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

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1855

Annual Report 2023

Contents

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Tsui Hin Chi

AUTHORISED REPRESENTATIVES

Mr. Liu Haitao
Mr. Tsui Hin Chi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

LEGAL ADVISER

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

PRINCIPAL BANKS
(In Alphabetical order)

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

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

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

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

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

1855

COMPANY WEBSITE

www.zonqing.net

Financial Highlights

FINANCIAL AND OPERATIONAL DATA HIGHLIGHTS

	For the year ended 31 December			
	2023	2022	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
		(Restated)		
Revenue	**2,355,497**	1,116,442	1,239,055	111.0
Gross profit	**450,848**	193,752	257,096	132.7
Other net income	**10,552**	8,568	1,984	23.2
Selling expenses	**(18,800)**	(18,835)	35	(0.2)
Administrative expenses	**(91,667)**	(86,810)	(4,857)	5.6
Finance costs	**(65,134)**	(69,881)	4,747	(6.8)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	**(110,126)**	(138,478)	28,352	(20.5)
Profit/(loss) before taxation	**172,652**	(114,749)	287,401	250.5
Income tax	**(19,427)**	18,061	(37,488)	(207.6)
Profit/(loss) for the year	**153,225**	(96,688)	249,913	(258.5)
Attributable to:				
Equity shareholders of the Company	**135,206**	(96,343)	231,549	240.3
Non-controlling interests	**18,019**	(345)	18,364	(5,322.9)
Total comprehensive income for the year	**148,903**	(87,170)	236,073	(270.8)
Attributable to:				
Equity shareholders of the Company	**131,609**	(87,453)	219,062	(250.5)
Non-controlling interests	**17,294**	283	17,011	6,011.0
	RMB cents	*RMB cents*	*RMB cents*	*Change (%)*
Earnings/(loss) per share				
Basic and diluted	**49**	(35)	84	(240)

	As at 31 December			
	2023	2022	Change	Change
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
		(Restated)		
Non-current assets	**483,933**	493,793	(9,860)	(2.0)
Current assets	**3,362,493**	3,689,191	(326,698)	(8.9)
Current liabilities	**2,985,285**	3,172,460	(187,175)	(5.9)
Net current assets	**377,208**	516,731	(139,523)	(27.0)
Non-current liabilities	**91,672**	92,509	(837)	(0.9)
Net assets	**769,469**	918,015	(148,546)	(16.2)

Chairman's Statement

Dear Shareholders,

On behalf of the Board of ZONQING Environmental Limited, I am honoured to present the audited consolidated results of the Group for the year ended 31 December 2023 (the "**FY2023**").

In 2023, our country continuously increased investment and introduced policies to expand domestic demand. The economy has rebounded to some extent, but the momentum of such rebound was still insufficient, with the "troika" of consumption, investment and exports going separate ways. External demand hardly plays a significant role in our economy, while domestic demand has yet to prove its sustainability. As such, investment provides a more direct and appropriate support in stabilising the economy, of which infrastructure investment remains an important tool for achieving stable growth. However, in terms of market concentration, the market share of the top eight central-owned construction enterprises has further increased from 42.1% in 2022 to 51.4% in the first half of 2023, continuing to squeeze the market space of local state-owned enterprises and private enterprises. Under such circumstances, as most of the private construction enterprises operate at regional level, they are subject to constraints of capital and market resources and facing certain development pressure.

In the face of the complicated economic and competitive situation, the Group overcame various difficulties through the hard work of its staff in 2023 to not only have achieved a turnaround from loss to profit, recording revenue from principal activities of approximately RMB2,355.5 million and net profit of approximately RMB153.2 million for the year, but also accumulated a sufficient amount of reserve projects, further enhanced its construction capability, and began to see the results of its nationwide market expansion. In 2024, the Group will firm up its national development strategy, deepen the creation of customer value, forge its core market competitiveness, continuously improve its operation and management level through digitalisation, and strive to achieve greater breakthroughs across the country with its model of engineering business driven by cultural, commercial and tourism projects. The Group will adhere to innovative development and endeavour to open up new markets for city maintenance and new intellectual property (IP) sources for cultural and tourism operations by leveraging on its existing design and construction advantages, adapt to the changes in growth model from an investment-driven to a domestic-demand-driven economy, with an aim to continue rewarding its shareholders and society.

Sun Juqing
Chairman and Non-executive Director

Hong Kong, 28 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

During FY2023, revenue of the Group was approximately RMB2,355.5 million, representing an increase of approximately 111.0% as compared with FY2022. The revenue of the Group was mainly generated from: (i) city renewal construction services, (ii) city operation and maintenance services and; (iii) design and consultancy services, which accounted for approximately 85.9%, 9.3% and 4.8% of the total revenue for FY2023 respectively.

During FY2023, the Group actively integrated its service offerings and resources to expand its businesses of construction and upgrading of urban parks, urban road and bridge construction and greening, water ecology, smart city maintenance and sanitation. The Group's related qualifications were strengthened continuously and the Group's bidding capacity was enhanced. In addition to solidifying its stronghold in Changchun, the Group also expanded its presence across the country and continued to develop its outbound markets. During FY2023, the Group submitted a total of 635 tenders, representing an increase of 232 tender submissions or approximately 57.6% as compared with FY2022, and the Group recorded a tender success rate of 36.2% for FY2023, representing an increase of approximately 16.6 percentage points on tender success rate when compared with FY2022. The increase in tender success rate was mainly due to the increased tender success rate of Zonbong Ecology Environmental Construction Limited* (中邦生態環境有限公司) ("**Zonbong Ecology Environmental**") and the higher tender success rate of Changchun Chengjianweihu Group Co., Ltd.* (長春市城建維護集團股份有限公司) ("**Changchun Chengjianweihu**").

During FY2023, the Group has won tenders for several sizeable projects, such as:

(i) the Main Contracting for the New Urbanisation Construction Project (Phase I) PPP Project in Changchun New Area – Phase II Comprehensive Treatment of the Northern Section of the Yitong River (Urban Enhancement for Changchun New Area) (with a successful bid price of approximately RMB751.90 million);

(ii) the Main Contracting for the Water Ecological Treatment of Baili Yitong River in Changchun – Service Facilities Enhancement (excluding sludge treatment plant) of the Yitong River Basin (with a successful bid price of approximately RMB524.17 million);

(iii) the Jingyuetan Scenic Area (Tourism) Infrastructure Construction Project (Main Contracting) in Changchun City, Jilin Province (with a successful bid price of approximately RMB459.48 million);

(iv) the Main Contracting for One Bidding Section of the Industrial Ancillary Infrastructure Project (Ancillary Infrastructure for the New Material Area) in Changchun New Area (with a successful bid price of approximately RMB456.27 million);

(v) the Ruyi Lake Area Development Infrastructure Construction Project (EOD Mode) in Shuangyang District of Changchun – Ecological Environment Management Project (Main Contracting) (with a successful bid price of approximately RMB434.48 million);

(vi) the Main Contracting for the Phase III Innovation Industrial Park Infrastructure Project in the Changchun National Regional Innovation Centre (Four Bidding Sections) (with a successful bid price of approximately RMB336.01 million);

(vii) the Changchun Zoo Relocation Phase I Renewal Construction Project (Main Contracting) (with a successful bid price of approximately RMB181.01 million); and

(viii) the Changchun City Five Largest Wastewater Treatment Systems "One Plant, One Policy" Quality Improvement and Efficiency Enhancement Project – Two Bidding Sections of the Jingyue District Project 2023 (Main Contracting) (with a successful bid price of approximately RMB114.12 million).

Regarding its outbound regional expansion, the Group has also won bids including the EPC Main Contracting for the Ecological Comprehensive Improvement Project at the Source of Longhe River (Lengshui Area) (with a successful bid price of approximately RMB20.00 million) and the bid for the Ecological Restoration Project of the Shoreline of Nangang Industrial Zone in Tianjin – Ecological Greenway Project at Nandi Road (Jinqi Highway – Xizhonghuan Extension) (with a successful bid price of approximately RMB13.27 million).

In 2023, Jinghe Design Group Limited* (境和設計集團有限公司) ("**Jinghe Design Group**") was awarded "Third Class Award for Science and Technology" in the 2023 Chinese Society of Landscape Architecture Award (2023年度中國風景園林學會科學技術三等獎) for the Comprehensive Service Area Project in the Shenlu Peak Tourist Resort; "National Quality Engineering Award" (國家優質工程獎) for the FAW-Volkswagen Logistics Special Corridor Project; "Third Class Award" in the Seventh Construction Engineering BIM Competition (第七屆建設工程BIM大賽三等獎) for the application of LIM technology in the Changchun Water Culture Ecological Park Project; "China Construction Engineering Decoration Award" (中國建築工程裝飾獎) for the Dongfeng International Sika Deer Industrial Park Project; while at the same time, Jinghe Design Group was recognised as a "New, distinctive, specialised and sophisticated (專精特新)" small and medium-sized enterprise of Jilin Province in 2023 and appointed as a member of the standardisation work committee of China Society for the Promotion of Science and Technology Commercialization (group standard code: T/CSPSTC); Zonbong Ecology Environmental was awarded "Changbaishan Award for Quality Construction Works in Jilin Province" (吉林省建設工程省優質工程"長白山杯"獎) granted by the Jilin Provincial Construction Association (吉林省建築業協會) for the Supplementary Project for the Comprehensive Improvement in relation to Black and Odorous Water Body in the Urban Area of Liaoyuan City (Ecological Restoration and Enhancement of the Riparian Zone of Dongliao River) – Construction and Supervision of Landscaping Project (Phase I, Phase III) (Bidding Section I: Engineering Construction) and the Shenjunshan Ecological Restoration and Landscaping Project, and was also awarded national "Credit Star Certificate (6-Star)" (信用星級證書(6星)) jointly granted by the China Association of Construction Enterprise Management and its Credit Evaluation Committee and honoured as an "Excellent Construction Enterprise in Jilin Province" (吉林省優秀施工企業) by the Jilin Provincial Construction Association; Changchun Chengjianweihu was honoured as "2023 Provincial Construction Standardised Model Site" (2023年度省級施工標準化管理示範工地) and "2023 Jilin Province Construction Safety Production Standardised Site" for the Infrastructure Construction Project in the Changchun Dual-Carbon Industrial Demonstration Zone (Zone 1) Park – Shiji Avenue Expressway Project (Ziyou Avenue – Shengtai Square Interchange) (III), respectively; while the engineering construction site of the PPE Project and Supporting Road Infrastructure Construction Project in the Changchun Automotive Economic-Technological Development Area was honoured as "2023 Jilin Province Construction Safety Production Standardised Site"; and Changchun Chengjianweihu was awarded as an "Excellent Construction Enterprise in Jilin Province" by the Jilin Provincial Construction Association.

RISK MANAGEMENT

The Group believes that risk management is essential to the Group's efficient and effective operation. The Group's management assists the Board in evaluating material risk exposure existing in the Group's business, including investment risk, interest rate risk, liquidity risk, etc., and participates in formulating appropriate risk management and internal control measures and ensuring their implementation in daily operational management. There was no material deficiency in the Group's internal control during FY2023.

Management Discussion and Analysis

IMPORTANT RELATIONSHIP

Our Employees

The Group had a total of 899 employees as at 31 December 2023, all of which were based in the PRC. For FY2023, staff costs were approximately RMB169.7 million. Set forth below is a breakdown of the number of the Group's employees by functions as at 31 December 2023:

Functions/departments	**Number of employees**
Board Office	13
Marketing and Sales Department	49
Auditing and Finance Department	26
Operation Department	65
Human Resource and Administration	28
Construction and Engineering	480
Design	238
Total	**899**

To enlarge our talent pool and to strengthen our technical capabilities, we have been focusing on the continuous professional development of our employees. The professional qualifications possessed by our employees as at 31 December 2023 are set forth as below:

Qualification	**Number of qualification holders**
Registered constructor	
Class A	76
Class B	129
Registered architect	
Class A	2
Class B	2
Professional engineer	
Professorate senior	25
Associate senior	171
Intermediate and associate	268
Registered engineer	68
Registered town planner	1
Professional accountant	4
	746

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

During FY2023, the Group did not experience any material labour disputes, strikes or other material labour conflicts, receive any complaints, notices or orders from relevant government authorities or third parties, or receive any claims from our employees relating to social insurance or housing provident funds that could materially impaired our business operation or reputation. The Group made contributions to social insurance and housing provident funds in accordance with the applicable laws and regulations. The details in relation to retirement benefit scheme are disclosed in note 7(b) to the consolidated financial statements.

Our Suppliers and Subcontractors

For FY2023, the Group made procurement from and outsourced professional subcontracting services to more than 860 suppliers across the PRC. The Group's suppliers are corporate entities or sole proprietors who are principally engaged in the supply and trading of plants and construction materials (such as cement, steels, timbers, stones and gravel) and subcontracting of ancillary construction works in the PRC. The Group has implemented a suppliers and subcontractors diversity policy, improved its supplier evaluation system, utilised the evaluation results to achieve mutually beneficial and win-win partnerships and optimised the procurement procedures. The Group also seeks quotations from no less than three suppliers or subcontractors to continuously improve the quantity and quality of its supplier base and to avoid over-reliance on any single supplier or subcontractors. The Group's Procurement and Engineering Departments have established a pool of qualified suppliers and subcontractors through collaboration and call for expressions of interest. The selection of qualified suppliers and subcontractors is based on a combination of criteria including price, quality and delivery time, supply capability and customer service.

Our Customers

The Group's customers comprise state-invested enterprises, government-invested enterprises, public institutions, property owners and developers in the private market, management or entities of construction projects and construction companies. During FY2023, the Group had approximately 145 customers, which including but not limited to state-owned enterprises, public institutions and government-invested enterprises.

PROSPECTS

The Central Economic Work Conference held on 11-12 December 2023 proposed a systematic outline for China's economic work in 2024. The conference underlined that with regards to China's development in the future the favourable factors are stronger than the unfavourable ones, and the basic trend of economic recovery and long-term improvement has not changed, and demanded that "in 2024, we must persist in seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, while pushing ahead with transforming the growth model, making structural adjustments, improving quality, and enhancing performance".

