintenance costs, etc. It has formulated a series of methods and processes for intellectual property rights management in accordance with the relevant national intellectual property rights laws and regulations and the company's internal control processes. In the future, with the continuous enrichment of the company's intellectual property rights, the importance of intellectual property rights protection will become more prominent. For intellectual property rights that may have a significant impact on the company, such as trademark rights, patent rights, copyright rights and domain names, professional agents will be hired in the first instance to make applications, so as to protect the company's interests. In the process of cooperation with other units or individuals, it will make detailed regulations on the ownership, scope of use, duration, and distribution of subsequent research and development results of the intellectual property rights involved, and sign relevant legal documents to protect the interests of the company through comprehensive use of intellectual property rights.

Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司), a subsidiary of the Group, has regulated the management of intellectual property rights protection, including the establishment of a system for the collection, filing of and access to technical information; the inclusion of technical confidentiality clauses in the corporate staff handbook; the inclusion of clauses on the independent management system of intellectual property rights in the corporate management rules and regulations system; and the signing of strict technical confidentiality agreements with partners in external technical cooperation and engineering design. In addition, the company has also established an electronic encryption system for internal technical achievements (special technical achievements and technical application achievements); and strengthened the awareness propaganda of technical achievements protection among employees and strictly controlled technical leakage and infringement accidents in conjunction with the legal department.

Customer Service

Zonbong is committed to building strong customer relationships, gaining the trust and recognition of our customers and helping our company to grow continuously. Currently, the Group's main customers are government authorities and government platform companies. We have established a Customer Management System and set specific targets to ensure timely feedback on customer opinions in order to consolidate existing good cooperative relationships, improve customer satisfaction and build a good corporate reputation, so as to broaden customer base and achieve business growth. Through face-to-face interviews and telephone callbacks, we gain an in-depth understanding of our customers' satisfaction and understanding of the company, and investigate customers' satisfaction with project implementation for projects that have been awarded. At the same time, we actively protect customer information. Relevant department assigns dedicated personnel to collect and maintain customer information in a hierarchical manner. In 2020, we improved staffing and organizational management through the whole process of project tracking services, timely tracking and solving problems raised by customers, and receiving good feedback on customer satisfaction.

B7 Anti-corruption

Zonbong attaches importance to honesty and integrity and believes that integrity is an important guarantee for long-term development and winning the confidence of all parties, advocates a corporate culture of honesty and integrity, creates an anti-corruption corporate cultural environment, strictly abides by the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China and other anti-corruption and anti-money laundering regulations, and pays high attention to the construction of an anti-corruption and bribery system.

The Group clarifies the code of professional ethics to its employees and stipulates "six strict prohibitions" disciplinary requirements, i.e., it is strictly prohibited to give annual gifts to superiors, to accept banquets, gifts, gratuities and other properties from suppliers or cooperative units in violation of the law, to receive and send by logistics express, WeChat Red Packets and other hidden means, to use corporate funds to invite each other to banquets, to organise or participate in consumption and entertainment activities paid by corporate funds, and to gamble.

For the procurement process, we have also implemented a series of measures to prevent corruption, including auditing and supervision of procurement activities of our affiliated units by the Internal Audit and Legal Affairs Center, and annual rotation mechanism of procurement personnel by the Human Resource Culture Center. In the procurement process, if bribes are found to be accepted, the violators will be dealt with in accordance with the relevant disciplinary measures. In addition, in the process of cooperation with suppliers, we actively promote the procurement system to suppliers, make public the telephone number for complaints and reports, and sign the Integrity Agreement while entering into the contract to jointly promote anti-corruption work with suppliers.

We set up effective reporting procedures to ensure smooth reporting channels. During the Year, the Group revised and updated its anti-fraud and anti-corruption management system and reporting channels. The Group has given full protection in terms of budget, staffing and preparation of working conditions, and actively broadened the reporting channels, including letters, visits, telephone and Internet. For real-name reports involving non-senior management, the Audit Compliance Department reports to the Company's audit division head and conducts investigation and treatment according to instructions; for anonymous reports involving non-senior management, the Audit Compliance Department conducts internal assessment and reports to the audit division head and decides whether to conduct investigation and treatment according to instructions; for reports involving senior management, the Audit Compliance Department reports to the Audit Committee and the Audit Committee decides further investigation matters. If necessary, a special investigation group will be established, or external professionals will be engaged to conduct investigations. The results of the investigation will be made by the head of the Company's audit division or the audit committee with the relevant departments to make a resolution on punishment for corruption.

We strictly protect the privacy of the whistleblower's relevant information and the content of the report. The relevant personnel are prohibited from disclosing the relevant information and report contents of the person providing the complaint and report without authorization. If it is really necessary to access the information related to the complaint and report for work purposes, approval must be obtained from the leader of the Audit Compliance Department, and the contents, time and the personnel of the access must be registered. The Audit Compliance Department will file the relevant materials of the corruption case after the investigation and treatment.

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

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

COMMUNITY

B8 Community Investment

Since its establishment, Zonbong has been bravely undertaking social responsibilities, actively responding to the national call and committing to public welfare, adding to the harmony and win-win momentum of the society. In recent years, the Group has organized a number of employee donations and environmental protection activities, actively paid attention to socially disadvantaged groups, actively participated in environmental protection work, cared for handicapped families, donated to the construction of Changchun Urban Forest Greenway No. 2, and actively played to its strengths to create value for local communities.

In 2020, the severe COVID-19 outbreak had a continuous negative impact on social development. The Group took social responsibility with its actions, continued to pay attention to the prevention and control of the epidemic, and contributed resources and support to social groups and communities in need of help.

At the early stage of the epidemic, the whole country struggled to fight against the COVID-19 epidemic. In the midst of a severe shortage of various materials, Zonbong actively organized donations of epidemic prevention materials and targeted donations to ensure that the donations and epidemic prevention materials could be quickly and efficiently applied to this epidemic prevention battle, actively contributing to the front line of the fight against the epidemic. The Group has donated nearly RMB1 million to organizations and regions in urgent need of epidemic prevention materials, such as Jimusaer County in Xinjiang, Ulanhot City in Inner Mongolia, Meihekou City and Liaoyuan City in Jilin, providing effective material support for the comprehensive victory over the epidemic.

Environmental, Social and Governance Report

At the end of 2020, the COVID-19 epidemic in Jilin Province made a comeback, and the severe epidemic caused a serious strain on medical resources in Tonghua. With the spirit of iron footplate and 24-hour operation, Zonbong actively played its own specialty and gave back to the society, and invested in the construction of Tonghua Mobile Cabin Hospital at the first time, fully guaranteeing the construction work of the mobile cabin and reinforcing the prevention and control of the epidemic in Tonghua City.

In the future, the Company will start from the school-enterprise cooperation to set up bursaries and scholarships to help the development of industry talents and train more backbone forces dedicated to the environmental cause for the country.

APPENDIX

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

Environmental, Social and Governance Reporting Guide		Content
Major scope A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1 Emissions
A1.1	The types of emissions and respective emissions information.	Table of Environmental Key Performance Indicators
A1.2	Greenhouse gas emissions in total (in tons) and (where appropriate) intensity (e.g. per unit of production volume, per facility).	
A1.3	Total hazardous waste produced (in tons) and (where appropriate) intensity (e.g. per unit of production volume, per facility).	
A1.4	Total non-hazardous waste produced (in tons) and (where appropriate) intensity (e.g. per unit of production volume, per facility).	
A1.5	Description of measures to mitigate emissions and results achieved.	A1 Emissions
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A1 Emissions
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources (including energy, water and other raw materials).	A2 Use of Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in 3,600s) and intensity (e.g. per unit of production volume, per facility).	Table of Environmental Key Performance Indicators
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
A2.3	Description of energy use efficiency initiatives and results achieved.	A2 Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	A2 Use of Resources
A2.5	Total packaging material used for finished products (in tons) and (where appropriate) with reference to per unit produced.	N/A

Aspect A3: Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	A3 The Environment and Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3 The Environment and Natural Resources
Major scope B. Society		
Employment and Labor Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1 Employment
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	B2 Health and Safety
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3 Development and Training
Aspect B4: Labor Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	B4 Labor Standards
Operating Practices		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	B5 Supply Chain Management

Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B6 Product Responsibility
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	B7 Anti-corruption
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	B8 Community Investment

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of ZONBONG LANDSCAPE Environmental limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 91 to 178, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue based on percentage of completion	
Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(u)(i).	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group is principally engaged in landscaping, ecological restoration and other related projects. During the year ended 31 December 2020, 96.4% of the Group's total revenue was recognised progressively overtime, based on estimated transaction price and percentage of completion when control of the goods or services is transferred to customer. The Group considers the terms of contract and its customary business practices to determine the transaction price. The Group estimates percentage of completion using input method based on the proportion of costs incurred up to the end of reporting period relative to the total expected costs to complete the contract. We identified the recognition of revenue based on percentage of completion as a key audit matter because of the significance of revenue and there is a high degree of management judgement in estimating transaction price and total expected costs to completion.	Our audit procedures to assess the recognition of revenue based on percentage of completion included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the estimation and revision of the estimated transaction price and total expected costs to completion; • scrutinising the key clauses of contracts with customers on a sample basis, and assessing whether the key clauses had been appropriately reflected in the estimation of transaction price and total expected costs applied in revenue recognition; • challenging the Group's estimation of transaction price and the total expected costs to complete the contract, on a sample basis, by considering the Group's historical records of actual costs, variable consideration and gross profit margins for similar contracts; • assessing whether costs incurred were accounted for in the appropriate period and comparing costs incurred during the current period to measurement documentation with subcontractors, purchase invoices and/or other relevant underlying documentation on a sample basis;

