



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

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1855

Interim Report
2021





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This Interim Report (“**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.



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

Mr. Tsui Hin Chi⁽¹⁾

AUTHORISED REPRESENTATIVES

Mr. Liu Haitao
Mr. Tsui Hin Chi⁽¹⁾

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with
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 ADVISER

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

(In Alphabetical order)

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

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

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

STOCK CODE

1855

COMPANY WEBSITE

www.zonbong.com

DATE OF LISTING

6 January 2021

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

Note:

- (1) Ms. Chu Wing Yin resigned as the company secretary and the authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 21 July 2021. Mr. Tsui Hin Chi has been appointed as the company secretary and the authorised representative of the Company in place of Ms. Chu Wing Yin with effect from 21 July 2021.

Management Discussion and Analysis

BUSINESS REVIEW

For 1H2021, the revenue of the Group was approximately RMB362.1 million, representing an increase of approximately 1.2% compared with 1H2020. The revenue was mainly generated from: i) landscaping, ii) ecological restoration and iii) others, and accounted for 73.2%, 24.8% and 2.0%, respectively.

During 1H2021, the Group actively consolidated its enterprise qualification resources and maintained its original bidding capacity to continue to undertake external projects.

The Group has also obtained three new enterprise qualifications, namely the Grade III General Contractor of Construction Engineering (建築工程施工總承包三級), the Grade III General Contractor of Water Conservancy and Hydropower Construction Work (水利水電工程施工總承包三級) and the Third-Grade Professional Contractor for Urban and Street Lighting Projects (城市及道路照明工程專業承包三級). As the Group has gradually completed consolidating its enterprise qualifications, this will be essential for undertaking business operation in the second half of 2021 onwards.

Besides, in 1H2021, the Group submitted tenders which allow them to keep its presence in the market and keep it abreast of the latest market requirements, which is beneficial to the Group in preparing for similar tenders in the future. During 1H2021, the Group submitted 80 tenders and recorded a successful bid-winning rate of approximately 20%.

During 1H2021, the Group has successively won tenders for several large-scale projects, such as (i) the construction of the first section of the Landscape Greening Project for Changchun Beihu Technology Development Zone (長春北湖科技開發區景觀綠化工程施工一標段工程) with a bid price of RMB107.6 million; (ii) the Road Greening Project in Lotus Hill in 2021 (2021年蓮花山道路綠化工程) with a bid price of RMB113.6 million; and (iii) general contracting Engineering, Procurement and Construction (“EPC”) of Huangjinan Ecological Landscape Project (黃金畝生態景觀工程(EPC)總承包項目) with a bid price of RMB36.0 million which is located in Hangzhou City, Zhejiang Province, a newly developed market of the Company. The value of the winning bids has increased by approximately RMB268.8 million even the number of winning bids has slightly decreased by 6 bids in 1H2021 than that in 1H2020.

During 1H2021, the Group’s Public-Private-Partnership (“PPP”) Project for the Water Storage of Lilu Town, Meihekou City, Jilin Province (吉林省梅河口市李爐鄉蓄水工程(PPP)項目) has won the 2020 Provincial Outstanding Project Prize of Construction Engineering in Jilin Province (吉林省建築工程省優質工程獎), and was classified as a 4-star enterprise for credit of engineering construction enterprises (工程建設企業信用4星級企業) by the China Association of Construction Enterprise Management (中國施工企業管理協會) and an excellent enterprise for credit evaluation of Jilin construction enterprises (吉林省建築業企業信用評價優良企業) by the Department of Housing and Urban-Rural Development of Jilin Province (吉林省住房和城鄉建設廳).

RISK MANAGEMENT

The Company believes that risk management is essential to the Group’s efficient and effective operation. The Company’s management assists the Board in evaluating material risk exposure to the Group’s business such as investment risk, interest rate risk and liquidity risk 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 over financial reporting during 1H2021.

PROSPECTS

The year of 2021 is a contemporary period of rapid modernization and the “14th Five-Year Plan” (「十四五」規劃) let China embark on a new journey. According to the “14th Five-Year Plan”, the Chinese Government continues to protect mountains, rivers, forests, farmlands, lakes and grasslands and takes efforts to improve the self-repair ability and stability of the ecosystem, in order to safeguard the natural ecological security and to promote the overall improvement of natural ecosystem quality. Additionally, the Chinese Government has clearly formulated the action plan to reach carbon emissions peak by 2030 and achieve carbon neutrality by 2060. Hence, China will be more attentive on the protection and construction of ecological environment in the next five years.

The Group will continue to focus on the environmental management by riding on the favourable national policies. The Group will strengthen technological innovation and introduce high-end technology and advanced talents to improve our comprehensive competitive strengths. In 1H2021, the Group has successively won the tenders for the construction of the first section of the Landscape Greening Project for Changchun Beihu Technology Development Zone (長春北湖科技開發區景觀綠化工程施工一標段工程), the Road Greening Project in Lotus Hill in 2021 (2021年蓮花山道路綠化工程) and the general contracting EPC of Huangjinfan Ecological Landscape Project (黃金畷生態景觀工程(EPC)總承包項目). With the increasing amount of successful tenders, the Group expects a further business growth in the foreseeable future.

In 1H2021, through innovative development and resource integration, the Group has obtained the Third-Grade Qualification of Main Contractor for Building Construction (建築工程施工總承包三級資質), the Third-Grade Qualification of Main Contractor for Hydraulic Engineering and Hydropower (水利水電工程施工總承包三級資質), and the Third-Grade Qualification of Professional Contractor for Urban and Roadway Lighting Projects (城市及道路照明工程專業承包三級資質). In view of the fact that many local tenders for landscapes and ecological business are specifically required a First-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包壹級資質) and many peer companies hold such a qualification, the Group is considering to obtain the First-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包壹級資質) in the second half of the year in order to further expand the Company's business and maintain the Company's competitiveness. Meanwhile, the Group will also continue to pay attention to the market situations, and if an opportunity arises, the Group may take advantage of its existing Second-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包貳級資質), and considers to obtain the Second-Grade Qualification of Main Contractor for Highway Engineering (公路工程施工總承包貳級資質), so that alongside with the Group's existing business segments and services, such as landscaping and ecological restoration, the Group may also provide customers with municipal and highway engineering related services to assist the Company in developing its core business and expanding its business scope, so as to bring better returns to the Shareholders.