Management Discussion and Analysis

In 2023, a number of domestic construction enterprises were facing survival problems and development difficulties. The construction industry has entered into "second half of its match", with an urgent need to "seek progress while maintaining stability, promote stability through progress, and establish the new before abolishing the old". "Stability" is the key and overall foundation, a prerequisite of survival, while "progress" is the direction and goal, a prerequisite of development. "Seeking progress while maintaining stability" requires construction enterprises to aim for high-quality development, avoid excessive pursuit of large-scale expansion, and to make progress without undermining long-term development stability; "promoting stability through progress" requires construction enterprises to push ahead with transforming their growth model, making structural adjustments, improving quality, and enhancing performance, transform out of their extensive mode of production, adjust and optimise their business portfolio and structure, improve their quality of development in all aspects and elements, and promote the sustained increase of economic and social benefits, so as to achieve an effective enhancement of quality and a reasonable growth of quantity.

In August 2022, the General Office of the CPC Central Committee, the General Office of the State Council and the "Cultural Development Plan for the 14th Five-Year Plan" have included "deep integration of culture and tourism" as one of the main objectives of industry development, carried out pilot integration of the functions of public cultural institutions and tourism service centres, promoted the integrated development of culture with tourism, sports, education, information, construction and manufacturing, and extended the industrial chain.

In July 2023, the State Council executive meeting considered and passed the "Guiding Opinions on Actively and Steadily Promoting the Transformation of Urban Villages in Super-Large and Mega Cities", increasing policy support for the transformation of urban villages, actively innovating the transformation model, and endeavouring to develop a wide range of new business models to achieve sustainable operations.

The Central Treasury plans to issue an additional RMB1 trillion in treasury bonds for 2023 in the fourth quarter of 2023, with the focus on accelerating the dredging of main river channels in the Haihe River Basin, reinforcing important dykes, and strengthening the safe construction and operation and management of flood storage areas.

In early 2024, a subsidiary of the Group obtained the First-Grade Qualification of Main Contractor for Municipal Public Works in Guangdong Province through a merger and acquisition with Guangdong Fengyue Construction Engineering Co., Ltd* (廣東奉粵建設工程有限公司), which provided a solid foundation for the Group to expand into the Guangdong market; also, a subsidiary of the Group entered into a cooperation agreement with Chengdu Edelweiss Animation Production Co., Ltd* (成都雪絨花動漫製作有限公司) to obtain an exclusive licence (within mainland China) for the character images from the animation IP "Year Hare Affair" (《那年那兔那些事》) to be used in the "Motor-less Children's Playground", which included the use for commercial operations, such as the design, production and development of peripheral products of the playground.

Looking forward to 2024, it is expected that the PRC's macro-economy will still face certain downward pressure, infrastructure investment will still act as a "ballast stone" for stable growth, and infrastructure investment is expected to see continuous growth, while overall growth may slow further. In view of this, the Group will vigorously expand the synergistic integrated business of culture, commerce, tourism and industry, continue to take advantage on its existing strengths of possessing a wide range of qualifications, and plan to jointly bid for contracts with various partners and develop the national market to realise complementary strengths and extend its business to the whole process of consultancy. The Group will solidify its stronghold in Changchun, firm up its national development strategy, deepen the creation of customer value, and expand the business of its subsidiaries in Shenzhen, Guangzhou, Tianjin and Chongqing. It will continue to improve its operation and management level through digitalisation, endeavour to open up new markets for city maintenance and new intellectual property (IP) sources for cultural and tourism operations, and strive to achieve greater breakthroughs across the country with the philosophy of engineering business driven by cultural, commercial and tourism projects.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 111.0% or approximately RMB1,239.1 million from approximately RMB1,116.4 million (Restated) for FY2022 to approximately RMB2,355.5 million for FY2023. The increased in revenue was mainly due to the increase of newly awarded contracts value in FY2023.

City renewal construction services

The Group recorded an increase in revenue from the city renewal construction services segment, from approximately RMB863.7 million (Restated) for FY2022 to approximately RMB2,024.2 million for FY2023, representing an increase of approximately 134.4% or approximately RMB1,160.5 million, which was mainly due to the increase of newly awarded contracts value during FY2023.

City operation and maintenance services

The Group recorded an increase in revenue from the city operation and maintenance services segment, from approximately RMB148.4 million (Restated) for FY2022 to approximately RMB219.0 million for FY2023, representing an increase of approximately 47.5% or approximately RMB70.6 million, which was mainly due to the increase of newly awarded contracts value during FY2023.

Design and consultancy services

The Group recorded an increase in revenue from the design and consultancy services segment, from approximately RMB104.4 million (Restated) for FY2022 to approximately RMB112.3 million for FY2023, representing an increase of approximately 7.6% or approximately RMB7.9 million, which was mainly attributable to the increase of newly awarded contracts value in FY2023.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 132.6% or approximately RMB257.0 million from approximately RMB193.8 million (Restated) for FY2022 to approximately RMB450.8 million for FY2023. The increase in gross profit was mainly due to the increase in overall revenue. Gross profit margin of the Group increased from approximately 17.4% (Restated) for FY2022 to approximately 19.1% for FY2023. The increase in gross profit margin was mainly due to an improvement in engineering and construction technique and method utilized by the Group during FY2023.

Other net income

The Group's other income increased by approximately 23.2% or approximately RMB2.0 million from approximately RMB8.6 million (Restated) for FY2022 to approximately RMB10.6 million for FY2023, which was mainly due to a decrease in net foreign exchange loss.

Management Discussion and Analysis

Selling expenses

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

The Group's selling expenses remains stable at approximately RMB18.8 million and approximately RMB18.8 million in FY2023 and FY2022, respectively.

Administrative expenses

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

The administrative expenses increased from approximately RMB86.8 million (Restated) for FY2022 to approximately RMB91.7 million for FY2023, representing an increase of approximately 5.6% or approximately RMB4.9 million. The increase in administrative expenses was due to an increase in operating revenue which increased tax expense.

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

The impairment losses on trade and other receivables, contract assets and financial guarantees issued under the ECL model for FY2023 was approximately RMB110.1 million (FY2022: approximately RMB138.5 million (Restated)). The decreased was mainly due to (i) the proactive implementation of debt cancellation policy by the government during FY2023, which increased recovery of loans and lowered the impairment loss on trade and other receivables and (ii) the focus on pursuing the measurement/settlement of contract assets with long ageing during FY2023 , which lowered the impairment loss on contract assets.

Finance costs

The Group's finance costs mainly represented interest expenses on bank loans, and it decreased by approximately 6.7% or approximately RMB4.7 million from approximately RMB69.9 million (Restated) for FY2022 to approximately RMB65.1 million for FY2023, which was mainly due to the decrease in interest expenses and supplemental net foreign exchange loss as compared with FY2022.

Share of profits/(losses) of associates

The Group's share of profits/(losses) of associates represented profits/(losses) shared from two associates, namely Changchun Xianbang Municipal and Landscape Limited (長春現邦市政園林有限責任公司) ("**Changchun Xianbang**") and Tianjin Nangang Municipal Garden Engineering Limited* (天津南港市政園林工程有限公司) (formerly known as Sipoke (Tianjin) Industrial Services Company Limited* (斯泊克(天津)產業服務有限公司)) ("**Tianjin Nangang**").

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

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

During FY2023, results of associates attributable to the Group increased by approximately RMB5.3 million from share of losses of approximately RMB3.9 million for FY2022 to share of profit of approximately RMB1.4 million for FY2023. Such increase was mainly due to the increase in revenue of the associates.

Share of (losses)/profits of a joint venture

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

During FY2023, profits of Tianjun Tourism attributable to the Group decreased by approximately RMB5.3 million from a profit of approximately RMB0.9 million for FY2022 to a loss of approximately RMB4.4 million for FY2023. Such decrease in profit was mainly due to the increased ECL allowance for FY2023 allowance for FY2023.

Income tax

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

Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2018 to 2023, 2022 to 2024 or from 2023 to 2025, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for FY2023 (2022: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to additional tax deductible allowance amounted to 100% of qualified research and development costs for FY2023 (2022: 75%).

The Group's income tax changed from approximately RMB-18.1 million (Restated) for FY2022 to approximately RMB19.4 million for FY2023, which was mainly due to the Group's turnaround from loss for FY2022 to profit for FY2023.

Net current assets

The Group's net current assets decreased by approximately 26.9% or approximately RMB139.5 million from approximately RMB516.7 million (Restated) as at 31 December 2022 to approximately RMB377.2 million as at 31 December 2023. The decrease was mainly attributable to settlement of the acquisition during FY2023.

Management Discussion and Analysis

Inventories and other contract costs

The following table sets out a breakdown of inventories and other contract costs of the Group as at 31 December 2023 and 2022:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Inventories – construction materials	**26,769**	25,058
Other contract costs	**27,155**	11,135
	53,924	36,193

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

The balance of inventories and contract costs increased by approximately RMB17.7 million as at 31 December 2023 as compared with 31 December 2022 which was mainly due to the expansion in business scale of the Group.

Contract assets

The Group's contract assets increased by approximately 5.9% or approximately RMB62.8 million from approximately RMB1,055.7 million (Restated) as at 31 December 2022 to approximately RMB1,118.5 million as at 31 December 2023. The increase in contract assets corresponds to the increase in income scale of the Group.

Trade and bills receivables

The Group's trade and bills receivables increased by approximately 11.8% or approximately RMB185.7 million from approximately RMB1,579.4 million (Restated) as at 31 December 2022 to approximately RMB1,765.1 million as at 31 December 2023. The increase was primarily due to the increased income scale and an improved cycle of the collection of trade receivables.

Restricted bank deposits

The Group's restricted bank deposits decreased by approximately 8.6% or approximately RMB1.9 million from approximately RMB22.2 million (Restated) as at 31 December 2022 to approximately RMB20.3 million as at 31 December 2023, which was mainly due to the decrease of restriction on deposits which release after the payment of bills or repayment of loans.

Trade and bills payables

The Group's trade and bills payables increased by approximately 12.3% or approximately RMB151.7 million from approximately RMB1,237.5 million (Restated) as at 31 December 2022 to approximately RMB1,389.2 million as at 31 December 2023, which was due to the increase in business scale for FY2023.

Capital commitments

The table below sets out the amount of the capital commitments of the Group as at 31 December 2023 and 2022:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Authorised but not contracted for	**14,448**	4,908

As at 31 December 2023, the capital commitments authorised but not contracted for are mainly used for information technology systems and construction equipment and office equipment.

Indebtedness

As at 31 December 2023, the Group had borrowings of approximately RMB806.2 million (31 December 2022: approximately RMB1,053.7 million (Restated). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB726.3 million (31 December 2022: approximately RMB974.8 million (Restated)) of the borrowings are payable within 1 year. Some of the borrowings were secured and guaranteed by trade and bills receivables and contract assets and bank deposits of the Group, related parties or third-party guarantee companies.

As at 31 December 2023, the Group had utilised all of the banking facilities.

As at 31 December 2023, none of the covenants relating to the bank loans had been breached.

KEY FINANCIAL RATIOS

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

	Year ended 31 December	
	2023	2022
		(Restated)
Gross profit margin (%) (1)	**19.1**	17.4
Net profit/(loss) margin (%) (2)	**6.5**	-8.7
Return on equity (%) (3)	**18.1**	(10.0)
Return on total assets (%) (4)	**3.8**	(2.3)

	As at 31 December	
	2023	2022
		(Restated)
Current ratio (5)	**1.1**	1.2
Gearing ratio (6)	**1.0**	1.1
Net debt to equity ratio (7)	**0.7**	0.9

Notes:

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

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

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

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

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

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

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

Return on equity

The return on equity increased from -10.0% (Restated) for FY2022 to 18.1% for FY2023, primarily due to increase in profit for FY2023.

Return on total assets

The return on total assets increase from -2.3% (Restated) for FY2022 to 3.8% for FY2023, primarily due to increase in profit for FY2023.

Current ratio

The current ratio decreased from 1.2 for FY2022 (Restated) to 1.1 for FY2023.

Gearing ratio

The gearing ratio increased from 1.1 (Restated) as at 31 December 2022 to 1.0 as at 31 December 2023 due to the decrease in bank and other loans.

Net debt to equity ratio

The net debt to equity ratio increased from 0.9 (Restated) as at 31 December 2022 to 0.7 as at 31 December 2023 due to the decrease in bank and other loans.

MATERIAL ACQUISITIONS AND DISPOSALS

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

Save as the acquisition of 87.5% equity interests in Jilin Modern Zhongqing City Construction Co. Ltd. ("**Jilin Modern Zhongqing**"), which was completed on 30 June 2023, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures during FY2023. Please refer to the announcement of the Company dated 11 April 2023 and the circular of the Company dated 9 June 2023 for details of the acquisition of 87.5% equity interests in Jilin Modern Zhongqing.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2023 and 31 December 2022, except for the associate and joint venture of the Group as disclosed in this Report, the Group did not hold any significant investments.

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

CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES ISSUED

As at 31 December 2023, the Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2023, the balance of the bank loan was RMB315,000,000 (31 December 2022: RMB330,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. For the year ended 31 December 2023, the ECLs of financial guarantee issued amounted to RMB5,289,000 was recognised as "accrued expenses and other payables – financial guarantees issued". The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2023, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB24,500,000 (31 December 2022: RMB21,131,000).

Management Discussion and Analysis

As at 31 December 2023, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2023, the balance of the bank loan was RMB136,150,000 (31 December 2022: RMB180,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB12,685,000 and RMB2,692,000 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 an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. For the year ended 31 December 2023, the ECLs of financial guarantee issued amounted to RMB3,412,000 was recognised as "accrued expenses and other payables – financial guarantees issued". The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2023, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB12,500,000 (31 December 2022: RMB10,670,000).

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.

The Group has issued guarantees in respect of bank loans and bills payable of ZIHG and its subsidiaries, joint ventures and associates and third parties, and the balance of loans and bills payable guaranteed or counter-guaranteed by the Group amounted to RMB300,000,000 as at 31 December 2023 (31 December 2022: RMB630,000,000). All such financial guarantees issued by the Group have been released as at the date of this Report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the parts headed "MATERIAL ACQUISITIONS AND DISPOSALS" in this Report, the Group has no future plan for material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

On 28 March 2024, the Board resolved to declare the payment of a final dividend of RMB0.071 per share of the Company (the "**Share**") (equivalent to HK$0.078 per Share) for the year ended 31 December 2023, representing a dividend payout ratio of approximately 14.5% which was calculated based on dividends per share divided by earning per share. The Board recommended the payment of a final dividend, on or around Friday, 19 July 2024 to the shareholders of the Company (the "**Shareholder(s)**") whose names appear on the register of members of the Company on Monday, 8 July 2024. The final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB base on the rate at the date of 22 March 2024. For details, please refer to the Company's announcement dated 28 March 2024.