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue based on percentage of completion	
Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(u)(i).	
The Key Audit Matter	**How the matter was addressed in our audit**
	• performing a re-calculation of revenue recognised for individual contracts, on a sample basis, based on the estimated transaction price, total expected costs to complete and costs incurred to date; • performing site visits to a sample of contracts in progress, physically observing the stage of completion of the contract and discussing the status of the contract with the site project managers; and • assessing the reasonableness of related disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Expected credit loss allowance for contract assets and trade receivables	
Refer to Notes 20,21 and 30(a) to the consolidated financial statements and the accounting policies in Note 2(k)(i).	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2020, the Group's contract assets and trade receivables totalled RMB1,510 million. The Group measures loss allowances on contract assets and trade receivables at amounts equal to lifetime expected credit losses ("**ECL**") using a provision matrix which involved significant management judgement. The provision matrix takes into account current market conditions and forward-looking information. We identified the expected credit loss allowance for contract assets and trade receivables as a key audit matter because of the significant balances at the end of the reporting period and because the recognition of ECL is inherently subjective and requires the exercise of significant management judgement.	Our audit procedures to assess the expected credit loss allowance for contract assets and trade receivables included the following: • obtaining an understanding of and assessing the design and implementation of key internal controls over the credit control and estimation of the ECL; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard; • assessing the appropriateness of the expected credit loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the provision rates, and evaluating whether the provision rates are appropriately adjusted after taking into consideration current market conditions and forward-looking information; • assessing whether items in the ageing report were categorised appropriately for contract assets and trade receivables by comparing a sample of individual items with the underlying documentation; and • assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor’s Report

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

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

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

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

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

KPMG
Certified Public Accountants

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

26 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020
(Expressed in Renminbi ("RMB"))

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**1,001,427**	897,486
Cost of sales		**(762,995)**	(664,115)
Gross profit		**238,432**	233,371
Other net income	5	**9,957**	13,899
Selling expenses		**(13,113)**	(14,215)
Administrative expenses		**(67,841)**	(62,249)
Impairment losses on trade and other receivables and contract assets	6	**(40,393)**	(64,369)
Profit from operations		**127,042**	106,437
Finance costs	7(a)	**(38,065)**	(41,135)
Share of profits of an associate		**1,446**	4,911
Share of profits of a joint venture		**8,929**	9,161
Profit before taxation	7	**99,352**	79,374
Income tax	8(a)	**(30,411)**	(29,921)
Profit for the year		**68,941**	49,453
Attributable to:			
Equity shareholders of the Company		**68,505**	49,496
Non-controlling interests		**436**	(43)
Profit for the year		**68,941**	49,453
Earnings per share (RMB cents)			
Basic and diluted	11	**31**	23

The notes on pages 100 to 178 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 29(c).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

(Expressed in RMB)

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**68,941**	49,453
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income — net movement in fair value reserve	**563**	6,511
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	**1,877**	(642)
Other comprehensive income for the year	**2,440**	5,869
Total comprehensive income for the year	**71,381**	55,322
Attributable to:		
Equity shareholders of the Company	**70,939**	55,304
Non-controlling interests	**442**	18
Total comprehensive income for the year	**71,381**	55,322

The notes on pages 100 to 178 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	12	**9,791**	10,716
Intangible assets	13	**1,824**	2,192
Right-of-use assets	14	**1,165**	8,682
Interest in an associate	16	**75,459**	71,321
Interest in a joint venture	17	**188,267**	152,424
Other equity investments	18	**14,711**	14,148
Deferred tax assets	28(b)	**31,618**	35,998
Non-current portion of trade receivables	21	**43,402**	97,418
		366,237	392,899
Current assets			
Inventories and other contract costs	19	**37,185**	21,368
Contract assets	20(a)	**813,448**	631,139
Trade receivables	21	**653,600**	488,596
Prepayments, deposits and other receivables	22	**51,071**	76,895
Restricted bank deposits	23	**602**	15,601
Cash and cash equivalents	23	**143,997**	73,615
		1,699,903	1,307,214
Current liabilities			
Trade and bills payables	24	**703,415**	502,713
Accrued expenses and other payables	25	**182,949**	199,955
Contract liabilities	20(b)	**191,274**	66,552
Bank and other loans	26	**430,000**	420,000
Lease liabilities	27	**635**	3,945
Income tax payable	28(a)	**15,280**	12,663
		1,523,553	1,205,828
Net current assets		**176,350**	101,386

Consolidated Statement of Financial Position

At 31 December 2020

(Expressed in RMB)

	Note	**2020** **RMB'000**	2019 RMB'000
Total assets less current liabilities		**542,587**	494,285
Non-current liabilities			
Bank loans	26	**50,000**	75,000
Lease liabilities	27	**270**	4,172
Deferred tax liabilities	28(b)	**8,507**	7,684
		58,777	86,856
NET ASSETS		**483,810**	407,429
CAPITAL AND RESERVES	29		
Share capital		**1**	1
Reserves		**474,234**	402,295
Total equity attributable to equity shareholders of the Company		**474,235**	402,296
Non-controlling interests		**9,575**	5,133
TOTAL EQUITY		**483,810**	407,429

Approved and authorised for issue by the board of directors on 26 March 2021.

Liu Haitao
Director

Wang Yan
Director

The notes on pages 100 to 178 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000* *(Note 29(b))*	Share premium *RMB'000* *(Note 29(d)(i))*	Other reserve *RMB'000* *(Note 29(d)(ii))*	Statutory reserve *RMB'000* *(Note 29(d)(iii))*	Fair value reserve *RMB'000* *(Note 29(d)(iv))*	Exchange reserve *RMB'000* *(Note 29(d)(v))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	165,002	—	(8,861)	19,619	(3,643)	—	165,825	337,942	1,489	339,431
Changes in equity for 2019:										
Profit for the year	—	—	—	—	—	—	49,496	49,496	(43)	49,453
Other comprehensive income	—	—	—	—	6,450	(642)	—	5,808	61	5,869
Total comprehensive income	—	—	—	—	6,450	(642)	49,496	55,304	18	55,322
Transfer to share capital *(Note 29(b))*	159,998	—	—	—	—	—	(159,998)	—	—	—
Issuance of shares *(Note 29(b))*	5,101	10,560	—	—	—	—	—	15,661	—	15,661
Capital injection by non-controlling interests	—	—	183,815	—	—	—	—	183,815	3,785	187,600
Deemed distribution arising from the Reorganisation	(330,100)	—	125,000	—	—	—	—	(205,100)	—	(205,100)
Deemed contribution arising from the Reorganisation	—	—	14,674	—	—	—	—	14,674	148	14,822
Appropriation to reserves	—	—	—	18,766	—	—	(18,766)	—	—	—
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	(307)	(307)
	(165,001)	10,560	323,489	18,766	—	—	(178,764)	9,050	3,626	12,676
At 31 December 2019	1	10,560	314,628	38,385	2,807	(642)	36,557	402,296	5,133	407,429

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 29(b))	Share premium RMB'000 (Note 29(d)(i))	Other reserve RMB'000 (Note 29(d)(ii))	Statutory reserve RMB'000 (Note 29(d)(iii))	Fair value reserve RMB'000 (Note 29(d)(iv))	Exchange reserve RMB'000 (Note 29(d)(v))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	1	10,560	314,628	38,385	2,807	(642)	36,557	402,296	5,133	407,429
Changes in equity for 2020:										
Profit for the year	—	—	—	—	—	—	68,505	68,505	436	68,941
Other comprehensive income	—	—	—	—	557	1,877	—	2,434	6	2,440
Total comprehensive income	—	—	—	—	557	1,877	68,505	70,939	442	71,381
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	4,000	4,000
Contribution from the Controlling Parties	—	—	1,000	—	—	—	—	1,000	—	1,000
Appropriation to reserves	—	—	—	2,793	—	—	(2,793)	—	—	—
	—	—	1,000	2,793	—	—	(2,793)	1,000	4,000	5,000
At 31 December 2020	1	10,560	315,628	41,178	3,364	1,235	102,269	474,235	9,575	483,810

The notes on pages 100 to 178 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before taxation		**99,352**	79,374
Adjustments for:			
Depreciation		**4,658**	6,695
Amortisation	7(c)	**368**	368
Net loss/(gain) on disposal of non-current assets	5	**73**	(80)
Impairment losses on trade and other receivables and contract assets	6	**40,393**	64,369
Finance costs	7(a)	**38,065**	41,135
Net foreign exchange loss/(gain)	5	**2,333**	(685)
Interest income		**(4,785)**	(11,628)
Income from financial guarantees issued	5	**(3,356)**	(1,231)
Share of profits of an associate		**(1,446)**	(4,911)
Share of profits of a joint venture		**(8,929)**	(9,161)
COVID-19-related rent concessions received		**(220)**	—
Changes in working capital:			
Decrease in restricted bank deposits		**14,999**	—
(Increase)/decrease in inventories and other contract costs		**(15,817)**	41,742
Increase in contract assets		**(193,706)**	(121,696)
Increase in trade receivables		**(136,262)**	(25,382)
(Increase)/decrease in prepayments, deposits and other receivables		**(15,174)**	1,501
Increase in trade and bills payables		**200,702**	41,605
Increase in accrued expenses and other payables		**13,721**	1,953
Increase/(decrease) in contract liabilities		**124,722**	(23,970)
Cash generated from operations		**159,691**	79,998
Income tax paid	28(a)	**(19,794)**	(39,869)
Net cash generated from operating activities		**139,897**	40,129

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Payments for purchase of non-current assets		**(2,304)**	(767)
Capital contributions to an associate		**—**	(13,432)
Capital contributions to a joint venture		**(26,914)**	(33,869)
Proceeds from disposal of subsidiary, net of cash disposed of		**—**	5,643
Net proceeds from disposal of non-current assets		**525**	1,646
Payments for purchase of other equity investment		**(797)**	—
Payments for advances and loans granted to related parties		**—**	(156,302)
Proceeds from repayment of advances and loans granted to related parties		**46,075**	110,227
Interest received		**682**	385
Net cash generated from/(used in) investing activities		**17,267**	(86,469)
Cash flows from financing activities			
Capital contributions from non-controlling equity shareholders		**4,000**	187,600
Proceeds from the issuance of shares	*29(b)*	**—**	15,661
Proceeds from bank and other loans	*23(b)*	**400,000**	565,000
Proceeds from loans from related parties	*23(b)*	**—**	18,708
Proceeds from advances from third parties	*23(b)*	**236,770**	137,600
Repayment of bank loans	*23(b)*	**(415,000)**	(582,786)
Repayment of loans from related parties	*23(b)*	**(15,062)**	(3,500)
Repayment of advances from third parties	*23(b)*	**(251,131)**	(44,000)
Capital element of lease rentals paid	*23(b)*	**(1,962)**	(3,751)
Interest element of lease rentals paid	*23(b)*	**(36)**	(323)
Decrease in restricted deposits		**—**	2,557
(Increase)/decrease in guarantee deposits		**(3,300)**	8,650
Interest paid	*23(b)*	**(37,121)**	(40,678)
Deemed contribution arising from the Reorganisation		**—**	12,362
Deemed distribution arising from the Reorganisation		**—**	(205,100)
Payments for share issuance expenses		**(3,929)**	(3,562)
Net cash (used in)/generated from financing activities		**(86,771)**	64,438