In the second half of 2021, the Group will continue to adhere to the operation philosophy of “Customer-centric, Fighter-oriented” (「以客戶為中心·以奮鬥者為本」) to be an innovative and responsible enterprise to ensure its annual business objectives to be achieved.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 1.2% or approximately RMB4.2 million from approximately RMB357.9 million for 1H2020 to approximately RMB362.1 million for 1H2021. The Group's revenue remains stable for 1H2021 when compared with 1H2020.

The revenue, the number of projects completed and the number of projects in progress as at 30 June 2021 as compared with those of 1H2020 were as follows:

Business segments	2021			2020		
	Revenue RMB million	No. of projects completed during 1H2021	No. of projects in progress as at 30 June 2021	Revenue RMB million	No. of projects completed during 1H2020	No. of projects in progress as at 30 June 2020
Landscaping	265.2	15	74	186.5	3	58
Ecological restoration	90.0	4	33	144.8	0	37
Others	6.9	13	98	26.6	0	82
Total	362.1	32	205	357.9	3	177

Compared with 1H2020, overall number of projects for 1H2021 increases, including projects completed during 1H2021 and projects in progress as at 30 June 2021, was mainly due to the following reasons:

- (i) the increase in projects under construction in 1H2021 was attributable to the increase of newly awarded projects; and
- (ii) the number of completed projects in 1H2021 is higher as compared with that of 1H2020 since many awarded projects were completed in 1H2021.

Landscaping

The Group recorded an increase in revenue from the landscaping segment, from approximately RMB186.5 million for 1H2020 to approximately RMB265.2 million for 1H2021, representing an increase of approximately 42.2% or approximately RMB78.7 million, which was mainly due to the newly awarded projects in 1H2021 and the continuous progress of existing projects and more newly awarded landscaping projects.

Ecological restoration

The Group recorded a decrease in revenue from the ecological restoration segment, from approximately RMB144.8 million for 1H2020 to approximately RMB90.0 million for 1H2021, representing a decrease of approximately 37.8% or approximately RMB54.8 million, which was mainly due to the completion of certain large ecological restoration projects in 2020, and the slow-down progress of ecological restoration projects in this year.

Management Discussion and Analysis

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 a decrease of approximately 74.1% or approximately RMB19.7 million from approximately RMB26.6 million for 1H2020 to approximately RMB6.9 million for 1H2021, which was mainly due to our focus on the expansion to market outside of the northeast area of the PRC and therefore fewer projects in this segment were awarded in 1H2021.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 7.2% or approximately RMB6.3 million from approximately RMB87.5 million for 1H2020 to approximately RMB81.2 million for 1H2021. Gross profit margin decreased from approximately 24.5% for 1H2020 to approximately 22.4% for 1H2021, which was mainly attributable the decrease of the revenue contributed from other segments, which have higher gross profit margin outweigh the effect on increase of revenue contributed from landscaping projects.

Other net income

The Group's other net income increased by approximately 46.2% or approximately RMB1.8 million from approximately RMB3.9 million for 1H2020 to approximately RMB5.7 million for 1H2021. The increase was mainly attributable to the grant of RMB2.0 million by the local government of the Changchun New District in Jilin for supporting enterprises which has entered into capital market by listing in Hong Kong.

Selling expenses

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

The selling expenses increased by approximately 117.8% or approximately RMB5.3 million from approximately RMB4.5 million for 1H2020 to approximately RMB9.8 million for 1H2021. The impact of the COVID-19 outbreak in 1H2020 limited the travel activities of marketing personnel for market development and resulted in relatively low business hospitality and travel expenses. The situation of COVID-19 pandemic has improved in 1H2021 and the Group reinforced its expansion on domestic market in this year. There was an increase in market and sales personnel in 1H2021, resulting in a significant increase in selling expenses for personnel costs, business hospitality and travel expenses.

Administrative expenses

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

The administrative expenses increased by approximately 10.3% or approximately RMB3.0 million from approximately RMB29.0 million for 1H2020 to approximately RMB32.0 million for 1H2021, which was mainly due to the increase of labor cost resulting from the improved salary levels of employees as the Group has adjusted the remuneration system in 1H2021. Meanwhile, as the situation of COVID-19 pandemic has improved in 2021, the waiver on social insurance for the Group's employees in 1H2020 was cancelled, resulting in an increase of labor cost.

Management Discussion and Analysis

Finance costs

The Group's finance costs mainly represented interest expenses on bank and other loans, and decreased by approximately 8.5% or approximately RMB1.6 million from approximately RMB18.9 million for 1H2020 to approximately RMB17.3 million for 1H2021, which was mainly due to the settlement of certain borrowings using the proceeds from the listing in January 2021, resulting in a lower balance of average borrowings in 1H2021 as compared to that in 1H2020.

Share of profits of an associate

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

During 1H2021, results of an associate attributable to the Group decreased by approximately 108.3% or approximately RMB1.3 million from share of profit of approximately RMB1.2 million for 1H2020 to share of losses of approximately RMB0.1 million for 1H2021. The fluctuation was mainly attributable to the increase in finance cost of Changchun Xianbang in 1H2021 compared to that of 1H2020.