On 10 April 2024, the Board has proposed to subdivide each of the existing issued and unissued Shares of HK$0.001 each in the share capital of the Company into three subdivided shares of nominal value of HK$0.0003 each (the "**Share Subdivision**"). The Share Subdivision is subject to, among others, approval by Shareholders at the forthcoming AGM. For details, please refer to the Company's announcement dated 10 April 2024.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

Credit risk

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

At 31 December 2023, 16.7% (31 December 2022: 16.9% (Restated)) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 54.1% (31 December 2022: 44.4% (Restated)) of the total trade receivables and contract assets, were due from the Group's five largest debtors. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has limited credit risk on cash and cash equivalents because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

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

Liquidity risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2023, fixed rate borrowings accounted for 100.0% of total borrowings of the Group whereas variable rate borrowings accounted for 0.0% of total borrowings of the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Liu Haitao (劉海濤) ("Mr. Liu"), aged 49, was appointed as a Director on 8 March 2019 and was redesignated as an Executive Director on 24 September 2019. Mr. Liu was the chairman of the Board, the Chief Executive Officer and an Executive Director between 8 March 2019 and 7 October 2022. On 7 October 2022, Mr. Liu retired as the Chairman and has been re-designated as the vice-chairman of the Board and Mr. Liu continued as an executive Director and the chief executive officer of the Company. He is responsible for formulating and implementing business and operation strategies of the Group, as well as making major business and operational decisions for the Group. Mr. Liu has more than 20 years of management experience in the construction industry.

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

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

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

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

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

Ms. Wang Yan (王彥) ("**Ms. Wang**"), aged 43, was appointed as an Executive Director of the Company on 18 March 2020. She was appointed as the chief financial officer of the Company and the deputy general manager of the Group on 14 December 2020 and 26 September 2014, respectively. Ms. Wang has more than 14 years of financial management experience in the construction industry. She worked at ZCLLC from March 2006 to September 2014, with her last position held as finance manager. Since September 2014, she has become the chief financial officer of Zonbong Landscape.

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

Non-executive Directors

Mr. Sun Juqing (孫舉慶) ("**Mr. Sun**"), aged 53, was appointed as a Non-executive Director of the Company on 24 September 2019. On 7 October 2022, Mr. Sun has succeeded Mr. Liu Haitao as the chairman of the Board. He has more than 20 years of experience in the construction industry. Mr. Sun has held directorships in Zonbong Landscape since December 2012 and in Jilin Zonbong since September 2018.

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

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

Ms. Lyu Hongyan (呂鴻雁) ("**Ms. Lyu**"), aged 47, was appointed as a Non-executive Director of the Company on 24 September 2019. She has more than 17 years of experience in accounting and financial management. Ms. Lyu has held directorships in Zonbong Landscape since December 2014 and Jilin Zonbong since September 2018.

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

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

Mr. Shao Zhanguang (邵占廣) ("**Mr. Shao**"), aged 45, was appointed as a Non-executive Director of the Company on 24 September 2019. He has 15 years of experience in the construction industry. He has held directorships from December 2012 to February 2021 in Zonbong Landscape and Zonbong Shanshui from December 2013 to February 2021. He was appointed as Supervisor in Zonbong Landscape since February 2021.

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

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

Independent Non-executive Directors

Mr. Gao Xiangnong (高向農) ("**Mr. Gao**"), aged 55, was appointed as an Independent Non-executive Director of the Company on 14 December 2020. Prior to joining the Group, Mr. Gao served as the chief financial officer from September 2003 to December 2005 and then as an executive director and the Chief Executive Officer since January 2006 at NutryFarm International Limited (formerly known as MultiVision Intelligent Surveillance Limited), a company listed on the Main Board of the Singapore Exchange Securities Trading Limited (stock code: AZT). From February 2004 to July 2018, he also served as an Independent Non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司), a company listed on GEM of the Stock Exchange (stock code: 8301).

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

Mr. Yin Jun (尹軍) ("**Mr. Yin**"), aged 69, was appointed as an Independent Non-executive Director of the Company on 14 December 2020. Prior to joining the Group, Mr. Yin successively served as a lecturer, associate professor and professor in municipal and environmental engineering at the Jilin Architecture and Civil Engineering Institute (吉林建築工程學院) (now known as Jilin Jianzhu University (吉林建築大學)) from December 1982 to April 2008. From April 2008 to September 2014, he worked as the deputy chairman of Jilin Province Science and Technology Association (吉林省科學技術協會). He served as an external director from January 2018 to August 2022 at Changchun Water (Group) Co., Ltd (長春水務(集團)有限責任公司), a state-owned company engaged in the operation of city water supply.

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

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

Mr. Lee Kwok Tung Louis (李國棟) ("**Mr. Lee**"), aged 56, was appointed as an Independent Non-executive Director of the Company on 14 December 2020.

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

Mr. Lee Kwok Tung Louis is currently an Independent Non-executive Director of Redsun Properties Group Limited (弘陽地產集團有限公司) (stock code: 1996) and Fusen Pharmaceutical Company Limited (福森藥業有限公司) (stock code: 1652) all of which are listed on the Stock Exchange. Mr. Lee Kwok Tung Louis resigned as an independent non-executive director of CGN Mining Company Limited (中廣核礦業有限公司) (stock code: 1164) on 17 August 2023, resigned as an independent non-executive director of Titan Invo Technology Limited (Formerly known as Tus International Limited 前稱啟迪國際有限公司) (stock code: 872) on 18 April 2023 and resigned as an independent non-executive director of Zhengwei Group Holdings Company Limited (正味集團控股有限公司) (stock code: 2147) on 29 February 2024.

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

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Wang Peng (王棚), aged 41, has been the regional deputy general manager of the Group since January 2019. He is primarily responsible for the management of projects of Zonbong Landscape in East Inner Mongolia, Shandong and Beijing. Mr. Wang Peng joined Zonbong Landscape in February 2008 and worked as a technician till January 2009. From February 2009 to February 2010, he was the project manager of Zonbong Landscape. From March 2010 to August 2010, Mr. Wang Peng was the manager of the engineering department of Zonbong Landscape. From September 2010 to January 2014, he was the deputy chief production manager of Zonbong Landscape. He was then promoted to be the project director and project manager of Zonbong Landscape, responsible for the production management of Zonbong Landscape from February 2014 to December 2018.

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

Mr. Wang Xuesong (王雪松), aged 49, has been the chief engineer of Zonbong Shanshui since January 2019. He is primarily responsible for overseeing the Company's project design quality and technology research and development. Prior to that, he was the manager of the ecological department of Zonbong Landscape from February 2018 to December 2018. Before Mr. Wang Xuesong joined the Group, he worked for Changchun Municipal Engineering Design and Research Institute as a designer responsible for the water supply and drainage engineering design from August 2014 to August 2017.

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

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted and complied with the code provisions as set out in Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company will continue to review and enhance its corporate governance to ensure compliance with the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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

RELATIONSHIPS AMONG MEMBERS OF THE BOARD

Directors' biographical details and relationships between the Directors (if any) are set out in the section entitled "Directors and Senior Management" in this annual report.

Corporate Governance Report

BOARD OF DIRECTORS

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

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

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

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

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and update their knowledge and skills to ensure that their contribution to the Board remains fully informed and relevant. All directors and senior management attended continuous training during FY2023.

Confirmation of Independence of Independent Non-Executive Directors

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

Non-executive Directors and Independent Non-executive Directors

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

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

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

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

Board Diversity Policy

The Board adopted a board diversity policy on 6 January 2021 (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of the Board. The Company believes that it will help strengthen the business development of the Company and enhance the effectiveness and performance of the Board. Currently, two out of eight members of the Board are females, and the Board considers that gender diversity has been achieved at Board level, and will continue to follow the Board Diversity Policy in developing a pipeline of potential successors to the Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity, and length of service. During the FY2023 and up to the date of this Report, the ratios of male-to-female Board members is 6:2 which fulfilled the numerical target of at least 1 female in the board. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

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

Corporate Governance Report

THE BOARD

Number of meetings attended

The Board held 4 regular meetings and 1 additional meeting during the Reporting Period.

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

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

Notes:

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

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

BOARD COMMITTEES

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

Audit Committee

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

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

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

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

Name of members of the Audit Committee	Number of attendance
Mr. Lee Kwok Tung Louis *(Chairman)*	3/3
Mr. Yin Jun	3/3
Mr. Gao Xiangnong	3/3

Remuneration Committee

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

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

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

Nomination Committee

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

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for FY2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 95 to 100 of this Report.

EMOLUMENTS OF DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Pursuant to the Code Provision E.1.5 of the CG Code, the following table sets forth the emoluments of the Directors and members of Senior Management for FY2023 categorised by bands:

Band	Total emoluments *(Note) (RMB)*	Number of Directors	Number of members of Senior Management
1	0 – 400,000	5	—
2	400,000 – 800,000	3	2

Note: Total emoluments included directors' fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions for FY2023.

Further details of the emoluments of the Directors and the five highest paid employees for FY2023 required to be disclosed pursuant to Appendix D2 of the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

DIVIDEND POLICY

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

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

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

AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, KPMG, in respect of audit and non-audit services provided to the Group for FY2023 is set out below:

Services rendered	**Service Category Fee Paid/Payable** *RMB'000*
Audit service	5,600
Non-audit service	—

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

INSIDE INFORMATION

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

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

COMPANY SECRETARY

During the year ended 31 December 2023, the Company Secretary has taken no less than 15 hours of the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

Having considered the above, the Board considers the current Shareholders' communication policy to be adequate and effective.

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.

Corporate Governance Report

Putting Forward Proposals at General Meetings

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

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

Contact Details

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

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

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

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Second Amended and Restated Memorandum and Articles of Association in the Reporting Period. The latest Second Amended and Restated Memorandum and Articles of Association of the Company is available on both the websites of the Company and of the Stock Exchange.

Report of the Directors

The Directors are pleased to present their Report together with the audited consolidated financial statements of the Group for FY2023.

REORGANISATION AND GLOBAL OFFERING

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

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in city renewal construction services, city operation and maintenance and design and consultancy services.

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

FINANCIAL RESULTS

The results of the Group for the year are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 101 to 102 of this Report.

DIVIDEND

The Board resolved to declare the payment of a final dividend of RMB0.071 per share of the Company (the "**Share**") (equivalent to HK$0.078 per Share) for the year ended 31 December 2023, representing a dividend payout ratio of approximately 14.5% which was calculated based on dividends per share divided by earning per share. The Board recommended the payment of a final dividend, on or around Friday, 19 July 2024 to the shareholders of the Company (the "**Shareholder(s)**") whose names appear on the register of members of the Company on Monday, 8 July 2024. The proposed final dividend is subject to the approval of the Shareholders at the AGM to be held on 14 June 2024. The final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB base on the rate at the date of 22 March 2024.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from Thursday, 4 July 2024 to Monday, 8 July 2024, both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders in the AGM), during which period no share transfers will be registered. To qualify for the final dividend, all transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong before 4:30 p.m. on Wednesday, 3 July 2024.

Report of the Directors

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company is scheduled to be held on 14 June 2024. A notice convening the 2023 Annual General Meeting will be issued and sent to the Shareholders in or around April 2024.

CLOSURE OF REGISTER OF MEMBERS OF AGM

For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 11 June 2024 to 14 June 2024 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with the Company's branch register in Hong Kong, Boardroom Share Registrars Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 7 June 2024.

BUSINESS REVIEW

A review of the business of Group during FY2023 and a discussion on the Group's future business development are set out in the section headed "Chairman's Statement" as well as the section headed "Management Discussion and Analysis" of this Report respectively. Discussions on the Group's relationships with its key stakeholders are also set out in the section headed "Chairman's Statement" of this Report.

COMPLIANCE WITH THE RELEVANT LAWS AND RESOLUTIONS

During FY2023, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the businesses and operation of the Group.

ENVIRONMENTAL POLICY AND PERFORMANCE

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

The ESG Report of the Company for FY2023 containing the information required under Appendix 27 to the Listing Rules are included in the pages 58 to 94 of this Report.

RESULTS

The results of the Group for FY2023 are set out in the consolidated financial statements on pages 101 to 188 of this Report.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the past five years are set on page 189 of this Report.

SHARE CAPITAL

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

Report of the Directors

RESERVES

Details of the movements in the reserves of the Group and the Company during FY2023 are set out in the consolidated statement of changes in equity, pages 105 to 106 and note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2023, the Company did not have any reserves available for distribution to the Shareholders of the Company (2022: RMB Nil).

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2023.

SUBSIDIARIES

Details of the Company's principal subsidiaries as of 31 December 2023 are set out in note 15 to the consolidated financial statements.

DIRECTORS

The list of Directors of the Company during FY2023 and up to the date of this Report is set out below:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

The biographical details of the Directors are disclosed on pages 20 to 23 in this Report.

Report of the Directors

SHARE OPTION SCHEME

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

1. Purpose of the Share Option Scheme

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

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

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

3. Life of the Share Option Scheme

(a) Conditions of the Share Option Scheme

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

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

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

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

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

(b) Life of the Share Option Scheme

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

4. Grant of options

(a) Making of offer

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

(b) Acceptance of offer

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

(c) Restrictions on time of grant

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

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

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

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

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

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

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

(d) Grant to connected persons

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

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

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

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

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

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

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

(b) Performance target

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

5. Exercise price

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

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

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

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

6. Maximum number of Shares available for subscription

(a) Scheme Limit

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

(b) Renewal of Scheme Limit

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

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

(c) Grant of options beyond Scheme Limit

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

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

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

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

(e) Grantee's maximum holding

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

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

(f) Adjustment

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

7. Capital restructuring

(a) Adjustment of options

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

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

(ii) the Exercise Price; and/or

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

(b) Independent financial advisor confirmation

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

8. Cancellation of options

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

9. Assignment of options

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

10. Rights attached to the Shares

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

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

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

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

11. Exercise of options

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

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

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

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

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

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

12. LAPSE OF OPTIONS

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

(i) the expiry of the Option Period;

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

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

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

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

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

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

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

13. Alteration of the Share Option Scheme

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

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

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

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

   (ii) the sanction of a special resolution.