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Expressed in RMB)

	Note	**2020** **RMB'000**	2019 RMB'000
Net increase in cash and cash equivalents		**70,393**	18,098
Cash and cash equivalents at 1 January	*23(a)*	**73,615**	55,230
Effect of foreign exchange rate changes		**(11)**	287
Cash and cash equivalents at 31 December	*23(a)*	**143,997**	73,615

The notes on pages 100 to 178 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

ZONBONG LANDSCAPE Environmental Limited (the "**Company**") was incorporated in the Cayman Islands on 8 March 2019 with limited liability under the Companies Act (as revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 January 2021. The Company and its subsidiaries (together, the "**Group**") are principally engaged in landscaping, ecological restoration and other related projects.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

Prior to the incorporation of the Company, the principal business of the Group has been operated under Zonbong Huize Landscape Environmental Construction Limited ("**Zonbong Landscape**") and its subsidiaries which were ultimately controlled by Mr. Sun Juqing ("**Mr. Sun**") and Ms. Zhao Hongyu (the "**Controlling Parties**").

Pursuant to a group reorganisation to rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange which was completed in 2019 (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group. All companies now comprising the Group that took part in the Reorganisation were owned by substantially the same group of shareholders before and after the Reorganisation and there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting certain investment holding companies with no substantive operations as the new holding companies of the companies now comprising the Group. Accordingly, the Reorganisation has been accounted for using the principles of merger basis of accounting and the consolidated financial statements for the years ended 31 December 2020 and 2019 have been prepared and presented as a continuation of the financial information of the companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other equity investments which are stated at their fair values (see Note 2(g)).

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

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

(d) Business combinations under common control

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(e) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(f) Associates and joint ventures

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(g) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(d).

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

(h) Property, plant and equipment

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(h) Property, plant and equipment (Continued)

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

	Useful life
Buildings	20 years
Construction equipment	10 years
Motor vehicles	4 years
Other equipment	3–10 years

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

(i) Intangible assets

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

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

	Useful life
Patents	10 years

Both the period and method of amortisation are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(j) Leased assets

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

As a lessee

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(j) Leased assets (Continued)

As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16, Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

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

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

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

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

Measurement of ECLs

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

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

Measurement of ECLs (Continued)

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

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

Significant increases in credit risk (Continued)

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

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

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

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

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

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

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

Basis of calculation of interest income

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

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

Basis of calculation of interest income (Continued)

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

— significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

(ii) Credit losses from financial guarantees issued

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

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

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

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

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

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

(iii) Impairment of other non-current assets

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

— property, plant and equipment;

— right-of-use assets;

— intangible assets; and

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

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

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

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

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

— *Reversals of impairment losses*

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(l) Inventories and other contract costs

(i) Inventories

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

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

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

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

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

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

(ii) Other contract costs

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(l) Inventories and other contract costs (Continued)

(ii) Other contract costs (Continued)

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

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

(m) Contract assets and contract liabilities

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

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

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

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

(n) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(o) Cash and cash equivalents

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

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(k)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

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

(r) Employee benefits

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

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

(ii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(s) Income tax

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(s) Income tax (Continued)

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

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

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

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

  — the same taxable entity; or

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

(t) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

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

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(u) Revenue and other income

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

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

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

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

(i) Construction contracts

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

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(u) Revenue and other income (Continued)

(ii) Contracts for services

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

(iii) Sale of goods

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

(iv) Dividends

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

(v) Interest income

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

(vi) Government grants

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

(vii) Income from financial guarantees issued

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(v) Translation of foreign currencies

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

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

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

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

(w) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

(y) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in policy Note 2(u), revenue from construction contracts and certain service contracts are recognised over time. Such revenue and profit recognition on incomplete projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction and design activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment losses for receivables and contract assets

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(c) Recognition of deferred tax assets

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from landscaping	**621,208**	439,784
— Revenue from ecological restoration	**302,737**	402,578
— Revenue from others	**77,482**	55,124
	1,001,427	897,486

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Revenue from customers of the years ended 31 December 2020 and 2019 contributing over 10% of the total revenue of the Group are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 30(a).

	2020	2019
	RMB'000	*RMB'000*
Customer A#	**Note**	118,894
Customer B^	**Note**	111,305
Customer C*	**Note**	95,658
Customer D^	**Note**	116,763
Customer E*	**134,985**	Note
Customer F*	**119,530**	—

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

Revenue from ecological restoration and others segments.

^ Revenue from ecological restoration and landscaping segment.

* Revenue from landscaping segment.

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

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction and design contracts. The transaction price does not include any estimated amounts of variable consideration, unless at the reporting date it is highly probable that the Group will satisfy the conditions of variable consideration. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 67 months (2019: 79 months).

	2020	2019
	RMB'000	*RMB'000*
Remaining performance obligations expected to be satisfied	**2,565,800**	2,702,998

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

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

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

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

(i) Segment results

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

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

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	2020			
	Landscaping	**Ecological restoration**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Disaggregated by timing of revenue recognition				
Point in time	**7,825**	**3,290**	**25,052**	**36,167**
Over time	**613,383**	**299,447**	**52,430**	**965,260**
Revenue from external customers and reportable segment revenue	**621,208**	**302,737**	**77,482**	**1,001,427**
Reportable segment gross profit	**163,515**	**38,829**	**36,088**	**238,432**

	2019			
	Landscaping	Ecological restoration	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	135	2,789	22,343	25,267
Over time	439,649	399,789	32,781	872,219
Revenue from external customers and reportable segment revenue	439,784	402,578	55,124	897,486
Reportable segment gross profit	110,137	102,203	21,031	233,371

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2020	2019
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue and consolidated revenue *(Note 4(b)(i))*	**1,001,427**	897,486
Profit		
Total reportable segment gross profit	**238,432**	233,371
Other net income	**9,957**	13,899
Selling expenses	**(13,113)**	(14,215)
Administrative expenses	**(67,841)**	(62,249)
Impairment losses on trade and other receivables and contract assets	**(40,393)**	(64,369)
Finance costs	**(38,065)**	(41,135)
Share of profits of an associate	**1,446**	4,911
Share of profits of a joint venture	**8,929**	9,161
Consolidated profit before taxation	**99,352**	79,374

(iii) Geographic information

The Group's revenue is generated from the landscaping, ecological restoration and other related projects in the PRC. The Group does not have material assets or operations outside the PRC, no segment analysis based on geographical locations of the customers and assets is presented.

5 OTHER NET INCOME

	2020	2019
	RMB'000	*RMB'000*
Interest income on trade and other receivables	**4,407**	11,243
Interest income on bank deposits	**378**	385
Government grants	**4,713**	178
Net foreign exchange (loss)/gain	**(2,333)**	685
Net (loss)/gain on disposal of non-current assets	**(73)**	80
Income from financial guarantees issued *(Note 32)*	**3,356**	1,231
Donations for COVID-19 pandemic	**(881)**	—
Others	**390**	97
	9,957	13,899

6 IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Impairment losses on trade receivables	**29,945**	38,484
Impairment losses on contract assets	**11,397**	26,540
Reversal of impairment losses on prepayments, deposits and other receivables	**(949)**	(655)
	40,393	64,369

7 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interest on bank and other loans and loans from related parties	**37,998**	40,525
Net foreign exchange loss of bank loan	**—**	310
Interest on lease liabilities	**67**	300
	38,065	41,135

No borrowing costs have been capitalised for the years ended 31 December 2020 and 2019.

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**72,908**	74,905
Contributions to defined contribution retirement schemes *(Note)*	**752**	8,096
	73,660	83,001

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

The Group received a partial exemption of social insurance expenses according to social insurance relief policy of the local municipal governments during the COVID-19 outbreak for the year ended 31 December 2020.

7 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2020 *RMB'000*	2019 *RMB'000*
Depreciation of property, plant and equipment *(Note 12)*	**2,631**	2,646
Depreciation of right-of-use assets *(Note 14)*	**2,027**	4,049
Amortisation of intangible assets *(Note 13)*	**368**	368
Leases charges relating to short-term leases and leases of low-value assets	**6,898**	5,323
COVID-19-related rent concessions received	**(220)**	—
Listing expenses	**20,165**	16,906
Auditor's remuneration — annual audit services	**1,799**	81
Cost of inventories *(Note 19(a))*	**256,586**	203,167

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 *RMB'000*	2019 *RMB'000*
Current tax *(Note 28(a))*		
Provision for the year	**25,208**	26,738
Deferred tax *(Note 28(b))*		
Origination and reversal of temporary differences	**5,203**	3,183
	30,411	29,921

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

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

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**99,352**	79,374
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**30,554**	23,988
Tax concessions and effect of changes of tax rate *(Notes (iv) and (v))*	**(751)**	718
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**—**	3,870
Tax effect of utilisation of prior years' unused tax losses previously not recognised	**(289)**	—
Tax effect of unused tax losses and deductible temporary differences not recognised	**710**	648
Tax effect of non-deductible expenses	**187**	697
Actual tax expense	**30,411**	29,921

Notes:

(i) 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.

(ii) The subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2020 (2019: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2020 (2019: RMB Nil).

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2020 (2019: 25%).

(iv) One of the subsidiaries of the Group established in the PRC has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2019 to 2021, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2020 (2019: 15%). In addition to the preferential PRC Corporate Income Tax rate, this subsidiary entitles an additional tax deductible allowance amounted to 75% for the year ended 31 December 2020 (2019: 75%).