Share of profits of a joint venture

The Group's share of profits of a joint venture represents profits shared from a jointly controlled project company, namely Ulanhot Tianjiao Tianjun Tourism Development Limited* (烏蘭浩特市天驕天駿旅遊開發有限公司) ("**Tianjun Tourism**"), which was registered in Inner Mongolia, the PRC, as a project company responsible for financing, developing, operating and maintaining a PPP project, the Shenjunshan Ecological Restoration and Landscaping Project (神駿山生態修復及景觀項目) ("**Shenjunshan Project**"), which commenced in 2017. The Group has been holding 75.0% equity interest in Tianjun Tourism since its incorporation and it was accounted as a joint venture of the Group given that the power to control its financial and operating policies was jointly held by the Group and another shareholder. During 1H2021, profits of a joint venture attributable to the Group increased by approximately 82.8% or approximately RMB2.4 million from approximately RMB2.9 million for 1H2020 to approximately RMB5.3 million for 1H2021.

The fluctuation was mainly attributable to the increase in interest income contributed from the steady progress of the Shenjunshan Project of Tianjun Tourism.

Income tax

The Group's income tax decreased by approximately 54.3% or approximately RMB3.8 million from approximately RMB7.0 million for 1H2020 to approximately RMB3.2 million for 1H2021, which was mainly due to Zonbong Landscape, a subsidiary of the Group, obtained the certification of high and new tech enterprise and enjoyed a preferential corporate income tax rate of 15% since then, but the statutory tax rate of 25% was still applicable for the Company during 1H2020.

Management Discussion and Analysis

Net current assets

The Group's net current assets increased by approximately 50.5% or approximately RMB89.0 million from approximately RMB176.4 million as at 31 December 2020 to approximately RMB265.4 million as at 30 June 2021. The increase was primarily due to the proceeds from the Group's listing and sustainable profitability.

Liquidity and financial resources

For 1H2021, the cash and cash equivalents of the Group amounted to approximately RMB103.7 million (31 December 2020: approximately RMB144.0 million). As at 30 June 2021, the Group had borrowings of approximately RMB517.6 million (31 December 2020: approximately RMB480.0 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB467.6 million (31 December 2020: approximately RMB430.0 million) of the borrowings are payable within one year. Some of the borrowings were secured and guaranteed by related parties, trade receivables and contract assets and bank deposits of the Group or third-party guarantee companies.

As at 30 June 2021, there was no breach of loan covenants relating to the bank and other loans.

Capital Structure

The capital structure of the Group consists of net debts, which includes bank and other loans, cash and cash equivalents and equity attributable to the owners of the Group, comprising issued share capital, reserves and non-controlling interests.

Gearing ratio

The gearing ratio decreased from 1.0 as at 31 December 2020 to 0.9 as at 30 June 2021 which is calculated based on bank and other loans divided by total equity. Such increase of the Group's total equity gained from the proceeds raised from the listing of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures for 1H2021.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2021, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

As at 30 June 2021, 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) was guaranteed by the Group. As at 30 June 2021 and 31 December 2020, the balances of the bank loan borrowed by Tianjun Tourism were approximately RMB375.0 million and RMB390.0 million, respectively.

Management Discussion and Analysis

As at 30 June 2021, the Group had 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) was guaranteed by the Group. As at 30 June 2021 and 31 December 2020, the balances of the bank loan were RMB224.1 million and RMB232.7 million, respectively.

FINANCIAL GUARANTEES ISSUED

The Group's financial guarantees issued amounted to approximately RMB37.1 million and RMB38.8 million as at 30 June 2021 and 31 December 2020, respectively, which was provided for the guarantees provided by the Group for the bank loans borrowed by an associate of the Group and the project company of the EDZ Project, namely Changchun Xianbang, and a joint venture of the Group and the project company of the Shenjunshan Project, namely Tianjun Tourism, for the purpose of supporting the financing for the two projects, and initially recognised with reference to fees charged in an arm's length transaction for similar services and amortised in profit or loss over the term of the guarantees subsequent to initial recognition. Such financial guarantees issued by the Group are expected to be released upon the maturity and full repayment of the bank loans borrowed by the associate and the joint venture in 2029 and 2033, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this Report, the Group had no future plan for material investments or capital assets.

FOREIGN EXCHANGE RISK

Foreign exchange risk arises when business transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except for the loan in June 2021 which was denominated in USD. The Group is therefore exposed to foreign currency translation risk. The Group has entered into forward foreign exchange contracts of RMB against USD in an aggregate value of approximately USD7.59 million in July 2021 to mitigate foreign exchange risk, including the potential exchange loss as a result of the depreciation of USD against RMB. The Group will continue to monitor foreign exchange changes to best preserve cash value.

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.

Management Discussion and Analysis

Up to the date of this Report, the amount of net proceeds remained unutilised amounted to approximately HKD36.9 million. Set out below are details of the allocation of the net proceeds, the utilised and unutilised amounts of the net proceeds as at the date of this Report:

	Percentage	Allocation of the net proceeds <i>HKD million</i>	Utilised amount (as at the date of this Report) <i>HKD million</i>	Unutilised amount (as at the date of this Report) <i>HKD million</i>
Establishment of regional design offices in Beijing, Shanghai and Chongqing	14.8%	8.1	3.5	4.6
Upfront costs of the construction work of the Changchun Zoo Project	23.7%	13.0	1.8	11.2
Investment in Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司)	26.1%	14.3	—	14.3
Acquisition of a centralised ERP system	7.4%	4.0	0.1	3.9
Repayment of bank loan	18.0%	9.8	9.8	—
General working capital of the Group	10.0%	5.5	2.6	2.9
	100%	<u>54.7</u>	<u>17.8</u>	<u>36.9</u>

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

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of an interim dividend for 1H2021.

Employees and remuneration policies

As at 30 June 2021, the Group has 504 employees. The Group's Remuneration Management Policy and Fringe Benefits System has been formulated to establish a systematic remuneration system, which enabling the employees to have full vision and understanding of the Group's human resources management function, human resources management policies and system, composition and accounting of remuneration and fringe benefits etc., so as to ensure and enhance the transparency and fairness. The Remuneration Committee was set up for reviewing the Group's remuneration policy and structure of the Directors, senior management and employees of the Group. The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Mr. Yin Jun, Mr. Lee Kwok Tung Louis and Mr. Gao Xiangong, and Mr. Yin Jun is the chairman of the Remuneration Committee.