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

14. Termination

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

As the above Share Option Scheme was adopted before the effective date of the new Chapter 17 of the Listing Rules, the Company has complied and will continue to comply with the new Chapter 17 to the extent required by the transitional arrangements for the existing Share Option Scheme. Furthermore, the Company confirmed that it will continue to comply with the new Chapter 17 requirements, and in the future event that the Company wishes to make further grants under the existing schemes and/or adopt new share schemes, to make appropriate announcement and if necessary to seek shareholders' approval accordingly.

EMPLOYEES AND EMOLUMENTS POLICY

As at 31 December 2022, the Group had a total of 555 employees, which incurred staff costs (including Directors' remuneration) of approximately RMB121.7 million as stated in the annual report of the Company in 2022. As at 31 December 2023, primarily due to the acquisition of Changchun Chengjianweihu, the Group's total number of employees has increased to 899, and the Group incurred an increased staff costs (including Directors' remuneration) of approximately RMB169.7 million.

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

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

Details of the emoluments of the Directors and members of Senior Management are set out under the section headed "Corporate Governance Report — Emoluments of Directors and Senior Management" in this Report. Details of the emoluments of the Directors for FY2023 are also set out in note 9 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

RETIREMENT BENEFIT SCHEMES

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

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

PERMITTED INDEMNITY PROVISION

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

RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during FY2023 are set out in note 33 to the consolidated financial statements included transactions that constitute continuing connected transactions upon the listing of the Company for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with in so far they are applicable. Joint venture, associate and key management personnel of ZIHG and a company managed by a key management personnel of ZIHG are related parties but not connected persons of the Company, and hence certain transactions entered into by the Group with the aforesaid parties in FY2023 would not constitute connected transactions under Chapter 14A of the Listing Rules.

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

During FY2023, the Group had the following related party transactions which constituted connected transactions of the Company:

(i) The total of purchase of goods for FY2023 was approximately RMB8,824,000 among which approximately RMB6,708,000 was incurred by Changchun Chengjianweihu prior to the Group's acquisition of its parent Company, Jilin Modern Zhongqing, in June 2023. As regards the remaining purchase amount of approximately RMB2,116,000 (2022: approximately RMB491,000) from ZIHG and its subsidiaries, joint ventures and associates, such purchases were conducted on terms no less favourable than terms available from independent third parties and in the ordinary course of business of the Group, and constituted de minimus transactions exempted under rule 14A.76 of the Listing Rules;

(ii) Guarantees provided by ZIHG and its subsidiaries, joint ventures and associates for the Group's bank loans as at 31 December 2023 of approximately RMB393,007,000 (2022: approximately RMB480,917,000 (Restated)); which were not secured by any assets of the Group and is conducted on normal commercial terms or better;

(iii) The Group has issued guarantees in respect of bank loans and bills payable of ZIHG and its subsidiaries, joint ventures and associates and third parties, and the balance of loans and bills payable guaranteed or counter-guaranteed by the Group amounted to RMB300,000,000 as at 31 December 2023 (31 December 2022: RMB630,000,000). All such financial guarantees issued by the Group have been released as at the date of this Report; and

(iv) The Group engaged ZIHG Group for the provision of infrastructure construction works services from time to time. For FY2023, the fee incurred for such services was approximately RMB4,051,000, among which approximately RMB1,570,000 was incurred by Changchun Chengjianweihu prior to the Group's acquisition of its parent Company, Jilin Modern Zhongqing, in June 2023. As regards to the remaining amount of approximately RMB2,481,000 (2022: approximately RMB7,036,000 incurred pursuant to the previous continuing connected transactions infrastructure construction works framework agreement for the year ended 31 December 2020, 2021 and 2022), such service received were conducted on terms no less favourable than terms available from independent third parties and in the ordinary course of business of the Group, and constituted de minimus transactions exempted under rule 14A.76 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The followings are the connected persons of the Company:

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

During FY2023, the Group had the following transactions which constituted continuing connected transactions upon the Company's listing that took place after the reporting period:

(1) Equipment usage framework agreement [1]

On 28 October 2022, the Group entered into a new equipment usage framework agreement with ZIHG for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which the ZIHG Group will use the Group's water sprinkling vehicles. Details of the framework agreement were disclosed in the announcement of the Company dated 28 October 2022.

The maximum fees to be paid by the ZIHG Group to the Group for the use of equipment for the three years ending 31 December 2025 shall not exceed the annual caps of RMB600,000, RMB700,000 and RMB800,000, respectively. The transaction amount for the year ended 31 December 2023 was Nil, which did not exceed the annual cap for the year ended 31 December 2023.

(2) Culture, Commerce and Tourism Project Management Services Framework Agreement [2]

The Group entered into a technical consultancy services framework agreement with ZIHG on 28 October 2022, pursuant to which the Group agreed to provide preliminary consultation, project planning, overall planning in aspects such as architectural design, landscape design and technical consultancy; and project operation to ZIHG Group. The annual caps for the three years ending 31 December 2025 are RMB30,000,000, RMB40,000,000 and RMB40,000,000, respectively. The transaction amount for the year ended 31 December 2023 was RMB8,308,000, which did not exceed the annual cap for the year ended 31 December 2023.

(3) General Contracting Management of Construction and Municipal Public Works Framework Agreement [2]

The Group entered into an infrastructure construction works framework agreement with ZIHG on 28 October 2022, pursuant to which the Group agreed to provide general management services to the construction projects of the ZIHG Group. The annual caps for the three years ending 31 December 2025 are RMB30,000,000, RMB40,000,000 and RMB40,000,000, respectively. The transaction amount for the year ended 31 December 2023 was RMB18,127,000, which did not exceed the annual cap for the year ended 31 December 2023.

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

On 28 October 2022, the Group entered into a new survey and design services framework agreement with ZIHG for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which the Group agreed to provide survey and design services to the ZIHG Group for landscaping, ecological restoration and/or municipal works projects.

The maximum fees to be paid by the ZIHG Group to the Group for the provision for survey and design services for the three years ending 31 December 2025 shall not exceed the proposed annual caps of RMB20,000,000, RMB20,000,000 and RMB20,000,000, respectively. The transaction amount for the year ended 31 December 2023 was RMB6,271,000, which did not exceed the annual cap for the year ended 31 December 2023.

(5) Property leasing framework agreement [2]

On 28 October 2022, the Group entered into a new property leasing framework agreement with ZIHG for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which the Group agreed to lease properties from the ZIHG Group for office use.

The maximum fees to be paid by the Group to the ZIHG Group for the provision for property leasing for the three years ending 31 December 2025 shall not exceed the annual caps of RMB4,500,000, RMB4,800,000 and RMB4,800,000, respectively. The transaction amount for the year ended 31 December 2023 was RMB2,544,000, which did not exceed the annual cap for the year ended 31 December 2023.

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

On 28 October 2022, the Group entered into a new landscaping and ecological restoration construction works services framework agreement with ZIHG for a term of three years from 1 January 2023 to 31 December 2025, pursuant to which the Group agreed to provide landscaping and ecological restoration construction work services to the ZIHG Group. Details of the Framework Agreement were disclosed in the circular of the Company dated 14 December 2022.

The maximum fees to be paid by the ZIHG Group to the Group for providing landscaping and ecological restoration construction work services to the ZIHG Group for the three years ending 31 December 2025 shall not exceed the proposed annual caps of RMB150,000,000, RMB160,000,000 and RMB170,000,000, respectively. The transaction amount for the year ended 31 December 2023 was RMB8,189,000, which did not exceed the annual cap for the year ended 31 December 2023.

Notes:

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

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

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

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

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

(2) on normal commercial terms or better; and

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

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

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

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

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

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

(i) Long positions in our shares

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

Notes:

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

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

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

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

Note:

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2023.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's customers are primarily state-invested enterprises or local governments, private enterprises and non-profit social organisations. Revenue from the largest customer accounted for 21.2% (2022: 18.3% (restated)) of the Group's total revenue, and sales to five largest customers combined is 73.2% (2022: 46.0% (restated)) of the Group's total revenue for FY2023.

The five largest suppliers and subcontracts is less than 30% of the Group's total cost of sales for FY2023 and FY2022.

None of the Directors or any of their respective associates or any Shareholder which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during FY2023 and FY2022.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

TAX RELIEF AND EXEMPTION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements of this Report. As at 31 December 2023, the Group did not hold any property for development, sold or investment.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING BUSINESS

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

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

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

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

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during FY2023.

CHARITABLE DONATION

Charitable donations made by the Group amounted to RMB0.5 million (2022: RMBNil) for FY2023.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

For FY2023, there was no serious and material dispute between the Group and its employees, customers and suppliers.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during FY2023 or subsisted at the end of FY2023.

CORPORATE GOVERNANCE

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

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has reviewed the audited consolidated financial statements for FY2023 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. The Audit Committee has recommended the same to the Board for approval.

AUDITOR

The consolidated financial statements for FY2023 have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for re-appointment of KPMG as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Sun Juqing
Chairman

Hong Kong, 28 March 2024

Environmental, Social and Governance Report

ABOUT THIS REPORT

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

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

Reporting Period and Scope

The report discloses the Group's approaches, initiatives, and performance in relation to ESG management from 1 January 2023 to 31 December 2023 (the "**Year**" or "**Reporting Period**"). Some contents of the ESG Report dates back to before 2023 and into 2024, thereby making the ESG Report more meaningful.

Main Reporting Guidelines

The report has been prepared with reference to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of the Stock Exchange of Hong Kong Limited (the "**HKEX**") as set out in Appendix C2 to the Listing Rules.

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

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

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

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

Publication

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

Environmental, Social and Governance Report

Contact Information

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

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

STATEMENT OF THE BOARD

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

Zonqing mainly focuses on landscaping services, ecological management services, design and consulting services, and city operation and maintenance services. The Group adheres to the spirit of craftsmanship, scientific attitude, and pursuit of humanistic characteristics in its development. Our landscaping works integrate science and technology, culture and art, and are committed to the harmonious integration of human and nature, while our city operation and maintenance services ensure the cleanliness and environmental protection of cities.

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

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

SUSTAINABLE DEVELOPMENT MANAGEMENT

Stakeholder Communication

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

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

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

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

MATERIALITY ASSESSMENT

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

Materiality Assessment Process

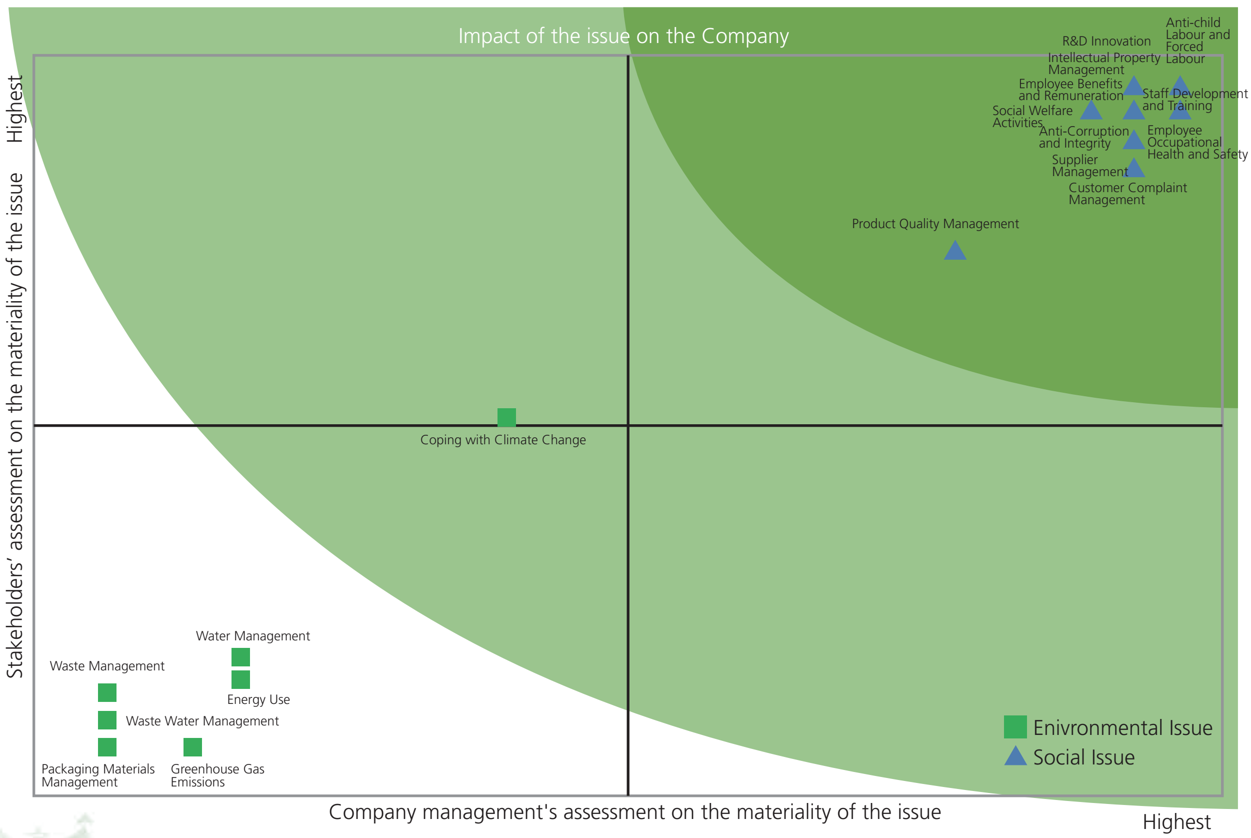
(1) Identifying ESG issues relevant to the Group through analysis of the HKEX's ESG Reporting Guide and issues disclosed by peers;

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

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

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

Materiality Matrix of Issues



1. RESPONSIBLE OPERATION

1.1 Quality Assurance of Works

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

➢ The Quality Management System of ZONQING Ecological Environmental Limited: Details the specific processes and requirements of the eight modules of quality management, which include: quality objectives and approaches, quality inspection management, process acceptance management, quality analysis and alert, quality incident handling and investigation, quality responsibility investigation, completion acceptance and quality creation management.

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

The Company focuses on process optimisation, the systematic specification and management of processes and their interactions, and the management of processes and the system as a whole through the use of the PDCA cycle and always act with a risk-based mindset, with the aim of effectively capitalising opportunities, preventing undesirable outcomes and achieving objectives. Depending on the internal and external environment, the Company plans, implements, maintains and continuously improves to ensure that the desired outcomes of the management system are achieved.