(v) Another subsidiary of the Group established in the PRC has obtained approval from the tax bureau to be taxed as an enterprise with advanced and new technologies for the calendar years from 2020 to 2022, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2020 (2019: 25%). In addition to the preferential PRC Corporate Income Tax rate, this subsidiary entitles an additional tax deductible allowance amounted to 75% for the year ended 31 December 2020.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	2020				
	Directors' fees *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Retirement scheme contributions** *RMB'000*	**Total** *RMB'000*
Directors					
Executive directors					
Liu Haitao	**—**	**511**	**319**	**4**	**834**
Wang Yan	**—**	**316**	**256**	**2**	**574**
Wang Xudong	**—**	**405**	**380**	**2**	**787**
Sun Juqing	**—**	**—**	**—**	**—**	**—**
Lyu Hongyan	**—**	**—**	**—**	**—**	**—**
Shao Zhanguang	**—**	**—**	**—**	**—**	**—**
Independent non-executive directors					
Gao Xiangnong	**—**	**—**	**—**	**—**	**—**
Yin Jun	**—**	**—**	**—**	**—**	**—**
Lee Kwok Tung Louis	**—**	**—**	**—**	**—**	**—**
	—	**1,232**	**955**	**8**	**2,195**

	2019				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Directors					
Executive directors					
Liu Haitao	—	511	391	91	993
Wang Yan	—	304	256	33	593
Wang Xudong	—	400	380	52	832
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	—	—	—	—
Shao Zhanguang	—	—	—	—	—
Independent non-executive directors					
Gao Xiangnong	—	—	—	—	—
Yin Jun	—	—	—	—	—
Lee Kwok Tung Louis	—	—	—	—	—
	—	1,215	1,027	176	2,418

9 DIRECTORS' EMOLUMENTS (CONTINUED)

Mr. Liu Haitao was appointed as a Director of the Company on 8 March 2019 and was redesignated as an executive Director of the Company on 24 September 2019. On 24 September 2019, Mr. Sun, Ms. Lyu Hongyan and Mr. Shao Zhanguang were appointed as non-executive Directors of the Company. On 18 March 2020, Ms. Wang Yan and Mr. Wang Xudong were appointed as executive Directors of the Company. On 14 December 2020, Mr. Gao Xiangnong, Mr. Yin Jun and Mr. Lee Kwok Tung Louis were appointed as independent non-executive Directors.

The emoluments of Mr. Sun, Ms. Lyu Hongyan and Mr. Shao Zhanguang were borne by companies under the control of the Controlling Parties during the years ended 31 December 2020 and 2019.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: two) are directors whose emolument is disclosed in Note 9. The aggregate of the emoluments in respect of other three individuals (2019: three) are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,365**	1,777
Discretionary bonuses	**428**	130
Retirement scheme contributions	**7**	215
	1,800	2,122

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

	2020 Number of individuals	2019 Number of individuals
HKDNil–HKD1,000,000	**3**	3

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholder of the Company of RMB68,505,000 (2019: RMB49,496,000), and the weighted average of 220,000,000 ordinary shares in issue during the year (2019: 218,886,000 ordinary shares), after adjusting the capitalisation issue occurred after the end of the reporting period, calculated as follows:

11 EARNINGS PER SHARE (CONTINUED)

(a) Basic earnings per share (Continued)

Weighted average number of ordinary shares

	2020 No. of shares ('000)	2019 No. of shares ('000)
Shares in issue on 1 January 2020	**821**	—
Effect of shares issued to ZONQING International Investment Limited and ZONBONG International Investment Limited *(Note (i))*	—	807
Effect of shares issued to Wing Tak Group Holdings Limited *(Note (i))*	—	10
Effect of capitalisation issue *(Notes (i) and (ii))*	**219,179**	218,069
At 31 December 2020	**220,000**	218,886

Notes:

(i) As described in Note 29(b), the Company issued 821,028 shares to the existing equity shareholders, among which 780,000 shares were issued to ZONQING International Investment Limited and ZONBONG International Investment Limited and 41,028 shares were issued to Wing Tak Group Holdings Limited.

(ii) The number of ordinary shares outstanding before the capitalisation issue completed on 6 January 2021 (Note 35(a)) was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented. For the purpose of EPS calculation, the impact of capitalisation to the shares issued to ZONQING International Investment Limited and ZONBONG International Investment Limited was also retrospectively adjusted from 1 January 2019.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2020 and 2019. Hence, the diluted earnings per share is the same as basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Construction equipment *RMB'000*	Motor vehicles *RMB'000*	Other equipment *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2019	1,357	10,183	3,251	9,522	24,313
Additions	—	25	204	538	767
Disposals	(1,357)	—	(1,987)	(186)	(3,530)
At 31 December 2019 and 1 January 2020	—	10,208	1,468	9,874	21,550
Additions	—	170	—	2,134	2,304
Disposals	—	(83)	(294)	(1,015)	(1,392)
At 31 December 2020	—	10,295	1,174	10,993	22,462
Accumulated depreciation:					
At 1 January 2019	(32)	(2,856)	(2,848)	(4,416)	(10,152)
Charge for the year	(32)	(971)	(183)	(1,460)	(2,646)
Written back on disposals	64	—	1,797	103	1,964
At 31 December 2019 and 1 January 2020	—	(3,827)	(1,234)	(5,773)	(10,834)
Charge for the year	—	(968)	(49)	(1,614)	(2,631)
Written back on disposals	—	34	280	480	794
At 31 December 2020	—	(4,761)	(1,003)	(6,907)	(12,671)
Net book value:					
At 31 December 2020	—	5,534	171	4,086	9,791
At 31 December 2019	—	6,381	234	4,101	10,716

13 INTANGIBLE ASSETS

	Patents
	RMB'000
Cost:	
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	3,684
Accumulated amortisation:	
At 1 January 2019	(1,124)
Charge for the year	(368)
At 31 December 2019 and 1 January 2020	(1,492)
Charge for the year	(368)
At 31 December 2020	(1,860)
Net book value:	
At 31 December 2020	1,824
At 31 December 2019	2,192

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

14 RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Leasehold premises *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2019	3,224	6,969	10,193
Additions	—	7,871	7,871
Expiration of lease term	—	(6,636)	(6,636)
At 31 December 2019 and 1 January 2020	3,224	8,204	11,428
Additions	—	1,207	1,207
Expiration of lease term	—	(265)	(265)
Early termination of lease term	(3,224)	(7,204)	(10,428)
At 31 December 2020	—	1,942	1,942
Accumulated depreciation:			
At 1 January 2019	(367)	(4,966)	(5,333)
Charge for the year	(220)	(3,829)	(4,049)
Expiration of lease term	—	6,636	6,636
At 31 December 2019 and 1 January 2020	(587)	(2,159)	(2,746)
Charge for the year	(36)	(1,991)	(2,027)
Expiration of lease term	—	265	265
Early termination of lease term	623	3,108	3,731
At 31 December 2020	—	(777)	(777)
Net book value:			
At 31 December 2020	—	1,165	1,165
At 31 December 2019	2,637	6,045	8,682

The Group has obtained the right to use the leasehold land and premises as its office through tenancy agreements. The leases typically run for an initial period of 2 to 15 years.

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

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 27, respectively.

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

(Expressed in RMB unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Place of establishment and business	Particulars of paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
Zonbong Landscape (中邦匯澤園林環境建設有限公司) *(i), (ii)*	The PRC	RMB325,000,000	99%	—	100%	Landscape design and gardening
Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司) *(i), (ii)*	The PRC	RMB20,000,000	99%	—	100%	Design
Beijing Zhongke Zonbong Ecological Technology Limited (北京中科中邦生態科技有限公司) *(i), (ii)*	The PRC	RMB5,151,500	99%	—	99%	Consulting

Notes:

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

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

16 INTEREST IN AN ASSOCIATE

Name of associate	Place of establishment and business	Particulars of paid-up capital	Proportion of ownership interest held by the subsidiary	Principal activity
長春市現邦市政園林有限責任公司 (Changchun Xianbang Municipal and Landscape Limited) ("**Changchun Xianbang**")	The PRC	RMB99,256,000 *(Note (ii))*	50% *(Note (iii))*	Project management *(Note (i))*

Changchun Xianbang, the only associate in which the Group participates, is unlisted and quoted market price is not available. Changchun Xianbang is accounted for using the equity method in the consolidated financial statements.

16 INTEREST IN AN ASSOCIATE (CONTINUED)

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

	2020	2019
	RMB'000	*RMB'000*
Gross amounts of the associate		
Current assets	**143,141**	97,576
Non-current assets	**303,218**	325,765
Current liabilities	**(111,525)**	(149,948)
Non-current liabilities	**(184,044)**	(130,879)
Equity	**150,790**	142,514
Revenue	**55,664**	159,158
Profit and total comprehensive income for the year	**2,891**	9,821
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**150,789**	142,514
Group's effective interest	**50.00%**	50.00%
Group's share of net assets of the associate	**75,459**	71,321
Carrying amount in the consolidated financial statements	**75,459**	71,321

Notes:

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

(ii) As at 31 December 2020, the paid-in capital of Changchun Xianbang is approximately RMB99,256,000 (31 December 2019: RMB99,256,000), of which approximately RMB49,628,000 (31 December 2019: RMB49,628,000), was injected by the Group. Due to the timing of capital injection by the investors of Changchun Xianbang, the effective interest at the end of each reporting period varies from the agreed percentage of 50%.

During the year ended 31 December 2020, approximately RMB5,385,000 (2019: RMB25,370,000) was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Changchun Xianbang, of which approximately RMB2,692,000 (2019: RMB12,685,000) was contributed by the Group.