Other Information

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

As at 30 June 2021, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules, are set out as follows:

(i) Long positions in our shares

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

Notes:

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

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

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

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during 1H2021 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and minor children) to hold any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

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

As at 30 June 2021, 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:

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

Saved as disclosed above, as at 30 June 2021, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules during 1H2021.

COMPETING BUSINESS

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

By reasons of the fact that (i) the Group principally engaged in the landscaping business and ecological restoration business, municipal construction works are not the business focus of the Group; (ii) the Company holds the Second-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包貳級) and the scope of municipal construction works the Company was allowed to undertake is limited, whereas ZIHG Group holds the First-Grade Qualification of Main Contractor for Municipal Public Works (市政公用工程施工總承包壹級), which allows the ZIHG Group to undertake all kinds of municipal construction works of any scale and any contract sum, and may engage in a much wider range of municipal public works projects than the Group; (iii) the Company's involvement in municipal public works was limited to the provision of design, investigation, survey and technical consultancy services, which only made a minor contribution to the Company's revenue, the nature of the municipal public works by the Group is mostly different in nature than that of the ZIHG Group; and (iv) that the Company's Ultimate Controlling Shareholders have already given an undertaking pursuant to a deed of non-competition dated 14 December 2020 (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.

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 1H2021.

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

Contact Details

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

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

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

SHARE OPTION SCHEME

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

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

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since Listing, and there is no outstanding share option as at 30 June 2021.

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 1H2021.

Other Information

RELATED PARTIES TRANSACTIONS

The material related party transactions entered into by the Group during 1H2021 are set out in Note 21, including transactions that constitute connected/continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

Save for the contracts described in Note 10 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 1H2021 or at any time during 1H2021; and (b) there is no contract of significance (i) between the Company or its subsidiaries and Company's Controlling Shareholders or its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by Company's Controlling Shareholders or its subsidiaries.

SECURITIES TRANSACTIONS BY THE DIRECTORS

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

EVENTS AFTER THE REPORTING PERIOD

Discloseable transaction — Foreign exchange forward contract

Zonbong Landscape, a subsidiary of the Group entered into a loan agreement with an affiliate of China Everbright Bank Company Limited (中國光大銀行股份有限公司) (the "**China Everbright**"), denominated in USD in June 2021. As its earnings are mainly denominated in RMB, depreciation of RMB against USD may therefore impact the financial results of the Group. In light of this, the Group entered into a foreign exchange forward contract ("**FX Forward Contract**") with the aim of hedging against such currency risk. On 30 July 2021, Zonbong Landscape entered into the FX Forward Contract with the Changchun branch of China Everbright, an independent third party, pursuant to which, the Group agreed to place an order up to the agreed principal USD amount of US\$7,592,263.02 under the FX Forward Contract, and having the aim of hedging against the currency risk in relation to the possible depreciation of RMB against USD.

For details, please refer to the Company's announcement dated 30 July 2021.

Change of Company Secretary and Authorised Representative

Ms. Chu Wing Yin resigned as the company secretary and the authorised representative of the Company under Rule 3.05 of the Listing Rules with effect from 21 July 2021. Mr. Tsui Hin Chi has been appointed as the company secretary and the authorised representative of the Company in place of Ms. Chu Wing Yin with effect from 21 July 2021.

Please refer to the Company's announcement dated 21 July 2021.

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 CG Code 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 have been 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 is of the view that this is the most appropriate arrangement in the interest of the shareholders of the Company 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 of three independent non-executive Directors who will continue to provide their views and comments to Mr. Liu Haitao as the Chairman and the chief executive officer of the Company.

Save as disclosed above, the Company complied with the requirements under all provisions of the CG Code. The Company will continue to review and enhance its corporate governance to ensure compliance with the CG Code.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial report for 1H2021 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review Report is included at page 51 of the interim Report. The interim Report have also been reviewed and approved by the audit committee of the Company, comprising all the three independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Gao Xiangnong and Mr. Yin Jun.

On behalf of the Board

Mr. Liu Haitao

Chairman

Hong Kong, 30 August 2021

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	4	362,073	357,885
Cost of sales		(280,876)	(270,380)
Gross profit		81,197	87,505
Other net income		5,744	3,872
Selling expenses		(9,758)	(4,508)
Administrative expenses		(31,995)	(29,047)
Impairment losses on trade and other receivables and contract assets		(13,399)	(14,738)
Profit from operations		31,789	43,084
Finance costs	5(a)	(17,268)	(18,933)
Share of (losses)/profits of an associate		(115)	1,188
Share of profits of a joint venture		5,275	2,937
Profit before taxation	5	19,681	28,276
Income tax	6	(3,194)	(6,961)
Profit for the period		16,487	21,315
Attributable to:			
Equity shareholders of the Company		16,331	21,189
Non-controlling interests		156	126
Profit for the period		16,487	21,315
Earnings per share (RMB cents)			
Basic and diluted	7	6	10

The notes on pages 25 to 50 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 — unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit for the period	16,487	21,315
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income — net movement in fair value reserve	(33)	438
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	472	(155)
Other comprehensive income for the period	439	283
Total comprehensive income for the period	16,926	21,598
Attributable to:		
Equity shareholders of the Company	16,770	21,472
Non-controlling interests	156	126
Total comprehensive income for the period	16,926	21,598