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

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

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

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

1.2 Customer Service Management

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

Zonqing always insists on the fundamental principle of "serving customers from the customer's perspective and co-ordinating work from the owner's perspective", and investigates customer satisfaction through regular return visits, face-to-face interviews, telephone interviews and continuous communication during the project implementation process. In addition, the Group implemented a strict confidentiality system for customer information and established a set of approval system and approval process for customer information management and information access, which were strictly enforced. During the Year, the Group served its customers from the perspective of the customers and went above and beyond to provide customers with legitimate services within its capabilities, which greatly enhanced customer satisfaction and continued to score referrals of new projects from existing customers.

In terms of handling customer complaints, Zonqing has a project manager for each project who is responsible for receiving and handling on-site complaints and telephone complaints, with an aim to resolve problems as soon as they arise. The project manager is the chief responsible person for each project, and according to the type of complaints, feedback will be escalated, and the project manager will follow up the whole process to ensure that customer complaints are handled in a timely manner. In 2023, Zonqing continued to push its servicing to the forefront and collaborate with all business segments, so as to continue to help owners in driving their projects forward from the project planning stage, understand customers' needs, and solve customers' problems from their perspective, during which it has continuously carried out self-checking and self-correction work, ensured product quality, and enhanced its early warning and problem handling capability through its Public Opinion Management System to ensure communication within the Company is barrier-free.

Zonqing has always attach great importance to product quality and customer satisfaction, with no product complaint cases in 2023.

1.3 Intellectual Property Management

Product Development

The Group has established a product and process-oriented technical standard system and a management system for R&D and innovation and optimisation to promote technological synergy and integration, refine high and cutting-edge technology, while continuously exploring key development areas in the industry to form a core competitiveness to support the integrated development of the Group and continuously promote technological innovation. In addition, in order to standardise the management of product R&D of the Group, Zonqing has strengthened the management and supervision of the product R&D process in various aspects such as R&D planning, R&D projects, R&D expenses, transformation of scientific and technological results, innovation platform, cultivation of scientific and technological talents, attracting R&D talents and performance appraisal. We aim to create a technical talent team that can adapt to the requirements of the industry development in the new era, to explore and carry out innovative R&D, to promote the transformation of R&D into results, to achieve healthy development of high-tech enterprises, and to maintain the competitive advantage of the industry forefront.

At the same time, we will continue to explore the key development areas of the industry, accelerate the introduction of smart and intelligent technologies, continuously improve the level of R&D, and continuously promote technological innovation.

In 2023, Zonqing invested RMB85,542,000 in R&D, and launched 16 R&D projects in the field of ecological environment construction and protection, and 18 R&D projects in the field of municipal infrastructure construction, operation and maintenance during the Year. Relying on the innovative R&D achievements, Zonqing strengthened the transformation of innovations into results and the introduction of new technologies and equipment, followed the development trend of the industry, improved the intellectual property rights of its scientific and technological achievements, incentives and risk mechanisms, and accelerated the process of commercialisation of technological achievements. In the future, Zonqing will continue to uphold the direction of "focusing on R&D innovation to build a leading platform; covering a wide range of product chains to expand potential; insisting on a differentiated technology development strategy to obtain a number of patents; and formulating a comprehensive framework to enhance competitiveness and promote sustainable development", increase its strategic R&D efforts, focus on the environmental industry and municipal infrastructure construction, operation and maintenance industry that the Company engages, continue to introduce and develop core technologies from multiple perspectives, such as demand, policy and market opportunities, understand the needs of customers and industry development trends, adjust strategies in a timely manner, establish a good brand image through the provision of high-quality products and services, and continue to innovate its service model to provide more personalised and humanised services to meet the diversified needs of customers, explore new profit growth opportunities and facilitate the Group's continuous lead and promotion in the development of the industry.

Intellectual Property Protection

Zonqing has attached importance to the management of intellectual property rights to protect the achievements of technological innovation and enhance the core competitiveness of the Company. It strictly complies with, among others, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Trademark Law of the People's Republic of China, fully respects the intellectual property rights of others, and is determined to protect its own intellectual property rights from infringement. At present, the Group has accumulated an aggregate of 176 intellectual property rights, including 18 invention patents, 98 utility model patents and design patents, 55 software copyrights, 5 trademark registrations and 2 domain name registrations.

All entities under Zonqing encourage their staff to create inventions and production and process technology transformation, timely report intellectual property rights for the intellectual achievements formed, assign dedicated personnel in the product development department to be responsible of their management, establish an intellectual property rights file and data platform, classify intellectual property rights according to their actual creatable value, their importance to development and their maintenance cost, etc., and formulate, with strict implementation of, the intellectual property rights management norms in accordance with the relevant national intellectual property rights laws and regulations and internal control processes, while at the same time, evaluate and continuously improve the management of intellectual property rights on a regular basis, so as to adapt to the ever-changing market environment and the technological development.

For intellectual property rights that may have a significant impact on Zonqing, such as trademark rights, patent rights, copyright rights and domain names, the Group will engage professional agents to apply for them promptly to protect the interests of the Group to the fullest extent possible; in the course of cooperation with other units or individuals, the Group will make detailed provisions on the ownership, scope of use, duration and distribution of subsequent R&D results of the intellectual property involved, enter into relevant legal documents and use the intellectual property rights in a comprehensive manner to protect the interests of the Group. Meanwhile, through the promotion and education of intellectual property rights, the Group raises employees' awareness of and attention to intellectual property rights, develops a sound intellectual property rights protection system, and creates an ecosystem of fair competition and innovative development for the Company.

1.4 Sustainable Supply Chain

Below sets out the admission criteria Zonqing adopted for its general suppliers and material suppliers.

➢ Supplier management admission criteria: established in accordance with the law as a legal person; possess relevant engineering and construction qualifications, with relevant operational experience in the past three years and qualified engineering quality; possess relatively fixed operational personnel and mechanical equipment compatible with the subcontracting of the project; the amount, source and skills of the workers meet the requirements of subcontracting operations; possess technicians with relevant professional qualification and a corresponding number of special personnel with qualification certificates; has the ability to advance funds to match the subcontracting of the project, the ability to independently complete the safety and civilised construction in conjunction with the construction of the project, and the ability to independently complete the professional subcontracting of the internal data of such profession. The person in charge of the subcontracting supplier has good integrity, and has not commit a violation such as defaulting on workers' wages; the subcontracting supplier has no record of major safety and quality incident.

➢ Material supplier admission criteria: possess qualified production and business qualifications, can independently bear civil liability as a legal person or other organisation or individual; comply with national laws and administrative regulations, has a good business reputation; has good financials, financial position and tax payment records; has a fixed production and business premises; possess a national or industry sector certification of manufacturing or service capabilities; has a sound quality management system and continuous improvement capability; achieves good performance in the industry; has no outstanding disputes and judicial disputes with the Company. An inspection team was formed to inspect the actual production capacity of the supplier with admission granted to them if no problem was found.

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

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

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

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

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

The number of suppliers (or subcontractors) with which the Group maintain a business relationship with in 2023 is 868, with a breakdown by geographical region as follows:

Geographical region	**Number of suppliers**
North China (Beijing, Tianjin, Shanxi Province, Hebei Province, Inner Mongolia Autonomous Region)	82
Northeast China (Heilongjiang Province, Jilin Province, Liaoning Province)	672
Northwest China (Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region)	1
East China (Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Shandong Province)	75
Central China (Henan Province, Hubei Province, Hunan Province)	9
South China (Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province)	19
Southwest China (Sichuan Province, Guizhou Province, Yunnan Province, Chongqing, Tibet Autonomous Region)	10
Hong Kong, Macau and Taiwan region	0
Overseas	0
Total	868

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

Number	Rating score	Supplier rating	Corresponding action
1	90-100	Grade A	Categorised as strategic suppliers.
2	80-89	Grade B	Categorised as excellent suppliers.
3	70-79	Grade C	Categorised as qualified suppliers.
4	69 or below	Grade D	Categorised as unqualified suppliers: this category is for suppliers that have been determined to be unqualified through performance evaluation processes.

In the evaluation and assessment of suppliers: after the tender is completed, during the construction process, the Company, the project department technician, safety officer, material officer and other management personnel at all levels, shall strictly perform site inspection and acceptance on the on-site civilised construction, material acceptance, storage and other aspects of construction activities in accordance with the industry norms and environmental protection requirements. At the same time, the Company shall, during the project procurement process, give priority to the use of energy-saving and environmentally friendly materials and procedures if they are of same quality, and during the design stage to give priority to environmentally friendly materials and procedures. Construction processes with outdated capacity and high environmental pollution shall be eliminated. Supplier evaluation is carried out every year by rating the suppliers' quantity, quality, timeliness of supply, price reasonableness, bidding price, contract performance, ability to co-operate, payment benchmark, etc., and the final score is composited for evaluation and grading.

In the future, regarding supplier selection and development, priority will be given to those who are energy-saving and environmentally friendly and who actively promote new technologies and new materials encouraged by the government. Inspection team will be formed to inspect the environmental aspects of the supplier's production plant before the supplier was admitted.

In terms of environmental protection, energy saving and emission reduction, preference is given to products that yield better results. Factors of consideration include: (1) Product performance: Compare the environmental protection, energy saving and emission reduction performance indicators of different products, such as energy consumption and emission standards. Choose products that have been certified or have obtained relevant environmental approvals, such as energy labelling and green certification. (2) Brands and suppliers: Choose reputable brands and suppliers that focus on environmental protection. Ensure that a series of environmental protection measures are taken in the manufacturing, packaging and transportation of products, and provide professional environmental protection technical support. (3) Material selection: Be mindful of the composition and source of product materials, and choose environmentally friendly materials, renewable resources and non-toxic and harmless products. Avoid potential harm to the environment and human health.

In the future, the Group will strengthen the comprehensive assessment of suppliers in terms of supplier management, including an examination of financial position, supply capacity, quality management system, etc.; strengthen the management and supervision of supplier contracts to ensure that the contract terms are clearly stated, and the rights and responsibilities are clearly defined. Focus on risk management, set up a reasonable default liability and penalty mechanism to protect the interests of the Company; strengthen the visibility and transparency of the supply chain, establish a supplier information sharing platform, timely grasp the supplier's production progress, inventory and delivery capacity. Through information technology, real-time monitoring and coordination of the supply chain can be achieved to reduce operational risks and improve operational efficiency; strengthening supplier development and co-operation: actively engage in long-term strategic co-operation with suppliers to establish mutual trust and win-win co-operation. Provide support and training to help suppliers to improve their quality management level, technological innovation capability and operational efficiency, and promote the common growth of suppliers. By strengthening supplier management in the above aspects, the Company is able to better control supply chain risks, improve supplier operational efficiency and product quality, and achieve sustainable development and competitive advantage.

1.5 Information Security and Privacy Protection

The Group has always attached great importance to information security, customer privacy, trade secret management and data protection. The Group has continued to improve its information management system, which includes an information security awareness training system for employees: regular information security training is organised for employees to raise their awareness of information security.

➢ Access Control System: Strict access control policies are implemented to restrict access to sensitive information.

➢ Data classification and protection system: the Company's data is classified and corresponding protection measures are formulated. Emergency Response Plan: an emergency response plan is developed to deal with information security incidents.

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

The Company has taken corresponding measures to safeguard information security.

➢ Network security protection: network security equipment, such as firewalls and intrusion detection systems, are used to prevent network attacks and intrusions.

➢ Data encryption: sensitive data is encrypted to ensure the security of data during transmission and storage.

➢ Employee background check: background checks are conducted on new employees to ensure employee reliability.

➢ Security audit: regular security audits are conducted to discover and repair information security vulnerabilities.

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

In the future, the Group will continue to optimise its information security management system, enhance staff education on information security, invest in emerging technologies such as blockchain, artificial intelligence and IoT security, strengthen third-party partner management, and conduct regular information security assessment and vulnerability scanning to identify and address potential information security risks in a timely manner and to enhance and strengthen the Company's information security protection capability.

1.6 Giving Back to the Community

Since its establishment, Zonqing has been committed to public welfare. In recent years, the Group has successively participated in social welfare activities by focusing on social events (such as caring for disabled families) and taking the initiative to participate in environmental maintenance in terms of social care and pandemic donations. The Group has helped people who are unemployed, facing familial difficulties or are suffering from disabilities to solve their employment problems, promoting indirect employment of more than 300 people. This year, the Group has donated RMB500,000 to the flood outbreak in Yushu, actively responding to government's call to fulfil our corporate mission and social responsibility.

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

1.7 Operating with Integrity and Compliance

Zonqing attaches importance to honesty and integrity and believes that integrity is an important guarantee for long-term development and has won the confidence of all parties. We advocate a corporate culture of honesty and integrity, with integrity being a corporate culture value embedded within the Company, to create an anti-corruption corporate cultural environment, and strictly abide by the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China and other anti-corruption and anti-money laundering regulations, and pays high attention to the construction of an anti-corruption and bribery system. In 2023, the Group has continued to adopt its Anti-fraud Management System. We have gradually developed an anti-corruption risk assessment process that is suitable for the Group's own development:

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

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

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

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

The Group organises integrity and anti-corruption training for all staff on a quarterly basis. In 2023, we conducted training on the systems and processes related to anti-corruption and organised an integrity briefing for all staff to fully implement anti-corruption work from an ideological and management perspective and enhance awareness on work integrity.

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

In 2023, the Group followed the standards for supervision and inspection of procurement implementation and management in the Material Procurement Management System, and implemented the inspection mechanism with related provisions. Relevant personnel who are involved in procurement activities shall strictly abide by this system and all applicable laws, regulations and company disciplinary rules, act with integrity and discipline, safeguard the interests of the Company, and consciously accept supervision and inspection from relevant authorities, which are achieved by:

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

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

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

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

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

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

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

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

➢ Address for reporting by post: Room 303, 3/F, Zhongqing Building, No. 5888 Fuzhi Road, Jingyue District, Changchun.

➢ Address for reporting personally: Room 303, 3/F, Zhongqing Building, No. 5888 Fuzhi Road, Jingyue District, Changchun.

➢ Reporting by email: zonqingsj@163.com

2. TALENT TRAINING AND DEVELOPMENT

2.1 Safeguarding Employee Rights

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

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

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

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

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

In 2023, the Group did not have any irregularities in terms of remuneration packages, or irregularities in terms of working hours and holidays.