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

17 INTEREST IN A JOINT VENTURE

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

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

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

	2020	2019
	RMB'000	*RMB'000*
Gross amounts of the joint venture		
Current assets	**82,098**	11,512
Non-current assets	**609,649**	569,889
Current liabilities	**(98,659)**	(114,296)
Non-current liabilities	**(342,102)**	(264,299)
Equity	**250,986**	202,806
Included in the above assets and liabilities:		
Cash and cash equivalents	**31,926**	6,673
Current financial liabilities (excluding trade and other payables and provisions)	**27,439**	6
Revenue	**78,739**	184,749
Profit and total comprehensive income for the year	**11,905**	12,182
Included in the above profit:		
Depreciation and amortisation	**439**	32
Interest income	**37,619**	27,809
Interest expense	**(20,606)**	(6,944)
Income tax expense	**4,822**	4,561
Reconciled to the Group's interests in the joint venture		
Gross amounts of net assets of the joint venture	**250,986**	202,806
Group's interest held by subsidiaries	**75%**	75.20%
Group's share of net assets of the joint venture	**188,267**	152,424
Carrying amount in the consolidated financial statements	**188,267**	152,424

17 INTEREST IN A JOINT VENTURE (CONTINUED)

Notes:

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

(ii) As at 31 December 2020, the paid-in capital of Tianjun Tourism is approximately RMB181,043,900 (31 December 2019: RMB144,769,000), of which approximately RMB135,783,000 (31 December 2019: RMB108,869,000), was injected by the Group. Due to the timing of capital injection by the investors of Tianjun Tourism, the interest held by subsidiaries at the end of each reporting period varies from the agreed percentage of 75%.

During the year ended 31 December 2019, approximately RMB37,353,000 was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Tianjun Tourism, of which approximately RMB28,015,000 was contributed by the Group.

(iii) According to the articles of association of Tianjun Tourism, the resolutions in relation to significant financial and operating decisions have to be approved by all shareholders. Therefore, the Group does not have the power to control the financial and operating policies of Tianjun Tourism.

(iv) On 5 July 2019, this company changed its name from Ulanhot Shenjunshan Tourism Investment Development Limited (烏蘭浩特市神駿山旅遊投資開發有限公司) to Ulanhot Tianjunshan Tourism Investment Development Limited (烏蘭浩特市天駿山旅遊投資開發有限公司). On 16 September 2020, this company changed its name from Ulanhot Tianjunshan Tourism Investment Development Limited (烏蘭浩特市天駿山旅遊投資開發有限公司) to Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司).

18 OTHER EQUITY INVESTMENTS

	2020	2019
	RMB'000	*RMB'000*
Unlisted equity investments, at FVOCI (non-recycling)		
— 長春城投城鎮化建設投資有限公司 (Changchun Chengtou Urbanisation Construction Investment Limited) ("**Changchun Chengtou**") *(Note (i))*	**3,359**	2,806
— 潤德建設投資 (長春) 有限公司(Runde Construction Investment Changchun Co., Ltd.) ("**Runde Construction**") *(Note (ii))*	**5,120**	5,793
— 梅河口市慶豐建設項目管理有限公司 (Meihekou Qingfeng Construction Project Management Co., Ltd.) ("**Meihekou Qingfeng**") *(Note (iii))*	**6,232**	5,549
	14,711	14,148

The Group designated its unlisted equity investments in Changchun Chengtou, Runde Construction and Meihekou Qingfeng at FVOCI (non-recycling), as the investments are held for strategic purposes. No dividend were received from the above investments during the year ended 31 December 2020 (2019: RMB Nil). The investments are classified as Level 3 fair value measurement, and the fair value was determined by the directors with reference to a valuation report issued by a third party valuer using the market approach or income approach. Further details are disclosed in Note 30(d).

18 OTHER EQUITY INVESTMENTS (CONTINUED)

Notes:

(i) Changchun Chengtou is a private company engaged in development, investment, construction, maintenance, operation and management of urban infrastructure construction projects in the PRC. The directors of the Company consider the Group does not have significant influence over Changchun Chengtou.

(ii) Runde Construction is a private company engaged in development, design, construction, investment of urban infrastructure projects in the PRC. The directors of the Company consider the Group does not have significant influence over Runde Construction.

(iii) Meihekou Qingfeng is a private company engaged in project management, which is responsible for financing, developing, operating and maintaining the PPP project in the PRC. The directors of the Company consider the Group does not have significant influence over Meihekou Qingfeng.

19 INVENTORIES AND OTHER CONTRACT COSTS

	2020	2019
	RMB'000	*RMB'000*
Inventories		
Construction materials	**20,693**	11,006
Other contract costs	**16,492**	10,362
	37,185	21,368

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020	2019
	RMB'000	*RMB'000*
Carrying amount of inventories used in construction contracts	**256,586**	203,167

(b) Contract costs

Capitalised contract costs relate to costs incurred to fulfil a contract if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, and are expected to be recovered. Contract costs are recognised as part of "cost of sales" in the consolidated statement of profit or loss in the period in which revenue from the related sales is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2020 was RMB8,291,000 (2019: RMB38,276,000).

The amounts of capitalised contract costs that is expected to be recovered after more than one year as at 31 December 2020 is RMB1,431,000 (31 December 2019: RMB6,741,000).

Incremental costs of obtaining a contract are immaterial during the years ended 31 December 2020 and 2019.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020	2019
	RMB'000	*RMB'000*
Contract assets		
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**99,848**	81,655
— due from a joint venture *(Note 33(c))*	**51,879**	48,683
— due from an associate *(Note 33(c))*	**31,762**	42,996
— due from a company managed by a key management personnel of ZIHG *(Note 33(c))*	**81,109**	—
— due from third parties	**655,996**	553,554
	920,594	726,888
Less: loss allowance	**(107,146)**	(95,749)
	813,448	631,139
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" *(Note 21)*	**676,300**	566,273

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

The amounts of revenue recognised during the year ended 31 December 2020 from performance obligations satisfied (or partially satisfied) in previous periods is RMB2,831,000 (2019: RMB34,038,000), mainly due to the changes in estimate of the stage of completion.

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB311,396,000 (31 December 2019: RMB346,735,000), which are expected to be billed after more than one year.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2020	2019
	RMB'000	*RMB'000*
Contract liabilities		
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**3,505**	14,904
— due to an associate *(Note 33(c))*	**5,068**	12,874
— due to a joint venture *(Note 33(c))*	**21,156**	—
— due to third parties	**161,545**	38,774
	191,274	66,552

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

Movements in contract liabilities

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**66,552**	90,522
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(55,410)**	(55,048)
Increase in contract liabilities as a result of billing in advance of construction and design activities	**180,132**	31,078
Balance at 31 December	**191,274**	66,552

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

21 TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**117,262**	155,502
— due from a joint venture *(Note 33(c))*	**2,277**	1,933
— due from an associate *(Note 33(c))*	**—**	7,452
— due from a company managed by a key management personnel of ZIHG *(Note 33(c))*	**13,621**	—
— due from third parties	**623,051**	450,391
	756,211	615,278
Less: loss allowance	**(59,209)**	(29,264)
	697,002	586,014
Reconciliation to the consolidated statement of financial position:		
Non-current	**43,402**	97,418
Current	**653,600**	488,596
	697,002	586,014

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

21 TRADE RECEIVABLES (CONTINUED)

Ageing analysis

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**340,653**	314,923
1 to 2 years	**141,379**	96,597
2 to 3 years	**76,378**	59,721
3 to 4 years	**41,554**	112,858
4 to 5 years	**97,038**	1,915
	697,002	586,014

The Group generally requires customers to settle progress billings in accordance with contracted terms. Further details on the Group's credit policy and credit risk arising from trade receivable are set out in Note 30(a).

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Amounts due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	—	30,304
Amounts due from an associate *(Note 33(c))*	—	16,075
Advances to third parties	**306**	1,880
Advances to staff	**163**	310
Tax recoverable	**14,015**	5,298
Prepayments for costs incurred in connection with the proposed initial listing of the Company's shares *(Note (i))*	**8,148**	4,219
Prepayments for purchase of raw materials	**4,379**	4,026
Deposits of bidding and performance for construction and design contracts	**5,842**	3,618
Deposits to secure the guarantees by third parties *(Note 26(d))*	**9,550**	6,250
Others	**8,796**	5,992
	51,199	77,972
Less: loss allowance	**(128)**	(1,077)
	51,071	76,895

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

All of the prepayments, deposits, and other receivables are expected to be recovered, recognised as expenses or transferred to equity within one year.

Note:

(i) The balance at 31 December 2020 has been transferred to the share premium account within equity upon the listing of the Company's shares on the Stock Exchange subsequent to year end.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2020	2019
	RMB'000	*RMB'000*
Cash at bank and on hand	**144,599**	89,216
Less: restricted bank deposits *(Note (i))*	**(602)**	(15,601)
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**143,997**	73,615

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.

Note:

(i) Restricted bank deposits mainly represent deposits placed to secure the issuance of bills by the Group. The restriction on deposits would release after the payment of bills.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Bank and other loans	Interest payable	Loans from related parties	Amounts due to third parties	Lease liabilities	Dividends payable	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 26)	(Note 25)	(Note 25)	(Note 25)	(Note 27)	(Note 25)	
At 1 January 2020		495,000	215	16,104	95,600	8,117	307	615,343
Changes from financing cash flows:								
Proceeds from new loans		400,000	—	—	236,770	—	—	636,770
Repayment of loans		(415,000)	—	(15,062)	(251,131)	(1,962)	—	(683,155)
Interest paid		—	(37,121)	—	—	(36)	—	(37,157)
Total changes from financing cash flows		(15,000)	(37,121)	(15,062)	(14,361)	(1,998)	—	(83,542)
Exchange adjustments		—	—	(42)	—	—	—	(42)
Other changes:								
Increase in lease liabilities from entering into new leases during the year		—	—	—	—	1,207	—	1,207
Interest expenses	7(a)	—	37,998	—	—	67	—	38,065
Early termination of lease term		—	—	—	—	(6,268)	—	(6,268)
COVID-19-related rent concessions received		—	—	—	—	(220)	—	(220)
Waiver of interest by a related party		—	—	(1,000)	—	—	—	(1,000)
Total other changes		—	37,998	(1,000)	—	(5,214)	—	31,784
At 31 December 2020		480,000	1,092	—	81,239	905	307	563,543