The notes on pages 25 to 50 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2021 — unaudited
(Expressed in RMB)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	8	9,253	9,791
Intangible assets		1,640	1,824
Right-of-use assets		5,384	1,165
Interest in an associate		75,344	75,459
Interest in a joint venture		193,542	188,267
Other equity investments		14,678	14,711
Deferred tax assets	16(b)	40,585	31,618
Non-current portion of trade receivables	11	37,320	43,402
		<u>377,746</u>	<u>366,237</u>
Current assets			
Inventories and other contract costs	9	32,792	37,185
Contract assets	10(a)	695,854	813,448
Trade and bills receivables	11	830,396	653,600
Prepayments, deposits and other receivables		57,530	51,071
Restricted bank deposits	12	9,152	602
Cash and cash equivalents	12	103,681	143,997
		<u>1,729,405</u>	<u>1,699,903</u>
Current liabilities			
Trade and bills payables	13	672,998	703,415
Accrued expenses and other payables	14	121,714	182,949
Contract liabilities	10(b)	193,276	191,274
Bank and other loans	15	467,577	430,000
Lease liabilities		2,381	635
Income tax payable		6,076	15,280
		<u>1,464,022</u>	<u>1,523,553</u>
Net current assets		<u>265,383</u>	<u>176,350</u>

Consolidated Statement of Financial Position

At 30 June 2021 — unaudited
(Expressed in RMB)

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Total assets less current liabilities		643,129	542,587
Non-current liabilities			
Bank loans	15	50,000	50,000
Lease liabilities		2,780	270
Deferred tax liabilities	16(b)	9,881	8,507
		<u>62,661</u>	<u>58,777</u>
NET ASSETS		<u>580,468</u>	<u>483,810</u>
CAPITAL AND RESERVES	17		
Share capital		230	1
Reserves		570,507	474,234
Total equity attributable to equity shareholders of the Company		570,737	474,235
Non-controlling interests		9,731	9,575
TOTAL EQUITY		<u>580,468</u>	<u>483,810</u>

The notes on pages 25 to 50 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 — unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained profits 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 the six months ended 30 June 2020:										
Profit for the period	—	—	—	—	—	—	21,189	21,189	126	21,315
Other comprehensive income	—	—	—	—	438	(155)	—	283	—	283
Total comprehensive income	—	—	—	—	438	(155)	21,189	21,472	126	21,598
Capital injection by non- controlling interests	—	—	—	—	—	—	—	—	4,000	4,000
	—	—	—	—	—	—	—	—	4,000	4,000
At 30 June 2020	1	10,560	314,628	38,385	3,245	(797)	57,746	423,768	9,259	433,027

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 — unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	1	10,560	315,628	41,178	3,364	1,235	102,269	474,235	9,575	483,810
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	—	—	—	—	—	—	16,331	16,331	156	16,487
Other comprehensive income	—	—	—	—	(33)	472	—	439	—	439
Total comprehensive income	—	—	—	—	(33)	472	16,331	16,770	156	16,926
Capitalisation issue (Note 17(a))	183	(183)	—	—	—	—	—	—	—	—
Issuance of shares upon listing (Note 17(a))	46	79,686	—	—	—	—	—	79,732	—	79,732
	<u>229</u>	<u>79,503</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>79,732</u>	<u>—</u>	<u>79,732</u>
At 30 June 2021	<u>230</u>	<u>90,063</u>	<u>315,628</u>	<u>41,178</u>	<u>3,331</u>	<u>1,707</u>	<u>118,600</u>	<u>570,737</u>	<u>9,731</u>	<u>580,468</u>

The notes on pages 25 to 50 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the period ended 30 June 2021 — unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash used in operations		(76,348)	(54,487)
Income tax paid		(19,991)	(19,502)
Net cash used in operating activities		(96,339)	(73,989)
Cash flows from investing activities			
Payments for purchase of non-current assets		(603)	(449)
Capital contributions to a joint venture		—	(8,550)
Net proceeds from disposal of non-current assets		(1)	(50)
Payments for purchase of other equity investment		—	(408)
Payments for loans granted to an associate		(310)	—
Proceeds from repayment of advances and loans granted to related parties		—	46,075
Interest received		3,588	527
Net cash generated from investing activities		2,674	37,145
Cash flows from financing activities			
Capital contributions from non-controlling equity shareholders		—	4,000
Gross proceeds from the issuance of shares		91,662	—
Proceeds from bank and other loans		316,451	220,000
Proceeds from advances from third parties		53,600	69,000
Repayment of bank loans		(272,620)	(185,864)
Repayment of loans from related parties		—	(15,062)
Repayment of advances from third parties		(103,600)	(69,000)
Capital element of lease rentals paid		(542)	(1,613)
Interest element of lease rentals paid		(90)	(16)
Increase in restricted deposits		(2,500)	—
Increase in guarantee deposits		(2,600)	(1,300)
Interest paid		(22,625)	(18,449)
Payments for share issuance expenses		(3,782)	(1,531)
Net cash generated from financing activities		53,354	165
Net decrease in cash and cash equivalents		(40,311)	(36,679)
Cash and cash equivalents at 1 January	12	143,997	73,615
Effect of foreign exchange rate changes		(5)	5
Cash and cash equivalents at 30 June	12	103,681	36,941

The notes on pages 25 to 50 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(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 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “**IASB**”). It was authorised for issue on 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the board of directors of the Company is included on page 51.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2021.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

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

- 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.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	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	265,185	186,502
— Revenue from ecological restoration	89,971	144,791
— Revenue from others	6,917	26,592
	<u>362,073</u>	<u>357,885</u>

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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

(i) Segment results

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

	Six months ended 30 June 2021			
	Landscaping RMB'000	Ecological restoration RMB'000	Others RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	—	—	1,204	1,204
Over time	265,185	89,971	5,713	362,869
Revenue from external customers and reportable segment revenue	<u>265,185</u>	<u>89,971</u>	<u>6,917</u>	<u>362,073</u>
Reportable segment gross profit	<u>57,989</u>	<u>21,367</u>	<u>1,841</u>	<u>81,197</u>
	Six months ended 30 June 2020			
	Landscaping RMB'000	Ecological restoration RMB'000	Others RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	947	2,837	18,462	22,246
Over time	185,555	141,954	8,130	335,639
Revenue from external customers and reportable segment revenue	<u>186,502</u>	<u>144,791</u>	<u>26,592</u>	<u>357,885</u>
Reportable segment gross profit	<u>34,999</u>	<u>34,446</u>	<u>18,060</u>	<u>87,505</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue (Note 4(b)(i))	362,073	357,885
Profit		
Total reportable segment gross profit	81,197	87,505
Other net income	5,744	3,872
Selling expenses	(9,758)	(4,508)
Administrative expenses	(31,995)	(29,047)
Impairment losses on trade and other receivables and contract assets	(13,399)	(14,738)
Finance costs	(17,268)	(18,933)
Share of (losses)/profits of an associate	(115)	1,188
Share of profits of a joint venture	5,275	2,937
Consolidated profit before taxation	19,681	28,276