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

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

In 2023, the total number of Zonqing employees is 899, with a breakdown by employee category, gender and geographical region as follows:

		2023	2022
Total number of employees by employee category	Full-time	**899**	555
	Part-time	**0**	0
Total number of employees by gender	Male	**614**	361
	Female	**285**	194
Total number of employees by geographical region	Jilin	**833**	506
	Outside Jilin	**66**	49
Total number of employees by age group	25 and below	**33**	17
	26-30 (including 30)	**138**	133
	31-35 (including 35)	**259**	170
	36-40 (including 40)	**241**	152
	Over 40	**228**	83

The following is a breakdown of Zonqing employee turnover rates by gender, age group and geographical region in 2023:

		2023	2022
Employee turnover rate by gender (%)	Male	**15.31%**	16.90%
	Female	**13.68%**	20.10%
Employee turnover rate by geographical region (%)	Jilin	**12.36%**	18.58%
	Outside Jilin	**43.94%**	12.24%
Employee turnover rate by age group (%)	25 and below	**6.06%**	5.88%
	26-30 (including 30)	**18.84%**	26.32%
	31-35 (including 35)	**19.69%**	24.12%
	36-40 (including 40)	**12.45%**	9.87%
	Over 40	**10.09%**	9.64%

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

2.2 Employee Care and Welfare

In order to standardise and strengthen the welfare management of employees, and give full play to the protective and motivational role of welfare, the Company has formulated a Welfare Management System, with employee benefits including statutory benefits and corporate benefits. The Group pays social insurance for all employees in accordance with the Labor Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China and other relevant laws and regulations. Corporate benefits include medical check-up benefits, holiday benefits, wedding benefits and bereavement supports, birthday benefits, heating subsidies, communication subsidies, fuel subsidies, title subsidies, missed meal subsidies, accommodation subsidies, family visit subsidies, overseas subsidies, home rental subsidies, and summer heat protection subsidies.

2.3 Employee Health and Safety

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

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

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

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

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

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

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

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

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

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

2.4 Staff Development and Training

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

In 2023, the Company has enhanced the multi-channel talent development path and set up a comprehensive talent evaluation and motivation system, such as the Personal Performance Management System, the Organisational Performance Management System, the Cadre Evaluation System, the Job Qualification System, the Leadership Evaluation System and the Promotion Mechanism, so as to accurately evaluate the value of our employees and provide support to employee development. In order to meet the training needs of personnel in different positions and at different levels and allocate training course resources more effectively, the Group stratifies and grades various training jobs, combines online and offline trainings and sets up different types of training courses such as the Race to the Top class (競航班), the Leading the Way class (領航班), the Starter class (啓航班) as well as special training camps for project teams (項目班子特訓營), to achieve more effective training with proper training methods and courses. We analyse technical knowledge and ability of employees to identify their business blind spots, and implement targeted training to make up for their weak links, achieving the expected target in the average results of training assessment and gradually enhancing the ability of employees.

Environmental, Social and Governance Report

In 2023, the Group set up a special training course for the enterprise's four-in-one talent training system, organising more than 100 training sessions throughout the Year, with a 100% staff coverage rate.

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

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

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

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

➢ Starter Programme: Focusing on new staff development, we have created a 90-day turnaround programme for new staff to speed up their integration and enhance their recognition.

In 2023, the total number of training hours provided to Zonqing employees was 31,066, with an average of 34.38 training hours completed per employee, particulars of which are as follows:

Type	**Key indicator**	**2023**	2022
Percentage of trained staff by gender (%)	Male	**100%**	100%
	Female	**100%**	100%
Percentage of trained staff by function (%)	Senior management	**100%**	100%
	Middle management	**100%**	100%
	General staff	**100%**	100%
Length of training per person (hours)	Male	**34.25**	40.3
	Female	**34.50**	38.7
	Senior management	**46.25**	57.5
	Middle management	**44.75**	52.3
	General staff	**25.75**	36.7

In the future, the Group will continue to adopt a multi-dimensional strategy with distinct levels and grades, and train and empower personnel in a more flexible manner based on the development characteristics of the enterprise and the industry, and implement various training efforts. The Company developed a talent training plan for the year 2024, strengthening the training of talents at all levels, so as to facilitate the development of our talents.

3. GREEN AND SUSTAINABLE DEVELOPMENT

3.1 Improving the Ecological Environment

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

The Main Contracting for the New Urbanisation Construction Project (Phase I) PPP Project in Changchun New Area – Phase II Comprehensive Treatment of the Northern Section of the Yitong River (Urban Enhancement for Changchun New Area)

Location: The project is located at Beihu New District, Changchun, northeast of Beihu Park, with a total land area of about 2,247,000 square metres. It includes the upgrading of Longhu Avenue, Zhongke Avenue, Beiyuanda Avenue, Ningxi and Mingxi greening land. Zhongke Avenue is about 4.6 kilometres long, Beiyuanda Avenue is about 1.8 kilometres long and Ningxi is about 3.8 kilometres long.

Case Name: Ningxi Barge Construction

The aim is to improve the landscape effect on both sides of Ningxi river through the renovation of the original barge, for which gabion boxes + Reynolds gabion cushions + honeycomb constraints + 2.5 metres of permeable paving + honeycomb constraint construction method was used. It serves as a slope protection structure for river, bank slope and roadbed. It can not only prevent the river bank from being damaged by water flow and wave, but also enable the natural convection and exchange between the water body and the soil body under the slope, so as to achieve ecological balance. Greenery on the slope can add landscaping and greening effect. The honeycomb constraint system with geocell grass planting technology is a new, economical and applicable method of slope protection, which can not only stabilise the slope, but also beautify the environment, reduce noise, improve the local climate, and has a wide range of applicable uses. This project adopts this new technology and should have a positive effect on the overall ecological environment of the project.

Case Name: Ningxi River Dredging

The aim is to improve the regional infrastructure construction, enhance the city comprehensive service function, strengthen the ecological environmental protection and the construction of wetland parks, promote the development of cultural, tourism, sports and health industries, and create a charming urban area where humanities, science and technology and ecology are integrated. Optimising and improving the urban environment is one of the main objectives of city construction. City construction is conducted under the principle of "people-oriented", and should strike a correct balance between man-made buildings and the natural environment, strengthen the scientific planning and reasonable layout of urban residential, commercial and industrial areas, and strives to conduct large-scale and high-level greening, landscaping, purification and brightening of the city, prevent and control city pollution, and improving the city ecological environment. The construction of a modern and ecological city is one of the qualities of today's modern city, and also the inevitable choice of direction for city development. And as a result, being the forefront of this vision, the river dredging work is particularly important.

Before dredging, there is a lot of silt in the river, the river is overgrown with weeds, and the odour from the silt during summer seriously affects the lives of nearby residents, as well as the image of the city.

During the dredging process, the silt in the river channel was cleaned up, the riverbed was reshaped, and in order to realise the positioning of Ningxi as a "central park – leisurely waterfront zone", taking into account the demand for boating, and in order to ensure that the soil layer of the riverbed would not be disturbed by boating activities, causing discomfort to boats, while considering the safety, comfort, and landscaping aspects, a geotextile + '25cm-thick gravel' backfill method is adopted in the construction.

After dredging, the water quality in the river channel was obviously improved, and the landscaping view was more apparent.

Case name: Construction of the Centre Sub-belt of Yuanda Avenue

The aim is to create a "park city" empowered by science and technology, as the city renewal process in Changchun New Area adheres to the principle of people-oriented, led by ecological civilisation, remodels the three core city main roads, and organically integrates the green belts and city space, so that the city production, living, and ecological space are compatible with each other, complement each other; and the people, the city, the environment and the industries achieve a high degree of harmony and unity, thereby creating a dynamic new city area with an international, ecological, cultural, energetic and quality profile.

3.2 Coping with Climate Change

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

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

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

In addition, we organise a comprehensive emergency drill and field response drill every year in accordance with the national laws and regulations and the relevant regulations of Jilin Province to improve the ability of all staff to respond to emergencies.

The Group's principal activity is the construction of landscaping project. We are committed to the national carbon peaking and carbon neutrality goal, promoting the reduction of greenhouse gas emissions with carbon dioxide emissions as the principal target in the fight against climate change. The Group strives to make solid contributions in the national goal of achieving carbon peaks and carbon neutrality. In 2023, the Group planted 22,701 trees, 7,064 shrubs and approximately 1,707,495.35 square metres of plants and flowers, and we have also put in place measures to save energy and materials, improve the ecological environment and manage emissions to make unremitting efforts for achieving the carbon peaking and carbon neutrality goal.

3.3 Emissions Management

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

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

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

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

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

Pollution prevention work regarding dust, noise and water pollution at construction sites is strictly inspected to ensure its effectiveness and that appropriate personnel were assigned. For the selection of engineering materials and fittings, we adopt the measure of centralised processing, requiring each project to draw up a material selection plan in advance, select several material samples at a time and not conduct site visits if small samples and pictures can be used instead of samples. If site visits are required, the number of participants is limited, and personnel of the same level are not allowed to take repeated visits in order to reduce unnecessary travel.

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

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

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

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

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

3.4 Use of Energy and Resources

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

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

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

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

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

Management of energy resources consumption on site

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Water resource management

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

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

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

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

Construction material management

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

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

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

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

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

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

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

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

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

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

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

Environmental KPIs Table			
Emissions			
Indicator name	**Indicator unit**	**2023**	2022
Total amount of greenhouse gas emissions	tonnes of carbon dioxide equivalent	**1,596.07**	509.51
Greenhouse gas emission intensity	kg of carbon dioxide equivalent/ten thousand yuan operating income	**6.80**	7.80
Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent	**942.96**	299.51
Indirect greenhouse gas emissions	tonnes of carbon dioxide equivalent	**653.11**	210.00
Total amount of hazardous waste generated	kg	**13.01**	5.48
Hazardous waste generation intensity	g/ten thousand yuan operating income	**0.056**	0.084
Ink cartridges	kg	**12.50**	5.20
Batteries	kg	**0.51**	0.28
Total amount of non-hazardous waste generated	kg	**285,510.00**	184,481.00
Non-hazardous waste generation intensity	kg/ten thousand yuan operating income	**1.22**	2.82
Paper	kg	**100.00**	41.00
Household waste	kg	**11,410.00**	4,200.00
Trash from pruning of trees, shrubs and ground cover, dust nets, etc.	kg	**274,000.00**	180,240.00
Total amount of sewage discharged	cubic meter	**8,302.71**	4,366.35
Discharge of domestic sewage in office area	cubic meter	**1,301.25**	516.35
Discharge of domestic sewage during construction	cubic meter	**7,001.46**	3,850.00
Use of resources			
Total amount of electricity consumed	kWh	**1,631,133.59**	858,113.93
Electricity consumption intensity	kWh/ten thousand yuan operating income	**6.99**	13.13
Electricity consumption in office area	kWh	**297,951.59**	92,967.53
Electricity consumption during construction	kWh	**1,333,182**	765,146.40
Total amount of water consumed	cubic meter	**103,419.76**	46,389.12
Water consumption intensity	cubic meters/ten thousand yuan operating income	**0.44**	0.71
Water consumption in office area	cubic meter	**3,813.53**	785.67
Water consumption during construction	cubic meter	**99,606.23**	45,603.45

APPENDIX

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

Environmental, Social and Governance Reporting Guide		Content
Subject Area A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3.3 Emissions Management
A1.1	The types of emissions and respective emissions data.	Environmental KPIs Table
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.3 Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.3 Emissions Management
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	3.4 Use of Energy and Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental KPIs Table
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.4 Use of Energy and Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	3.4 Use of Energy and Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not involved

Aspect A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	3.1 Improving the Ecological Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.1 Improving the Ecological Environment
Aspect A4: Climate Change		
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.2 Coping with Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.2 Coping with Climate Change
Subject Area B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	2.1 Safeguarding Employee Rights
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	2.1 Safeguarding Employee Rights
B1.2	Employee turnover rate by gender, age group and geographical region.	2.1 Safeguarding Employee Rights
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	2.3 Employee Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	2.3 Employee Health and Safety
B2.2	Lost days due to work injury.	2.3 Employee Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	2.3 Employee Health and Safety

Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	2.4 Staff Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	2.4 Staff Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	2.4 Staff Development and Training
Aspect B4: Labour Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	2.1 Safeguarding Employee Rights
B4.1	Description of measures to review employment practices to avoid child and forced labour.	2.1 Safeguarding Employee Rights
B4.2	Description of steps taken to eliminate such practices when discovered.	2.1 Safeguarding Employee Rights
Operating Practices		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	1.4 Sustainable Supply Chain
B5.1	Number of suppliers by geographical region.	1.4 Sustainable Supply Chain
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	1.4 Sustainable Supply Chain
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	1.4 Sustainable Supply Chain
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	1.4 Sustainable Supply Chain
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	1.1 Quality Assurance of Works
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	1.1 Quality Assurance of Works

B6.2	Number of products and service related complaints received and how they are dealt with.	1.2 Customer Service Management
B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.3 Intellectual Property Management
B6.4	Description of quality assurance process and recall procedures.	1.1 Quality Assurance of Works and 1.2 Customer Service Management
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	1.5 Information Security and Privacy Protection
Aspect B7: Anticorruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.7 Operating with Integrity and Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.7 Operating with Integrity and Compliance
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.7 Operating with Integrity and Compliance
B7.3	Description of anti-corruption training provided to directors and staff.	1.7 Operating with Integrity and Compliance
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	1.6 Giving Back to the Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	1.6 Giving Back to the Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	1.6 Giving Back to the Community

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

OPINION

We have audited the consolidated financial statements of ZONQING Environmental Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 101 to 188, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue based on percentage of completion

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

The Key Audit Matter

The Group is principally engaged in construction and maintenance services for landscaping, ecological restoration and public work projects, provision of environmental hygiene services and other related projects.

During the year ended 31 December 2023, 99% of the Group’s total revenue was recognised progressively overtime, based on estimated transaction price and percentage of completion when control of the goods or services is transferred to customer.

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

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

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

How the matter was addressed in our audit

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

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

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

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

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

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Expected credit loss allowance for contract assets and trade receivables

Refer to Notes 20, 21 and 30(a) to the consolidated financial statements and the accounting policies in Note 2(k)(i).

The Key Audit Matter

As at 31 December 2023, the Group's contract assets and trade receivables totalled RMB2,884 million.

The Group measures loss allowances on contract assets and trade receivables at amounts equal to lifetime expected credit losses ("**ECL**") using a provision matrix which involved significant management judgement. The provision matrix takes into account current market conditions and forward-looking information.