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Note	Bank and other loans RMB'000 (Note 26)	Interest payable RMB'000 (Note 25)	Loans from related parties RMB'000 (Note 25)	Amounts due to third parties RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 27)	Dividends payable RMB'000 (Note 25)	Total RMB'000
At 1 January 2019		515,542	372	1,000	2,000	4,020	—	522,934
Changes from financing cash flows:								
Proceeds from new loans		565,000	—	18,708	137,600	—	—	721,308
Repayment of loans		(582,786)	—	(3,500)	(44,000)	(3,751)	—	(634,037)
Interest paid		—	(40,678)	—	—	(323)	—	(41,001)
Total changes from financing cash flows		(17,786)	(40,678)	15,208	93,600	(4,074)	—	46,270
Exchange adjustments		(2,756)	(4)	(104)	—	—	—	(2,864)
Other changes:								
Increase in lease liabilities from entering into new leases during the year		—	—	—	—	7,871	—	7,871
Interest expenses	7(a)	—	40,525	—	—	300	—	40,825
Increase in dividends payable		—	—	—	—	—	307	307
Total other changes		—	40,525	—	—	8,171	307	49,003
At 31 December 2019		495,000	215	16,104	95,600	8,117	307	615,343

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement represent leases rental paid and comprise the following:

	2020	2019
	RMB'000	*RMB'000*
Within operating cash flows	**(5,841)**	(12,109)
Within financing cash flows	**(1,998)**	(4,074)
	(7,839)	(16,183)

24 TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**5,565**	3,620
— due to third parties	**667,850**	484,093
Bills payables	**30,000**	15,000
	703,415	502,713

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**519,450**	375,235
1 to 3 years	**141,447**	104,009
Over 3 years	**42,518**	23,469
	703,415	502,713

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

25 ACCRUED EXPENSES AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Amounts due to ZIHG and its subsidiaries, joint ventures and associates	**2,612**	1,378
Loans from ZIHG and its subsidiaries, joint ventures and associates	**—**	1,000
Loans from equity shareholders of the Company *(Note 33(c))*	**—**	15,104
Amounts due to third parties *(Note (i))*	**81,239**	95,600
Payables for staff related costs	**20,796**	22,496
Dividends payable	**307**	307
Interest payable	**1,092**	215
Payables for costs incurred in connection with the proposed initial listing of the Company's shares	**13,735**	3,045
Others	**4,998**	2,081
Financial liabilities measured at amortised cost	**124,779**	141,226
Financial guarantees issued *(Note 32)*	**38,805**	39,469
Payables for miscellaneous taxes	**19,365**	19,260
	182,949	199,955

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) As at 31 December 2020, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB35,303,000 (31 December 2019: RMB36,258,000). All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

26 BANK AND OTHER LOANS

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

	2020 RMB'000	2019 RMB'000
Bank loans:		
Guaranteed by related parties	**40,000**	90,000
Guaranteed by third parties *(Note 26(d))*	**215,000**	—
Guaranteed by related parties and third parties *(Note 26(d))*	**—**	105,000
Guaranteed by related parties and secured by trade receivables and contract assets of the Group *(Note 26(c))*	**90,000**	275,000
Secured by trade receivables and contract assets of the Group *(Note 26(c))*	**115,000**	—
Unguaranteed and unsecured	**—**	5,000
	460,000	475,000
Other loan:		
Unguaranteed and unsecured	**20,000**	20,000
	480,000	495,000

(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:

	2020 RMB'000	2019 RMB'000
Within 1 year or on demand	**430,000**	420,000
After 1 year but within 2 years	**25,000**	25,000
After 2 years but within 5 years	**25,000**	50,000
After 5 years	**—**	—
	50,000	75,000
	480,000	495,000

26 BANK AND OTHER LOANS (CONTINUED)

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

	2020	2019
	RMB'000	*RMB'000*
Trade receivables and contract assets	**239,087**	246,557

(d) At 31 December 2020, the short-term bank loans amounting to RMB215,000,000 are guaranteed by third parties, where Mr. Liu provides counter-guarantee to these third parties. At 31 December 2019, the short-term bank loans amounting to RMB105,000,000 are guaranteed by third parties, where Mr. Sun and Ms. Zhao provides counter-guarantee to these third parties. The Group placed deposits amounting to RMB9,550,000 to these third parties as of 31 December 2020 (31 December 2019: RMB6,250,000) (Note 22).

(e) At 31 December 2020, the Group's banking facilities amounting to RMB200,000,000 (31 December 2019: RMB140,000,000), were utilised to the extent of RMB200,000,000 (31 December 2019: RMB135,000,000).

(f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 30(b). At 31 December 2020, none of the covenants relating to the bank loans had been breached (31 December 2019: None).

27 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020		2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**635**	**654**	3,945	4,075
After 1 year but within 2 years	**270**	**299**	1,926	2,084
After 2 years but within 5 years	**—**	**—**	1,358	1,546
After 5 years	**—**	**—**	888	1,281
	270	**299**	4,172	4,911
	905	**953**	8,117	8,986
Less: total future interest expenses		**(48)**		(869)
Present value of lease liabilities		**905**		8,117

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020	2019
	RMB'000	*RMB'000*
Net balance of income tax payable at 1 January	**9,866**	25,457
Provision for the year *(Note 8(a))*	**25,208**	26,738
Income tax paid	**(19,794)**	(39,869)
Tax effect of the disposal of the Jilin Zonbong Miaomu Limited	**—**	(2,460)
Net balance of income tax payable at 31 December	**15,280**	9,866
Represented by:		
Income tax recoverable (included in tax recoverable) *(Note 22)*	**—**	(2,797)
Income tax payable	**15,280**	12,663
	15,280	9,866

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Accrued payables	Credit loss allowance	Fair value adjustments in connection with the acquisition of subsidiaries	Equity method investment income	Derivative financial instrument measured at FVPL	Unused tax losses	Unrealised gains and losses	Withholding tax on distributable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	7,742	23,452	(605)	(2,619)	(767)	4,294	—	—	31,497
(Charged)/credited to profit or loss	(1,508)	7,094	87	(3,827)	767	(2,059)	133	(3,870)	(3,183)
At 31 December 2019 and 1 January 2020	**6,234**	**30,546**	**(518)**	**(6,446)**	**—**	**2,235**	**133**	**(3,870)**	**28,314**
(Charged)/credited to profit or loss	**(380)**	**(5,451)**	**88**	**(1,875)**	**—**	**12**	**333**	**2,070**	**(5,203)**
At 31 December 2020	**5,854**	**25,095**	**(430)**	**(8,321)**	**—**	**2,247**	**466**	**(1,800)**	**23,111**

(ii) Reconciliation to the consolidated statement of financial position

	2020	2019
	RMB'000	*RMB'000*
Net deferred tax assets	**31,618**	35,998
Net deferred tax liabilities	**(8,507)**	(7,684)
	23,111	28,314

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and deductible temporary differences arising from certain subsidiaries of the Group of RMB12,937,000 as of 31 December 2020 (31 December 2019: RMB11,252,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The year of expiry of unused tax losses and deductible temporary differences not recognised is as follows:

	2020	2019
	RMB'000	*RMB'000*
Year of expiry:		
2021	**1,858**	1,858
2022	**—**	—
2023	**5,646**	6,801
2024	**2,593**	2,593
2025	**2,840**	—
	12,937	11,252

(d) Deferred tax liabilities not recognised

Pursuant to the corporate income tax law, a 10% withholding tax is levied on dividends declared to foreign investors. As at 31 December 2020, temporary difference unrecognised for deferred tax liabilities relating to undistributed profits of subsidiaries amounted to RMB120,198,000 (31 December 2019: RMB29,758,000). Deferred tax liabilities of RMB12,020,000 (31 December 2019: RMB2,976,000) have not been recognised in this respect as it is probable that such profits will not be distributed in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 8 March 2019 (date of incorporation)	1	—	—	—	1
Changes in equity:					
Loss for the period	—	—	—	(19,535)	(19,535)
Other comprehensive income for the period	—	—	(758)	—	(758)
Total comprehensive income for the period	—	—	(758)	(19,535)	(20,293)
Issuance of shares *(Note 29(b))*	—	10,560	—	—	10,560
At 31 December 2019	1	10,560	(758)	(19,535)	(9,732)
At 1 January 2020	**1**	**10,560**	**(758)**	**(19,535)**	**(9,732)**
Changes in equity:					
Loss for the year	**—**	**—**	**—**	**(22,466)**	**(22,466)**
Other comprehensive income for the year	**—**	**—**	**1,928**	**—**	**1,928**
Total comprehensive income for the year	**—**	**—**	**1,928**	**(22,466)**	**(20,538)**
At 31 December 2020	**1**	**10,560**	**1,170**	**(42,001)**	**(30,270)**

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

	2020	
	Number of shares	***HKD'000***
Authorised:		
Ordinary shares of HKD0.001 each	**10,000,000,000**	**1,000**

	2019	
	Number of shares	*HKD'000*
Authorised:		
Ordinary shares of HKD0.001 each	390,000,000	390

	USD shares		**HKD shares**	
	No. of shares	*RMB'000*	*No. of shares*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 8 March 2019 (date of incorporation)	100.00	1	—	—
Issuance of shares *(Note 29(b))*	5.26	—	—	—
Issuance of shares *(Note 29(b))*	—	—	821,028	1
Repurchase and cancellation of shares	(105.26)	(1)	—	—
At 31 December 2019 and 2020	**—**	**—**	**821,028**	**—**

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 8 March 2019 with authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. Immediately after its incorporation, the Company issued 100 shares.

For the purpose of the consolidated financial statements, the share capital as at 1 January 2019 represented the paid-up capital of Zonbong Landscape, and the share capital as at 31 December 2019 and 2020 represented the paid-up capital of the Company.

During the year ended 31 December 2019, Zonbong Landscape increased its share capital from RMB165,002,000 to RMB325,000,000 by transferring retained profits of RMB159,998,000 to share capital.

In August 2019, Wing Tak International Investment Limited ("**Wing Tak Investment**"), through its wholly-owned subsidiary, paid RMB10,560,000 to Jilin Zonbong for 5% interest in Jilin Zonbong. On 3 October 2019, the Company issued 5.26 shares with par value of USD1 per share to the shareholder of Wing Tak Investment and obtained the entire interest of Wing Tak Investment.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (Continued)

On 15 October 2019, the Company increased the authorised share capital to the aggregate of (i) USD50,000 divided into 50,000 shares of USD1.00 each; and (ii) HKD390,000 divided into 390,000,000 shares of HKD0.001 each. Accordingly, the Company issued 821,028 shares to the existing equity shareholders. Immediately after the above allotment and issuance of shares, the Company repurchased and cancelled the 105.26 shares denominated in USD with a par value of USD1.00 each.