(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, therefore, no segment analysis based on geographical locations of the customers and assets is presented.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest on bank and other loans and loans from related parties	17,133	18,900
Interest on lease liabilities	135	33
	<u>17,268</u>	<u>18,933</u>

(b) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment	1,141	1,176
Depreciation of right-of-use assets	535	1,704
Amortisation of intangible assets	184	184
Leases charges relating to short-term leases and leases of low-value assets	3,770	3,546
COVID-19-related rent concessions received	—	(220)
Listing expenses	—	7,102
Cost of inventories (Note 9)	<u>126,613</u>	<u>100,982</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current tax		
Provision for the period	10,787	15,460
Deferred tax (Note 16(a))		
Origination and reversal of temporary differences	(7,593)	(8,499)
	<u>3,194</u>	<u>6,961</u>

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

The subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2021 (six months ended 30 June 2020: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB Nil).

The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).

Two subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2019 to 2021 and from 2020 to 2022, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2021 (six months ended 30 June 2020: PRC Corporate Income Tax rate for one subsidiary is 15% and for the other is 25%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries entitle additional tax deductible allowance amounted to 75% for the six months ended 30 June 2021 (six months ended 30 June 2020: one subsidiary entitled 75% and the other entitled None).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB16,331,000 (six months ended 30 June 2020: RMB21,189,000), and the weighted average of 273,177,000 ordinary shares in issue during the interim period (six months ended 30 June 2020: 220,000,000 ordinary shares), after adjusting the capitalisation issue occurred during the interim period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2021	2020
	No. of shares '000	No. of shares '000
Shares in issue on 1 January	821	821
Effect of capitalisation issue (Note (i))	219,179	219,179
Effect of issuance of shares (Note (ii))	53,177	—
	<hr/>	<hr/>
At 30 June	273,177	220,000

Notes:

- (i) The number of ordinary shares outstanding before the capitalisation issue completed on 6 January 2021 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented.
- (ii) On 6 January 2021, 55,000,000 new ordinary shares of HKD0.001 each were issued upon the listing of the shares of the Company on the Stock Exchange.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2021 and 2020. Hence, the diluted earnings per share is the same as basic earnings per share.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group incurred capital expenditure on property, plant and equipment with a cost of RMB603,000 (six months ended 30 June 2020: RMB449,000). Items of property, plant and equipment with a net book value of RMB Nil were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB6,000), resulting in a loss on disposal of RMB1,000 (six months ended 30 June 2020: gain on disposal of RMB56,000).

9 INVENTORIES AND OTHER CONTRACT COSTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Inventories		
Construction materials	21,103	20,693
Other contract costs	11,689	16,492
	<u>32,792</u>	<u>37,185</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Carrying amount of inventories used in construction contracts	<u>126,613</u>	<u>100,982</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contract assets		
— due from ZIHG and its subsidiaries, joint ventures and associates (Note 21(c))	63,260	99,848
— due from a joint venture (Note 21(c))	47,253	51,879
— due from an associate (Note 21(c))	20,884	31,762
— due from a company managed by a key management personnel of ZIHG (Note 21(c))	10,799	81,109
— due from third parties	659,203	655,996
	<u>801,399</u>	<u>920,594</u>
Less: loss allowance	(105,545)	(107,146)
	<u>695,854</u>	<u>813,448</u>
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade receivables" (Note 11)		
	<u>849,361</u>	<u>676,300</u>

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.

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 RMB246,669,000 (31 December 2020: RMB311,396,000), which are expected to be billed after more than one year.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

10 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contract liabilities		
— due to ZIHG and its subsidiaries, joint ventures and associates (Note 21(c))	11,094	3,505
— due to a joint venture (Note 21(c))	19,057	21,156
— due to an associate (Note 21(c))	7,658	5,068
— due from a company managed by a key management personnel of ZIHG (Note 21(c))	6,335	—
— due to third parties	149,132	161,545
	<u>193,276</u>	<u>191,274</u>

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 TRADE AND BILLS RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates (Note 21(c))	120,271	117,262
— due from a joint venture (Note 21(c))	552	2,277
— due from an associate (Note 21(c))	15,926	—
— due from a company managed by a key management personnel of ZIHG (Note 21(c))	89,222	13,621
— due from third parties	715,577	623,051
	<u>941,548</u>	<u>756,211</u>
Bills receivable for contract work	393	—
	<u>941,941</u>	<u>756,211</u>
Less: loss allowance	(74,225)	(59,209)
	<u>867,716</u>	<u>697,002</u>
Reconciliation to the consolidated statement of financial position:		
Non-current	37,320	43,402
Current	830,396	653,600
	<u>867,716</u>	<u>697,002</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 TRADE AND BILLS RECEIVABLES (CONTINUED)

Ageing analysis

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year	494,992	340,653
1 to 2 years	163,422	141,379
2 to 3 years	66,403	76,378
3 to 4 years	27,609	41,554
4 to 5 years	85,992	97,038
Over 5 years	29,298	—
	<u>867,716</u>	<u>697,002</u>

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

12 CASH AND CASH EQUIVALENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank and on hand	112,833	144,599
Less: restricted bank deposits	<u>(9,152)</u>	<u>(602)</u>
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	<u>103,681</u>	<u>143,997</u>