We identified the ECL allowances for contract assets and trade receivables as a key audit matter because of the significant balances at the end of the reporting period and because the recognition of ECL allowances is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the ECL allowances for contract assets and trade receivables included the following:

- obtaining an understanding of and assessing the design and implementation of key internal controls over the credit control and estimation of the ECL allowances;
- evaluating the Group's policy for estimating the ECL allowances with reference to the requirements of the prevailing accounting standard;
- assessing the appropriateness of the ECL allowances by examining the information used by management to derive such estimates, including testing the accuracy of the provision rates, and evaluating whether the provision rates are appropriately adjusted after taking into consideration current market conditions and forward-looking information;
- assessing whether items in the ageing report were categorised appropriately for contract assets and trade receivables by comparing a sample of individual items with the underlying documentation; and
- assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

KPMG
Certified Public Accountants

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

28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

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

	Note	2023 RMB'000	2022 RMB'000 (Restated) (Note 35)
Revenue	4	**2,355,497**	1,116,442
Cost of sales		**(1,904,649)**	(922,690)
Gross profit		**450,848**	193,752
Other net income	5	**10,552**	8,568
Selling expenses		**(18,800)**	(18,835)
Administrative expenses		**(91,667)**	(86,810)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	6	**(110,126)**	(138,478)
Profit/(loss) from operations		**240,807**	(41,803)
Finance costs	7(a)	**(65,134)**	(69,881)
Share of profits/(losses) of associates		**1,366**	(3,928)
Share of (losses)/profits of a joint venture		**(4,387)**	863
Profit/(loss) before taxation	7	**172,652**	(114,749)
Income tax	8(a)	**(19,427)**	18,061
Profit/(loss) for the year		**153,225**	(96,688)
Attributable to:			
Equity shareholders of the Company		**135,206**	(96,343)
Non-controlling interests		**18,019**	(345)
Profit/(loss) for the year		**153,225**	(96,688)
Earnings/(loss) per share (RMB cents)			
Basic and diluted	11	**49**	(35)

The notes on pages 109 to 188 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 29(c).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

(Expressed in RMB)

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
		(Note 35)
Profit/(loss) for the year	**153,225**	(96,688)
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve	**(5,029)**	6,392
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	**707**	3,126
Other comprehensive income for the year	**(4,322)**	9,518
Total comprehensive income for the year	**148,903**	(87,170)
Attributable to:		
Equity shareholders of the Company	**131,609**	(87,453)
Non-controlling interests	**17,294**	283
Total comprehensive income for the year	**148,903**	(87,170)

The notes on pages 109 to 188 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000 (Restated) (Note 35)
Non-current assets			
Property, plant and equipment	12	**39,309**	37,575
Intangible assets	13	**1,938**	2,440
Right-of-use assets	14	**7,871**	8,574
Interest in associates	16	**78,878**	77,512
Interest in a joint venture	17	**191,273**	195,660
Other equity investments	18	**70,141**	75,622
Deferred tax assets	28(b)	**93,921**	77,422
Non-current portion of trade receivables	21	**602**	18,988
		483,933	493,793
Current assets			
Inventories and other contract costs	19	**53,924**	36,193
Contract assets	20(a)	**1,118,463**	1,055,709
Trade and bills receivables	21	**1,764,513**	1,560,456
Prepayments, deposits and other receivables	22	**194,842**	794,377
Restricted bank deposits	23	**20,346**	22,223
Cash and cash equivalents	23	**210,405**	220,233
		3,362,493	3,689,191
Current liabilities			
Trade and bills payables	24	**1,389,181**	1,237,478
Accrued expenses and other payables	25	**211,540**	348,285
Contract liabilities	20(b)	**602,071**	583,036
Bank and other loans	26	**726,263**	974,781
Lease liabilities	27	**2,018**	2,610
Income tax payable	28(a)	**54,212**	26,270
		2,985,285	3,172,460
Net current assets		**377,208**	516,731

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000 (Restated) (Note 35)
Total assets less current liabilities		**861,141**	1,010,524
Non-current liabilities			
Bank and other loans	26	**79,947**	78,932
Lease liabilities	27	**1,249**	815
Deferred tax liabilities	28(b)	**10,476**	12,762
		91,672	92,509
NET ASSETS		**769,469**	918,015
CAPITAL AND RESERVES	29		
Share capital		**230**	230
Reserves		**649,365**	867,523
Total equity attributable to equity shareholders of the Company		**649,595**	867,753
Non-controlling interests		**119,874**	50,262
TOTAL EQUITY		**769,469**	918,015

Approved and authorised for issue by the board of directors on 28 March 2024.

Liu Haitao
Director

Wang Yan
Director

The notes on pages 109 to 188 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000* *(Note 29(b))*	Share premium *RMB'000* *(Note 29(d)(i))*	Other reserve *RMB'000* *(Note 29(d)(ii))*	Statutory reserve *RMB'000* *(Note 29(d)(iii))*	Fair value reserve *RMB'000* *(Note 29(d)(iv))*	Exchange reserve *RMB'000* *(Note 29(d)(v))*	Special reserve *RMB'000* *(Note 29(d)(vi))*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022 as previously reported	230	90,063	318,628	45,625	5,579	1,834	—	132,668	594,627	9,450	604,077
Adjustment for business combination under common control	—	—	172,585	16,075	(4,449)	—	10,125	177,976	372,312	45,474	417,786
As restated	230	90,063	491,213	61,700	1,130	1,834	10,125	310,644	966,939	54,924	1,021,863
Changes in equity for 2022:											
Loss for the year (Restated)	—	—	—	—	—	—	—	(96,343)	(96,343)	(345)	(96,688)
Other comprehensive income (Restated)	—	—	—	—	5,764	3,126	—	—	8,890	628	9,518
Total comprehensive income (Restated)	—	—	—	—	5,764	3,126	—	(96,343)	(87,453)	283	(87,170)
Business combination under common control	—	—	(12,585)	—	—	—	—	—	(12,585)	—	(12,585)
Transfer to share capital of Changchun Chengwei *(Note 2)* (Restated)	—	—	131,878	—	—	—	—	(131,878)	—	(3,043)	(3,043)
Deemed contribution arising from a reorganisation (Restated)	—	—	852	—	—	—	—	—	852	98	950
Distributions of a subsidiary	—	—	—	—	—	—	—	—	—	(2,000)	(2,000)
Appropriation to reserves (Restated)	—	—	—	1,541	—	—	1,647	(3,188)	—	—	—
	—	—	120,145	1,541	—	—	1,647	(135,066)	(11,733)	(4,945)	(16,678)
At 31 December 2022 (Restated)	230	90,063	611,358	63,241	6,894	4,960	11,772	79,235	867,753	50,262	918,015

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in RMB)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 29(b))	Share premium RMB'000 (Note 29(d)(i))	Other reserve RMB'000 (Note 29(d)(ii))	Statutory reserve RMB'000 (Note 29(d)(iii))	Fair value reserve RMB'000 (Note 29(d)(iv))	Exchange reserve RMB'000 (Note 29(d)(v))	Special reserve RMB'000 (Note 29(d)(vi))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (Restated)	230	90,063	611,358	63,241	6,894	4,960	11,772	79,235	867,753	50,262	918,015
Changes in equity for 2023:											
Profit for the year	–	–	–	–	–	–	–	135,206	135,206	18,019	153,225
Other comprehensive income	–	–	–	–	(4,309)	712	–	–	(3,597)	(725)	(4,322)
Total comprehensive income	–	–	–	–	(4,309)	712	–	135,206	131,609	17,294	148,903
Contributions from non-controlling shareholders *(Note 2(b))*	–	–	(1,851)	–	–	–	–	–	(1,851)	10,587	8,736
Disposal of interest to non-controlling shareholders in a subsidiary *(Note 2(b))*	–	–	(31,642)	(1,754)	(102)	–	(1,220)	(7,442)	(42,160)	42,160	–
Distributions of a subsidiary	–	–	–	–	–	–	–	–	–	(429)	(429)
Business combination under common control *(Note 2(b))*	–	–	(305,756)	–	–	–	–	–	(305,756)	–	(305,756)
Appropriation to reserves	–	–	–	17,835	–	–	6,092	(23,927)	–	–	–
	–	–	(339,249)	16,081	(102)	–	4,872	(31,369)	(349,767)	52,318	(297,449)
At 31 December 2023	230	90,063	272,109	79,322	2,483	5,672	16,644	183,072	649,595	119,874	769,469

The notes on pages 109 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000 (Restated)
Cash flows from operating activities			
Profit/(loss) before taxation		**172,652**	(114,749)
Adjustments for:			
Depreciation		**12,605**	12,466
Amortisation	7(c)	**502**	491
Net (gain)/loss on disposal of non-current assets	5	**(86)**	231
Impairment losses on trade and other receivables and contract assets	6	**101,425**	138,478
Impairment losses on financial guarantees issued	6	**8,701**	—
Finance costs	7(a)	**65,134**	69,881
Net foreign exchange loss	5	**277**	3,499
Interest income		**(6,448)**	(5,717)
Income from financial guarantees issued	5	**(3,502)**	(3,502)
Share of (profits)/losses of associates		**(1,366)**	3,928
Share of losses/(profits) of a joint venture		**4,387**	(863)
Changes in working capital:			
Decrease/(increase) in restricted bank deposits		**11,957**	(1,403)
Increase in inventories and other contract costs		**(17,731)**	(227)
(Increase)/decrease in contract assets		**(40,890)**	67,770
Increase in trade and bills receivables		**(295,483)**	(287,071)
Decrease/(increase) in prepayments, deposits and other receivables		**93,351**	(81,963)
Increase/(decrease) in trade and bills payables		**151,703**	(99,066)
(Decrease)/increase in accrued expenses and other payables		**(44,808)**	57,854
Increase in contract liabilities		**19,035**	357,447
Cash generated from operations		**231,415**	117,484
Income tax paid	28(a)	**(9,889)**	(18,138)
Net cash generated from operating activities		**221,526**	99,346

Consolidated Cash Flow Statement

For the year ended 31 December 2023

(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000 (Restated)
Cash flows from investing activities			
Payment for purchase of non-current assets		**(12,152)**	(13,046)
Payment for purchase of equity interests from a related party		**(317,963)**	—
Capital contributions to an associate		**—**	(4,721)
Capital contributions to other equity investments		**—**	(8,161)
Payment for advances granted to related parties		**(442,623)**	(1,560,352)
Payment for advances granted to third parties		**(44,403)**	(22,450)
Payment for loans granted to an associate		**(22,940)**	(23,889)
Payment for loans granted to a joint venture		**(19,790)**	(50)
Payment for disposal of non-current assets		**(461)**	—
Proceeds from disposal of non-current assets		**1,367**	680
Proceeds from repayment of advances granted to related parties		**1,013,231**	1,541,093
Proceeds from repayment of advances granted to third parties		**9,667**	1,250
Interest received		**1,044**	5,625
Net cash generated from/(used in) investing activities		**164,977**	(84,021)
Cash flows from financing activities			
Proceeds from bank and other loans	23(b)	**1,336,679**	1,206,339
Proceeds from advances from related parties	23(b)	**584,472**	270,219
Proceeds from advances from third parties	23(b)	**33,062**	66,519
Repayment of bank loans and other loans	23(b)	**(1,584,204)**	(1,047,181)
Repayment of advances from related parties	23(b)	**(658,351)**	(227,448)
Repayment of advances from third parties	23(b)	**(40,810)**	(82,704)
Capital element of lease rentals paid	23(b)	**(2,627)**	(3,034)
Interest element of lease rentals paid	23(b)	**(181)**	(236)
Increase in restricted deposits		**(10,080)**	(3,710)
Decrease/(increase) in deposits paid to secure guarantees granted by third parties		**5,390**	(540)
Interest paid	23(b)	**(65,990)**	(63,138)
Contributions from non-controlling shareholders		**8,736**	—
Distributions of a subsidiary		**(2,429)**	—
Deemed contribution arising from a reorganisation	2(b)	**—**	950
Net cash (used in)/generated from financing activities		**(396,333)**	116,036
Net decrease/(increase) in cash and cash equivalents		**(9,830)**	131,361
Cash and cash equivalents at 1 January	23(a)	**220,233**	88,870
Effect of foreign exchange rate changes		**2**	2
Cash and cash equivalents at 31 December	23(a)	**210,405**	220,233

The notes on pages 109 to 188 form part of these financial statements.

1 CORPORATE INFORMATION

ZONQING Environmental Limited (formerly known as ZONBONG Landscape Environmental Limited) (the "**Company**") was incorporated in the Cayman Islands on 8 March 2019 with limited liability under the Companies Act (as revised) of the Cayman Islands. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 January 2021. The Company and its subsidiaries (together, the "**Group**") are principally engaged in construction and maintenance services for landscaping, ecological restoration and public work projects, provision of environmental hygiene services and other related projects. The Group is ultimately controlled by Mr. Sun Juqing ("**Mr. Sun**") and Ms. Zhao Hongyu (the "**Controlling Parties**").

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Material accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

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

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

In July 2022, the Group acquired the entire equity interests of Jilin Jinghe Design Engineering Co., Ltd. ("**Jilin Jinghe Design**"), a fellow subsidiary of the Group, from Zhongqing Investment Holding Group Limited Liability Company ("**ZIHG**") and a third party at considerations of RMB12,207,000 and RMB378,000, respectively. ZIHG is controlled by the Controlling Parties. The consideration of RMB12,207,000 has been paid in July 2023.

In June 2023, the Group acquired the 87.5% equity interests of Jilin Modern Zhongqing City Construction Co. Ltd. ("**Jilin Modern Zhongqing**"), a fellow subsidiary of the Group, from ZIHG at considerations of RMB305,756,000. The consideration of RMB305,756,000 has been paid in July 2023.

Jilin Modern Zhongqing was established by ZIHG in December 2022. Prior to the establishment of Jilin Modern Zhongqing, the principal business of the Jilin Modern Zhongqing has been operated under Changchun Chengjianweihu Group Co., Ltd. ("**Changchun Chengwei**") and its subsidiary, which are held by ZIHG.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

Jinlin Jinghe Design and Jilin Modern Zhongqing became subsidiaries of the Group upon the completion of the acquisitions. These business combinations under common control have been accounted for using the principle of merger accounting. The consolidated financial statements of the Group have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years presented. The opening balance at 1 January 2022 has been restated, with consequential adjustments to comparatives for the year ended 31 December 2022.

The details of the restated balances have been disclosed in Note 35 to the consolidated financial statements.