Following the repurchase and cancellation of the above USD shares, the authorised share capital of the Company was redenominated as HKD390,000 divided into 390,000,000 shares of HKD0.001 each.

On 14 December 2020, the Company increased the authorised share capital from HKD390,000 divided into 390,000,000 Shares of HKD0.001 each to HKD10,000,000 divided into 10,000,000,000 of HKD0.001 each.

(c) Dividends

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

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: HKDNil).

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

No final dividend in respect of the previous financial year has been approved during the year ended 31 December 2020 (2019: HKDNil).

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Act (as revised) of the Cayman Islands.

(ii) Other reserve

The other reserve comprises: (i) the differences between the considerations received and the nominal amount of shares issued by Zonbong Landscape; (ii) the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of a business under common control; (iii) the difference between the carrying value of non-controlling interests and the consideration received from the non-controlling shareholder; (iv) deemed contribution and distribution arising from the Reorganisation; (v) the paid-in capital of Zonbong Shanshui prior to August 2018; and (vi) the contribution from the Controlling parties through the waiver of interest.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (Continued)

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Group's subsidiary established in the PRC is required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to statutory reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held during the year (see Note 2(g)).

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the companies comprising the Group into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 2(v).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The capital management policy remained the same as that in previous year.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as total debt (which includes bank and loans, amounts due to third parties and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management (Continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2020 and 2019 was as follows:

	2020	2019
	RMB'000	*RMB'000*
Current liabilities:		
Amounts due to third parties	**81,239**	95,600
Lease liabilities	**635**	3,945
Bank and other loans	**430,000**	420,000
	511,874	519,545
Non-current liabilities:		
Bank loans	**50,000**	75,000
Lease liabilities	**270**	4,172
Total debt	**562,144**	598,717
Less: cash on hand and in bank	**(143,997)**	(73,615)
Adjusted net debt	**418,147**	525,102
Total equity and adjusted capital	**483,810**	407,429
Adjusted net debt-to-capital ratio	**86%**	129%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 32, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees as at the end of the reporting period is disclosed in Note 32.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2020, 14.3% (31 December 2019: 20.9%) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 47.1% (31 December 2019: 56.2%) of the total trade receivables and contract assets, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables and contract assets for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	***RMB'000***	***RMB'000***
Current (not past due) — specific items	**22.7%**	**122,558**	**27,801**
Current (not past due) — other items	**2.3%**	**373,858**	**8,609**
Within 1 year past due	**3.8%**	**808,806**	**30,706**
1 to 2 years past due	**12.0%**	**233,236**	**28,021**
2 to 3 years past due	**22.8%**	**62,507**	**14,246**
Over 3 years past due	**75.1%**	**75,840**	**56,972**
		1,676,805	**166,355**

	2019		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	1.6%	536,236	8,612
Within 1 year past due	3.7%	550,581	20,162
1 to 2 years past due	14.5%	114,180	16,607
2 to 3 years past due	34.3%	63,565	21,796
Over 3 years past due	74.5%	77,604	57,836
		1,342,166	125,013

Expected loss rates are based on actual loss experience over the past 3 to 6 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Movements in the loss allowance account in respect of trade receivables and contract assets during the year are as follows:

	2020 RMB'000	2019 RMB'000
Balance at 1 January	**125,013**	90,833
Impairment losses recognised during the year *(Note (i))*	**41,342**	65,024
Written off of impairment losses	**—**	(30,844)
Balance at 31 December	**166,355**	125,013

Note:

(i) The impairment losses recognised are contributed to the origination of new trade receivables and contract assets net of those settled and the increase in days past due.

(b) Liquidity risk

The treasury function is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of loans to cover expected cash demands.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Trade and bills payables	**703,415**	**—**	**—**	**—**	**703,415**	**703,415**
Accrued expenses and other payables measured at amortised cost	**124,779**	**—**	**—**	**—**	**124,779**	**124,779**
Bank and other loans	**448,646**	**27,486**	**26,077**	**—**	**502,209**	**480,000**
Lease liabilities	**654**	**299**	**—**	**—**	**953**	**905**
	1,277,494	**27,785**	**26,077**	**—**	**1,331,356**	**1,309,099**

	2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	502,713	—	—	—	502,713	502,713
Accrued expenses and other payables measured at amortised cost	141,226	—	—	—	141,226	141,226
Bank and other loans	439,069	28,894	53,562	—	521,525	495,000
Lease liabilities	4,075	2,084	1,546	1,281	8,986	8,117
	1,087,083	30,978	55,108	1,281	1,174,450	1,147,056

The maximum amount guaranteed in relation to the financial guarantees issued is disclosed in Note 32.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2020		2019	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Bank and other loans	**5.00%–9.00%**	**405,000**	6.53%–8.01%	210,000
Lease liabilities	**6.18%**	**905**	6.18%–6.37%	8,117
		405,905		218,117
Variable rate borrowings:				
Bank loans	**5.64%**	**75,000**	5.22%–6.96%	285,000
Total borrowings		**480,905**		503,117
Fixed rate borrowings as a percentage of total borrowings		**84.4%**		43.4%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2020 it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB638,000 (2019: RMB2,138,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Fair value measurement

(i) Assets and liabilities measured at fair value

Fair value hierarchy

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

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (Continued)

(i) Assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements categorised into Level 3	
	2020	2019
	RMB'000	*RMB'000*
Recurring fair value measurements		
Assets:		
Other equity investments	**14,711**	14,148

During the years ended 31 December 2020 and 2019 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability	25% (2019: 30%)
	Discounted cashflow approach (bb)	Discount rate	9.5% (2019: 9%)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (Continued)

(i) Assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

(aa) The fair value of the non-listed shares is determined by using enterprise value per earnings before interest, taxes, depreciation and amortisation of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020 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 RMB113,000 (2019: RMB123,000).

(bb) The fair value of the non-listed shares is determined by discounting projected cash flow. The valuation takes into account the expected cash flow according to the PPP agreement. The discount rate used has been adjusted to reflect specific risks relating to respective investees. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2020 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 RMB374,000 (2019: RMB529,000), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB347,000 (2019: RMB482,000).

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

	2020	2019
	RMB'000	*RMB'000*
Unlisted equity securities:		
At 1 January	**14,148**	7,637
Net unrealised gains recognised in other comprehensive income during the year	**563**	6,511
At 31 December	**14,711**	14,148

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value measurement (Continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

31 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2020 not provided for in the consolidated financial statements were as follows:

	2020	2019
	RMB'000	*RMB'000*
Contracted for	—	24,500
Authorised but not contracted for	**15,425**	24

(b) At 31 December 2020, the total future minimum lease payments under non-cancellable short-term leases are payable as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**1,771**	866

The lease commitments other than the short-term lease and leases of low-value assets commitments were not included in the above disclosures as the amounts were recognised as lease liabilities in the statement of financial position (see Note 27) in accordance with the policies set out in Note 2(j).

32 CONTINGENT LIABILITIES

As at 31 December 2020, the Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2020, the balance of the bank loan is RMB390,000,000 (31 December 2019: RMB310,449,000). The fair value of the financial is guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables — financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2020, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB24,971,000 (31 December 2019: RMB26,891,000).

As at 31 December 2020, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2020, the balance of the bank loan is RMB232,700,000 (31 December 2019: RMB150,000,000). 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 31 December 2020, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB13,834,000 (31 December 2019: RMB12,578,000).

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. Financial guarantees to a joint venture and an associate has not been released prior to or upon listing of the Company's shares on the Stock Exchange.

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries and other emoluments	**5,276**	5,137
Discretionary bonuses	**2,280**	2,352
Contributions to defined contribution retirement schemes	**28**	633
	7,584	8,122

Total remuneration is included in "staff costs" (see Note 7(b)).

(b) Transactions with related parties:

(i) Transactions with Zhongqing Investment Holding Group Limited Liability Company ("ZIHG") and its subsidiaries, joint ventures and associates

	2020	2019
	RMB'000	*RMB'000*
Rendering of construction, survey, design, technical consultancy and other services	**74,852**	197,119
Receiving services	**—**	8,536
Purchase of goods	**3,262**	2,419
Loans received from related parties	**—**	3,500
Loans repaid to related parties	**—**	3,500
Service income	**77**	138
Lease charges relating to short-term leases and leases of low-value assets	**2,589**	2,936
Guarantees provided by related parties for the Group's bank loans at the end of the reporting period	**130,000**	470,000
Sales of non-current assets	**—**	76
Advances granted to related parties	**—**	9,859
Repayment of advances granted to related parties	**—**	9,859
Net increase in advances received from a related party	**—**	—
Loan granted to a related party	**—**	30,000
Repayment of loan granted to a related party	**30,000**	—
Interest income on loan granted to a related party	**—**	304
Wavier of interest	**1,000**	—

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties: (Continued)

(ii) Transactions with a joint venture

	2020 RMB'000	2019 RMB'000
Rendering of construction services	**57,849**	109,481
Advances granted to a related party	**—**	74,368
Repayment of advances granted to a related party	**—**	74,368
Service income	**2,170**	1,824
Income from financial guarantee issued	**1,920**	1,123
Guarantee provided by the Group for the joint venture's bank loan at the end of the reporting period	**390,000**	310,449

(iii) Transactions with an associate

	2020 RMB'000	2019 RMB'000
Rendering of construction services	**12,886**	27,935
Advances granted to a related party	**—**	42,075
Repayment of advances granted to a related party	**16,075**	26,000
Income from financial guarantee issued	**1,436**	108
Guarantee provided by the Group for the associate's bank loan at the end of the reporting period	**232,700**	150,000

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

	2020 RMB'000	2019 RMB'000
Rendering of construction service	**134,985**	—

(v) Transactions with the equity shareholders of the Company

	2020 RMB'000	2019 RMB'000
Loans received from related parties	**—**	15,208
Repayment of loans from related parties	**15,062**	—

Financial guarantees provided by the Group for long-term bank loans of an associate and a joint venture will be released upon the maturity and repayment of the bank loans in 2029 and 2033, respectively.