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 TRADE AND BILLS PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables		
— due to ZIHG and its subsidiaries, joint ventures and associates (Note 21(c))	5,530	5,565
— due to third parties	646,418	667,850
Bills payables	21,050	30,000
	<u>672,998</u>	<u>703,415</u>

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year	411,559	519,450
1 to 3 years	211,848	141,447
Over 3 years	49,591	42,518
	<u>672,998</u>	<u>703,415</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

14 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Amounts due to ZIHG and its subsidiaries, joint ventures and associates (Note 21(c))	3,272	2,612
Amounts due to third parties (Note (i))	31,239	81,239
Payables for staff related costs	16,748	20,796
Dividends payable	307	307
Interest payable	1,854	1,092
Payables for costs incurred in connection with the proposed initial listing of the Company's shares	—	13,735
Others	7,773	4,998
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	61,193	124,779
Financial guarantees issued (Note 20)	37,054	38,805
Payables for miscellaneous taxes	23,467	19,365
	<hr/>	<hr/>
	121,714	182,949

Notes:

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) As at 30 June 2021, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB33,552,000 (31 December 2020: RMB35,303,000). All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

15 BANK AND OTHER LOANS

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank loans:		
Guaranteed by related parties	—	40,000
Guaranteed by third parties (Note 15(d))	154,378	215,000
Guaranteed by related parties and third parties (Note 15(d))	74,574	—
Guaranteed by related parties and secured by trade receivables and contract assets of the Group (Note 15(c))	—	90,000
Guaranteed by a third party and secured by trade receivables and contract assets of the Group (Note 15(c))	47,136	—
Guaranteed by a third party and secured by bank deposits (Note 15(c) and 15(d))	49,109	—
Secured by trade receivables and contract assets of the Group (Note 15(c))	167,380	115,000
Unguaranteed and unsecured	5,000	—
	497,577	460,000
Other loan:		
Unguaranteed and unsecured	20,000	20,000
	517,577	480,000

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

15 BANK AND OTHER LOANS (CONTINUED)

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

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year or on demand	467,577	430,000
After 1 year but within 2 years	25,000	25,000
After 2 years but within 3 years	25,000	25,000
	50,000	50,000
	517,577	480,000

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables and contract assets	344,511	239,087
Bank deposits	2,500	—

- (d) At 30 June 2021, the bank loans amounting to RMB278,061,000 are guaranteed by third parties, where the Zhongqing Investment Holding Group Limited Liability Company, Mr. Sun Juqing, Ms. Zhao Hongyu and Mr. Liu Haitao provides counter-guarantee to these third parties. At 31 December 2020, the short-term bank loans amounting to RMB215,000,000 are guaranteed by third parties, where Mr. Liu Haitao provides counter-guarantee to these third parties. The Group placed deposits amounting to RMB12,150,000 to these third parties as of 30 June 2021 (31 December 2020: RMB9,550,000).
- (e) At 30 June 2021, the Group's banking facilities amounting to RMB290,000,000 (31 December 2020: RMB200,000,000), were utilised to the extent of RMB146,880,000 (31 December 2020: RMB200,000,000).
- (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. At 30 June 2021, none of the covenants relating to the bank loans had been breached (31 December 2020: None).

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16 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:	Accrued payables RMB'000	Credit loss allowance RMB'000	Fair value adjustments in connection with the acquisition of subsidiaries RMB'000	Equity method investment income RMB'000	Unused tax losses RMB'000	Unrealised gains and losses RMB'000	Withholding tax on distributable profits RMB'000	Total RMB'000
At 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 and 1 January 2021	5,854	25,095	(430)	(8,321)	2,247	466	(1,800)	23,111
Credited/(charged) to profit or loss	6,250	1,989	44	(1,602)	912	—	—	7,593
At 30 June 2021	<u>12,104</u>	<u>27,084</u>	<u>(386)</u>	<u>(9,923)</u>	<u>3,159</u>	<u>466</u>	<u>(1,800)</u>	<u>30,704</u>

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Net deferred tax assets	40,585	31,618
Net deferred tax liabilities	(9,881)	(8,507)
	<u>30,704</u>	<u>23,111</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

17 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2021 and 31 December 2020	
	No. of shares	HKD'000
Authorised:		
Ordinary shares of HKD0.001 each	10,000,000,000	10,000
	No. of shares	RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2020 and 31 December 2020	821,028	1
Capitalisation issue	219,178,972	183
Issuance of shares	55,000,000	46
At 30 June 2021	275,000,000	230

On 14 December 2020, the Company increased the authorised share capital from HKD390,000 divided into 390,000,000 Shares of HKD0.001 each to HKD10,000,000 divided into 10,000,000,000 of HKD0.001 each.

Pursuant to the 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.

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.

(b) Dividends

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

The directors of the Company do not recommend the payment of dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: HKD Nil).

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

No final dividend in respect of the previous financial year has been approved during the six months ended 30 June 2021 (six months ended 30 June 2020: HKD Nil).

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(Expressed in RMB unless otherwise indicated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

(i) Fair value hierarchy

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

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

Fair value measurements categorised into Level 3

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Recurring fair value measurements		
Assets:		
Other equity investments	<u>14,678</u>	<u>14,711</u>

During the six months ended 30 June 2021 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: None). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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(Expressed in RMB unless otherwise indicated)

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

(i) Fair value hierarchy (Continued)

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability: 25% (2020: 25%)
	Discounted cashflow approach (bb)	Discount rate: 9.5% (2020: 9.5%)

(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 30 June 2021, 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 RMB111,000 (2020: RMB113,000).

(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 30 June 2021, 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 RMB429,000 (2020: RMB374,000), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB397,000 (2020: RMB347,000).

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Unlisted equity securities:		
At 1 January	14,711	14,148
Net unrealised (losses)/gains recognised in other comprehensive income during the period	(33)	438
At 30 June	<u>14,678</u>	<u>14,586</u>

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2021 and 31 December 2020 not provided for in the interim financial report were as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Authorised but not contracted for	<u>16,451</u>	<u>15,425</u>

(b) At 30 June 2021 and 31 December 2020, the total future minimum lease payments under non-cancellable short-term leases are payable as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 year	<u>2,349</u>	<u>1,771</u>

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.