33 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

	2020	2019
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**99,848**	81,655
Trade receivables *(Note 21)*	**117,262**	155,502
Trade and bills payables *(Note 24)*	**5,565**	3,620
Contract liabilities *(Note 20(b))*	**3,505**	14,904
Accrued expenses and other payables *(Note 25)*	**1,787**	—
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**—**	30,304
Accrued expenses and other payables *(Note 25)*	**825**	2,378

(ii) Due from a joint venture

	2020	2019
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**51,879**	48,683
Trade receivables *(Note 21)*	**2,277**	1,933
Contract liabilities *(Note 20(b))*	**21,156**	—

(iii) Due from or due to an associate

	2020	2019
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**31,762**	42,996
Trade receivables *(Note 21)*	**—**	7,452
Contract liabilities *(Note 20(b))*	**5,068**	12,874
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**—**	16,075

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iv) Due from a company managed by a key personnel of ZIHG

	2020	2019
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**81,109**	—
Trade receivables *(Note 21)*	**13,621**	—

(v) Due to the equity shareholders of the Company

	2020	2019
	RMB'000	*RMB'000*
Non-trade in nature:		
Accrued expenses and other payables *(Note 25)*	**—**	15,104

All of the advances granted to related parties and advances received from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. All loans from related parties are unsecured, interest bearing and have fixed terms of repayment. All of the amounts due to/from the related parties that are non-trade in nature have been fully settled subsequent to the end of the reporting period.

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
Current assets			
Prepayments, deposits and other receivables *(Note (i))*		**19,017**	30,034
Cash and cash equivalents		**57**	32
		19,074	30,066
Current liabilities			
Accrued expenses and other payables *(Note (ii))*		**49,344**	39,798
Net liabilities		**(30,270)**	(9,732)
CAPITAL AND RESERVES	*29*		
Share capital		**1**	1
Reserves		**(30,271)**	(9,733)
TOTAL DEFICITS		**(30,270)**	(9,732)

Notes:

(i) The balance included amounts due from its subsidiaries and prepayments for costs incurred in connection with the proposed initial listing of the Company's shares.

(ii) The balance included loans from equity shareholders and amount due to its subsidiaries.

(iii) The Company has a net liability position as at 31 December 2020. The Company raised HKD110,000,000 (equivalent to approximately RMB91,662,000) from issuance of new shares on 6 January 2021.

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The following events took place after 31 December 2020.

(a) Pursuant to resolutions of the equity shareholders of the Company passed on 14 December 2020, the Company allotted and issued a total of 219,178,972 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 14 December 2020 by way of capitalisation of the sum of HKD219,000 (equivalent to approximately RMB183,000) standing to the credit of the share premium account of the Company, and these shares rank pari passu in all respects with the shares in issue.

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) On 6 January 2021, 55,000,000 new ordinary shares of HKD0.001 each were issued at a price of HKD2.00 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HKD55,000 (equivalent to approximately RMB46,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD109,945,000 (equivalent to approximately RMB91,616,000) net of share issuance expenses of RMB11,930,000 were credited to the share premium account.

(c) All guarantees and counter-guarantees provided by ZIHG and its subsidiaries, joint ventures and associates in Note 33(b) have been released upon the Listing of the Company's shares on the Stock Exchange on 6 January 2021, and were replaced by assets pledge to secure the loans or the relevant loans have been repaid by the Group.

(d) All of amounts due to the related parties that are non-trade in nature as at 31 December 2020 have been settled subsequent to the end of the reporting period.

36 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group's businesses and has put in place various contingency measures. These contingency measures include but not limited to revisiting the progress of ongoing projects, reassessing the adequacy and suitability of the Group's existing raw material suppliers and labour or professional subcontractors, the expanding of the Group's supplier and subcontractor base in a view to procure suitable raw materials and workforce or specialty services, negotiating with customers on possible delay in construction timetables, increase monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers and subcontractors on payment extensions.

As far as the Group's businesses are concerned, the COVID-19 pandemic has caused delays on progress of projects, but such impact has been reduced by the Group's expedition of the projects' progress upon the resumption of work. In addition, the COVID-19 pandemic has also impacted the repayment abilities of the Group's debtors, which in turn has resulted in additional impairment losses on contract assets and trade receivables during the year ended 31 December 2020. In addition to the above, the Group also received rent concession of RMB220,000 and waive or reduction of contributions to defined contribution retirement plan and other social insurances of RMB7,234,000 and made donation of RMB881,000 during the year ended 31 December 2020.

The exact progress of the projects and impact of repayment abilities of the Group's debtors in future periods are still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the directors of the Company are optimistic that the COVID-19 pandemic will eventually be under control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary, in a view to reduce the impacts from the COVID-19 pandemic.

(Expressed in RMB unless otherwise indicated)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2020

Up to the date of issue of the consolidated financial statements, the IASB has issued a number of amendments and new standards, which are not yet effective for the accounting period beginning on 1 January 2020, and which have not been adopted in the consolidated financial statements. These include the following.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*	1 January 2021
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous contracts — Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors consider the immediate parent of the Group to be ZONQING International Investment Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

At 31 December 2020, the directors consider the ultimate controlling party of the Group is the Controlling Parties.

Four-Year Financial Summary

RESULTS

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,001,427**	897,486	809,444	655,496
Profit before taxation	**99,352**	79,374	97,954	72,362
Income tax	**30,411**	29,921	27,141	20,331
Profit attributable to equity shareholders of the Company	**68,505**	49,496	70,413	52,627
Profit attributable to non-controlling interests	**436**	(43)	400	(596)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**366,237**	392,899	338,789	294,123
Current assets	**1,699,903**	1,307,214	1,149,319	883,014
Total assets	**2,066,140**	1,700,113	1,488,108	1,177,137
Current liabilities	**1,523,553**	1,205,828	1,045,130	742,487
Total assets less current liabilities	**542,587**	494,285	442,978	434,650
Non-current liabilities	**58,777**	86,856	103,547	163,737
NET ASSETS	**483,810**	407,429	339,431	270,913
Equity				
Share capital	**1**	1	165,002	156,162
Reserves	**474,234**	402,295	172,940	115,347
Total equity attributable to equity shareholders of the Company	**474,235**	402,296	337,942	271,509
Non-controlling interests	**9,575**	5,133	1,489	(596)
TOTAL EQUITY	**483,810**	407,429	339,431	270,913

Note: The summary of the consolidated results of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and of the assets, equity and liabilities as at 31 December 2017, 2018 and 2019 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is prepared on the basis as set out in Note 2(b) to the consolidated financial statements.

Definitions and Glossary of Technical Terms

"Articles of Association" or "Articles"	the amended and restated articles of association of the Company conditionally adopted on 14 December 2020
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Chief Executive Officer"	the chief executive office of the Company
"Company", "the Company" or "We"	ZONBONG LANDSCAPE Environmental Limited (中邦园林环境股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 March 2019
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Annual Report, Hong Kong, Macau Special Administration Region and Taiwan
"the Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this report, means the controlling shareholders of the Company, being Zonqing International, Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive director(s) of the Company
"Group" or "the Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Non-executive Director(s)"	the independent non-executive director(s) of the Company
"Jilin Shengyi"	Jilin Shengyi Engineering Consulting Limited (吉林晟藝工程諮詢有限公司), a limited liability company established under the laws of the PRC on 28 February 2019 and owned as to 35% by Ms. Zhao Hongyu, 27% by Mr. Sun Juqing, 5% by Mr. Liu Haitao and 33% by other nine PRC individuals. It is an associate of the Controlling Shareholders
"Jilin Zonbong"	Jilin Zonbong Ecological Environmental Limited (吉林中邦生態環境有限公司), a company established under the laws of the PRC on 29 September 2018 and an indirect wholly-owned subsidiary of the Company
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 6 January 2021

Definitions and Glossary of Technical Terms

"Listing Date"	6 January 2021, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director(s)"	the non-executive director(s) of the Company
"Prospectus"	the prospectus issued by the Company dated 22 December 2020
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares with a nominal value of HKD0.001 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Ultimate Controlling Shareholder(s)"	refers to Ms. Zhao Hongyu, Mr. Sun, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"ZCLLC"	Zhongqing Construction Limited Liability Company (中慶建設有限責任公司), formerly known as Changchun Chengda Luqiao Limited (長春市成達路橋有限責任公司), a company established under the laws of the PRC on 27 October 2004 and a wholly-owned subsidiary of ZIHG and a connected person of the Company
"Zhongke Zonbong"	Beijing Zhongke Zonbong Ecological Technology Limited (北京中科中邦生態科技有限公司), a company established under the laws of the PRC on 14 April 2016 and owned as to 99% by Jilin Zonbong, an indirect wholly-owned subsidiary of the Company and 1% by Jilin Shengyi, an associate of the Controlling Shareholders

Definitions and Glossary of Technical Terms

"ZIHG"	Zhongqing Investment Holding Group Limited Liability Company (中慶投資控股(集團)有限責任公司), formerly known as Changchun Mingju Commerce Limited (長春市銘聚商貿有限責任公司), a company established under the laws of the PRC on 16 May 2014 and a connected person of the Company
"ZIHG Group"	ZIHG together with its subsidiaries and associates as defined under the Listing Rules
"Zonbong Environment"	ZonBong Garden Environment Co., Limited (中邦園林環境有限公司), a company incorporated in Hong Kong on 3 April 2019 and an indirect wholly-owned subsidiary of the Company
"Zonbong Landscape"	Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司), formerly known as Changchun Qida Green Landscape Engineering Limited (長春市啟達綠化景觀工程有限公司) and Zonbong Landscape Co., Ltd. (中邦園林股份有限公司), a company established under the laws of the PRC on 22 December 2008 and an indirect wholly-owned subsidiary of the Company
"Zonbong Shanshui"	Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司), a company established under the laws of the PRC on 3 June 2009 and an indirect wholly-owned subsidiary of the Company, formerly known as Jilin Province Zhongsheng Municipal Construction Design Limited (吉林省中盛市政工程設計有限公司), Jilin Province Zhongsheng Design and Consulting Company Limited (吉林省中盛設計諮詢股份有限公司) and Jilin Province Zhongsheng Design and Consulting Limited (吉林省中盛設計諮詢有限公司)

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