20 CONTINGENT LIABILITIES

As at 30 June 2021, the Group has issued a guarantee in respect of a bank loan of Ulanhot Tianjiao Tianjun Tourism Development Limited (“**Tianjun Tourism**”), a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2021, the balance of the bank loan is RMB375,000,000 (31 December 2020: RMB RMB390,000,000). 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 30 June 2021, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB24,011,000 (31 December 2020: RMB24,971,000).

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(Expressed in RMB unless otherwise indicated)

20 CONTINGENT LIABILITIES (CONTINUED)

As at 30 June 2021, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang Municipal and Landscape Limited (“**Changchun Xianbang**”), an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2021, the balance of the bank loan is RMB224,050,000 (31 December 2020: RMB232,700,000). The fair value of the financial guarantee provided by the Group was initially estimated RMB12,685,000 and RMB2,692,000 was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. The amounts of financial guarantee issued in “accrued expenses and other payables” will be amortised in profit or loss as “other net income” over the guarantee period. As at 30 June 2021, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB13,043,000 (31 December 2020: RMB13,834,000).

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.

21 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries and other emoluments	2,932	2,520
Contributions to defined contribution retirement schemes	246	28
	<u>3,178</u>	<u>2,548</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties:

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Rendering of construction, survey, design, technical consultancy and other services	3,161	32,561
Receiving services	15	—
Purchase of goods	971	—
Lease charges relating to short-term leases and leases of low-value assets	1,334	1,405
Guarantees provided by related parties for the Group's bank loans at the end of the reporting period	76,000	314,136
Loan granted to a related party	—	30,000
	<u> </u>	<u> </u>

(ii) Transactions with a joint venture

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Rendering of construction services	4,212	30,925
Service income	542	1,085
Income from financial guarantee issued	960	960
Guarantee provided by the Group for the joint venture's bank loan at the end of the reporting period	375,000	339,220
	<u> </u>	<u> </u>

(iii) Transactions with an associate

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Rendering of construction services	7,192	8,677
Loans granted to a related party	310	—
Repayment of advances granted to a related party	—	16,075
Income from financial guarantee issued	791	645
Guarantee provided by the Group for the associate's bank loan at the end of the reporting period	224,050	197,000
	<u> </u>	<u> </u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties: (Continued)

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Rendering of construction service	<u>8,280</u>	<u>54,398</u>

(v) Transactions with the equity shareholders of the Company

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Repayment of loans from related parties	<u>—</u>	<u>15,062</u>

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.

(c) Balances with related parties as at the end of the reporting period:

(i) Due from or due to ZIHG and its subsidiaries, joint ventures and associates

	At	At
	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade in nature:		
Contract assets (Note 10(a))	63,260	99,848
Trade and bills receivables (Note 11)	120,271	117,262
Trade and bills payables (Note 13)	5,530	5,565
Contract liabilities (Note 10(b))	11,094	3,505
Accrued expenses and other payables (Note 14)	3,272	1,787
Non-trade in nature:		
Accrued expenses and other payables (Note 14)	<u>—</u>	<u>825</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

21 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties as at the end of the reporting period: (Continued)

(ii) Due from or due to a joint venture

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade in nature:		
Contract assets (Note 10(a))	47,253	51,879
Trade and bills receivables (Note 11)	552	2,277
Contract liabilities (Note 10(b))	<u>19,057</u>	<u>21,156</u>

(iii) Due from or due to an associate

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade in nature:		
Contract assets (Note 10(a))	20,884	31,762
Trade and bills receivables (Note 11)	15,926	—
Contract liabilities (Note 10(b))	7,658	5,068
Non-trade in nature:		
Prepayments, deposits and other receivables	<u>310</u>	<u>—</u>

(iv) Due from or due to a company managed by a key personnel of ZIHG

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade in nature:		
Contract assets (Note 10(a))	10,799	81,109
Trade and bills receivables (Note 11)	89,222	13,621
Contract liabilities (Note 10(b))	<u>6,335</u>	<u>—</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

22 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 during the six months ended 30 June 2020, 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 six months ended 30 June 2021 and 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.

Review Report to the Board of Directors of ZONBONG LANDSCAPE Environmental Limited



**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
ZONBONG LANDSCAPE Environmental Limited**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 50 which comprises the consolidated statement of financial position of ZONBONG LANDSCAPE Environmental Limited as of 30 June 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

30 August 2021

Definitions and Glossary of Technical Terms

"1H2020"	the six months ended 30 June 2020
"1H2021"	the six months ended 30 June 2021
"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
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive office of the Company
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Interim Report, Hong Kong, Macau Special Administration Region and Taiwan
"Company", "the Company" or "We"	ZONBONG LANDSCAPE Environmental Limited (中邦园林环境股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 March 2019
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this Report, means the controlling shareholders of the Company, being Zongqing International, Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive director(s) of the Company
"Group" or "the Group"	the Company and its subsidiaries
"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

Definitions and Glossary of Technical Terms

“Listing” or “IPO”	the listing of the Shares on the Main Board of the Stock Exchange on 6 January 2021
“Listing Date”	6 January 2021, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Non-executive Director(s)”	the non-executive director(s) of the Company
“Prospectus”	the prospectus issued by the Company dated 22 December 2020
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Road Greening Project in Lotus in 2021”	a Collaborative Project with an independent third party of the Company
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary shares with a nominal value of HKD0.001 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollar(s)”, “USD” or “US\$”	United States dollars, the lawful currency of the United States of America

Definitions and Glossary of Technical Terms

“Ultimate Controlling Shareholder(s)”	refers to Ms. Zhao Hongyu, Mr. Sun, 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
“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 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

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

* For identification purpose only