Prior to June 2022, Changchun Chengwei, a fellow subsidiary of the Group, held the entire interests in Changchun City Expressway Management and Maintenance Co., Ltd, which is engaged in expressway maintenance business (the "**Carve-Out Entity**"). The Carve-Out Entity is maintained by separate management personnel. As part of a group reorganisation, Changchun Chengwei's equity interest in the Carve-Out Entity was transferred to third parties in June 2022 at a consideration of RMB950,000. The consolidated financial statements excludes the assets, liabilities and results of operations of the Carve-Out Entity whose business are, in the opinion of the directors of the Company, clearly delineated from the business of the Changchun Chengwei and whose assets, liabilities, revenue and expenses are clearly identifiable. The consideration of RMB950,000 received from the disposal of the Carve-Out Entity is recorded as a deemed contribution within equity in June 2022.

On 26 December 2022, Changchun Chengwei increased its share capital by transferring retain profits of RMB150,000,000 to share capital of RMB146,957,000, and the remaining portion of RMB3,043,000 was paid as individual income tax for the shareholders, and recorded as a deemed distribution arising from reorganisation.

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(c) Changes in accounting policies

The IASB has issued the following new or amended standards that are first effective for the current accounting period of the Group:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for current or prior periods 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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Business combinations under common control

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

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

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(p) or 2(q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("**OCI**") of those investees, until the date on which significant influence or joint control ceases.

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

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

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

(g) Other investments in securities

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

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

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

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(k)(iii)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (Continued)

	Useful life
Patents	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

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

(i) As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

Refundable rental deposits are accounted for separately from the right-of-use assets. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("**ECL**" s) on:

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement of ECLs (continued)

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increases in credit risk (continued)

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is 3 years past due.

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

Credit-impaired financial assets

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being more than 3 years past due;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

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

Write-off policy

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

(ii) Credit losses from financial guarantees issued

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

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

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income (see Note 2(u)(vii)).

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

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

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

(iii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**" s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iv) Interim financial reporting and impairment

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

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

(l) Inventories and other contract costs

(i) Inventories

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

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

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

(ii) Other contract costs

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

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Inventories and other contract costs (continued)

(ii) Other contract costs (continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 2(u)).

(m) Contract assets and contract liabilities

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

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

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

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(k)(i)).

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

(o) Cash and cash equivalents

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables

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

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(w).

(r) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 2(k)(iii)).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Provisions and contingent liabilities (continued)

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

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

(u) Revenue and other income

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

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

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

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

(i) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on city renewal construction and city operation and maintenance services for public work projects under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

(i) Construction contracts (continued)

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

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

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

(ii) Contracts for services

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

(iii) Sale of goods

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

(iv) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

(v) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(vii) Income from financial guarantees issued

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

(v) Translation of foreign currencies

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

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies (continued)

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

(w) Borrowing costs

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

(x) Asset acquisition

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

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

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

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

(b) Impairment losses for receivables and contract assets

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(c) Recognition of deferred tax assets

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in construction and maintenance services for landscaping, ecological restoration and public work projects, provision of environmental hygiene services and other related projects. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from city renewal construction services	**2,024,246**	863,659
— Revenue from city operation and maintenance services	**218,957**	148,413
— Revenue from design and consultancy services	**112,294**	104,370
	2,355,497	1,116,442

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

Revenue from customers of the years ended 31 December 2023 and 2022 contributing over 10% of the total revenue of the Group are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 30(a).

	2023 RMB'000	2022 RMB'000 (Restated)
Customer A*	**498,400**	203,850
Customer B*	**412,935**	Note
Customer C*	**371,111**	124,564
Customer D*	**296,118**	Note

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

* Revenue from city renewal construction services and design and consultancy services.

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

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction, maintenance and design contracts. The transaction price does not include any estimated amounts of variable consideration, unless at the reporting date it is highly probable that the Group will satisfy the conditions of variable consideration. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 31 months (2022: 43 months).

	2023 RMB'000	2022 RMB'000 (Restated)
Remaining performance obligations expected to be satisfied	**2,847,978**	2,265,523

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

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

— City renewal construction services: this segment includes construction services for landscaping, ecological restoration and municipal projects;

— City operation and maintenance services: this segment includes: (1) provision of maintenance services to landscaping, ecological restoration and municipal projects and public infrastructures; (2) provision of environmental hygiene services including cleaning and hygiene services to public infrastructures; and

— Design and consultancy services: this segment includes investigation, survey, design and consultancy for construction projects.

As mentioned in Note 2(b), the acquisition of Jilin Modern Zhongqing has been completed and the Group have undertaken significant additional activities through acquisition of Jilin Modern Zhongqing. The Group's most senior executive management considered the adoption of new segments is appropriate, and the comparative data of segments for the year ended 31 December 2022 have been restated.

(i) Segment results

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

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

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

	2023			
	City renewal construction services	**City operation and maintenance services**	**Design and consultancy services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Disaggregated by timing of revenue recognition				
Point in time	**—**	**—**	**3,868**	**3,868**
Over time	**2,024,246**	**218,957**	**108,426**	**2,351,629**
Revenue from external customers and reportable segment revenue	**2,024,246**	**218,957**	**112,294**	**2,355,497**
Reportable segment gross profit	**373,767**	**57,521**	**19,560**	**450,848**

	2022 (Restated)			
	City renewal construction services	City operation and maintenance services	Design and consultancy services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	—	—	11,090	11,090
Over time	863,659	148,413	93,280	1,105,352
Revenue from external customers and reportable segment revenue	863,659	148,413	104,370	1,116,442
Reportable segment gross profit	133,969	35,255	24,528	193,752

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Revenue		
Reportable segment revenue and consolidated revenue *(Note 4(b)(i))*	**2,355,497**	1,116,442
Profit/(loss)		
Total reportable segment gross profit	**450,848**	193,752
Other net income	**10,552**	8,568
Selling expenses	**(18,800)**	(18,835)
Administrative expenses	**(91,667)**	(86,810)
Impairment losses on trade, other receivables, contract assets and financial guarantees issued	**(110,126)**	(138,478)
Finance costs	**(65,134)**	(69,881)
Share of profits/(losses) of associates	**1,366**	(3,928)
Share of (losses)/profits of a joint venture	**(4,387)**	863
Consolidated profit/(loss) before taxation	**172,652**	(114,749)

(iii) Geographic information

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

5 OTHER NET INCOME

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Interest income on trade and other receivables	**5,404**	5,092
Interest income on bank deposits	**854**	578
Interest income on finance lease	**190**	47
Government grants	**2,043**	2,748
Net foreign exchange loss	**(277)**	(3,499)
Net gain/(loss) on disposal of non-current assets	**86**	(231)
Income from financial guarantees issued *(Note 32)*	**3,502**	3,502
Others	**(1,250)**	331
	10,552	8,568

6 IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND FINANCIAL GUARANTEES ISSUED

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Impairment losses on trade and bills receivables	**115,539**	66,795
(Reversal of impairment losses)/impairment losses on contract assets	**(21,864)**	71,938
Impairment losses/(reversal of impairment losses) on prepayments, deposits and other receivables	**7,750**	(255)
Impairment losses on financial guarantees issued	**8,701**	—
	110,126	138,478

7 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Interest on bank and other loans	**64,953**	65,629
Net foreign exchange gain of bank and other loans	**—**	3,878
Interest on lease liabilities	**181**	374
	65,134	69,881

No borrowing costs have been capitalised during the years ended 31 December 2023 and 2022.

(b) Staff costs

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Salaries, wages and other benefits	**153,379**	156,710
Contributions to defined contribution retirement schemes *(Note)*	**16,355**	16,533
	169,734	173,243

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

7 PROFIT/(LOSS) BEFORE TAXATION (CONTINUED)

(c) Other items

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Depreciation of property, plant and equipment *(Note 12)*	**9,186**	7,631
Depreciation of right-of-use assets *(Note 14)*	**3,419**	4,835
Amortisation of intangible assets *(Note 13)*	**502**	491
Leases charges relating to short-term leases and leases of low-value assets	**9,964**	8,388
Research and development costs	**85,542**	44,198
Auditor's remuneration	**5,641**	3,113
Cost of inventories *(Note 19(a))*	**782,034**	325,139

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current tax *(Note 28(a))*		
Provision for the year	**37,760**	5,446
Deferred tax *(Note 28(b))*		
Origination and reversal of temporary differences	**(18,333)**	(23,507)
	19,427	(18,061)

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

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) before taxation	**172,652**	(114,749)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the respective tax jurisdictions concerned *(Notes (i), (ii) and (iii))*	**43,363**	(28,674)
Tax concessions and effect of changes of tax rate *(Note (iv))*	**(24,488)**	6,486
Tax effect of utilisation of prior years' unused tax losses previously not recognised	**—**	(1,301)
Tax effect of unused tax losses and deductible temporary differences not recognised	**61**	106
Tax effect of non-deductible expenses	**491**	5,322
Income tax expense/(credit)	**19,427**	(18,061)

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2023 (2022: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2023 (2022: RMBNil).

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

(iii) The subsidiaries of the Group established in Chinese Mainland are subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2023 (2022: 25%).

(iv) Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2018 to 2023, 2022 to 2024 or from 2023 to 2025, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2023 (2022: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries entitle additional tax-deductible allowance amounted to 100% of qualified research and development costs for the year ended 31 December 2023 (2022: 75%).

9 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	2023				
	Directors' fees *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Retirement scheme contributions** *RMB'000*	**Total** *RMB'000*
Directors					
Executive directors					
Liu Haitao	**—**	**599**	**65**	**64**	**728**
Wang Yan	**—**	**425**	**65**	**38**	**528**
Sun Juqing	**—**	**—**	**—**	**—**	**—**
Lyu Hongyan	**—**	**434**	**—**	**31**	**465**
Shao Zhanguang	**—**	**—**	**—**	**—**	**—**
Independent non-executive directors					
Gao Xiangnong	**163**	**—**	**—**	**—**	**163**
Yin Jun	**163**	**—**	**—**	**—**	**163**
Lee Kwok Tung Louis	**163**	**—**	**—**	**—**	**163**
	489	**1,458**	**130**	**133**	**2,210**

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

9 DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of Mr. Sun and Mr. Shao Zhanguang were borne by companies under the control of the Controlling Parties during the years ended 31 December 2023 and 2022.

The emoluments of Ms. Lyu Hongyan was borne or partially borne by companies under the control of the Controlling Parties during the years ended 31 December 2023 and 2022.

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

There was no payment to any of the directors or the individuals with highest emoluments (as disclosed in Note 10) as an inducement to join or upon joining the Company or as a compensation for loss of any office during the years ended 31 December 2023 and 2022. There was no arrangement under which a director has waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2022: two) are directors whose emolument is disclosed in Note 9. The aggregate of the emoluments in respect of other four individuals (2022: three) are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries and other emoluments	**2,029**	1,572
Discretionary bonuses	**1,159**	940
Retirement scheme contributions	**150**	119
	3,338	2,631

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

	2023	2022
	Number of individuals	*Number of individuals*
HKDNil — HKD1,000,000	**4**	3

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB135,206,000 (2022: loss of RMB96,343,000 (Restated)), and the weighted average of 275,000,000 ordinary shares in issue during the year (2022: 275,000,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares

	2023 ***No. of shares*** ***'000***	2022 *No. of shares* *'000*
Shares in issue on 1 January and 31 December	**275,000**	275,000

(b) Diluted earnings/(loss) per share

There were no dilutive potential shares outstanding during the years ended 31 December 2023 and 2022. Hence, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	**Construction equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Other equipment** *RMB'000*	**Total** *RMB'000*
Cost:					
At 1 January 2022					
As previously reported	—	10,295	970	13,179	24,444
Adjustment for business combination under common control	4,423	6,981	18,478	7,116	36,998
As restated	4,423	17,276	19,448	20,295	61,442
Additions (Restated)	—	1,045	12,622	1,424	15,091
Disposals (Restated)	—	(242)	(2,827)	(259)	(3,328)
At 31 December 2022 and 1 January 2023	4,423	18,079	29,243	21,460	73,205
Additions	—	4,866	3,846	3,276	11,988
Disposals	—	(4,754)	(185)	(526)	(5,465)
At 31 December 2023	4,423	18,191	32,904	24,210	79,728
Accumulated depreciation:					
At 1 January 2022					
As previously reported	—	(5,731)	(923)	(8,199)	(14,853)
Adjustment for business combination under common control	(1,035)	(2,820)	(7,973)	(3,735)	(15,563)
As restated	(1,035)	(8,551)	(8,896)	(11,934)	(30,416)
Charge for the year (Restated)	(219)	(1,775)	(3,090)	(2,547)	(7,631)
Written back on disposals (Restated)	—	224	1,970	223	2,417
At 31 December 2022 (Restated) and 1 January 2023	(1,254)	(10,102)	(10,016)	(14,258)	(35,630)
Charge for the year	(231)	(1,826)	(4,822)	(2,307)	(9,186)
Written back on disposals	—	3,739	172	486	4,397
At 31 December 2023	(1,485)	(8,189)	(14,666)	(16,079)	(40,419)
Net book value:					
At 31 December 2023	2,938	10,002	18,238	8,131	39,309
At 31 December 2022 (Restated) *(Note 35)*	3,169	7,977	19,227	7,202	37,575

At 31 December 2023, property certificates of certain properties with an aggregate net book value of RMB2.9 million (31 December 2022: RMB3.2 million) are yet to be obtained.

13 INTANGIBLE ASSETS

	Patents
	RMB'000
Cost:	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**5,184**
Accumulated amortisation:	
At 1 January 2022	**(2,253)**
Charge for the year	**(491)**
At 31 December 2022 and 1 January 2023	**(2,744)**
Charge for the year	**(502)**
At 31 December 2023	**(3,246)**
Net book value:	
At 31 December 2023	**1,938**
At 31 December 2022	**2,440**

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

14 RIGHT-OF-USE ASSETS

	Prepayment for land use right for own use Note (i) RMB'000	Leasehold Premises Note (ii) RMB'000	Motor vehicles and equipment leased for own use RMB'000	Total RMB'000
Cost:				
At 1 January 2022				
As previously reported	—	10,115	—	10,115
Adjustment for business combination under common control	2,346	2,086	9,480	13,912
As restated	2,346	12,201	9,480	24,027
Additions	—	2,586	—	2,586
Expiration of lease term (Restated)	—	(563)	(2,780)	(3,343)
Early termination of lease term	—	(5,038)	—	(5,038)
At 31 December 2022 (Restated) and 1 January 2023	2,346	9,186	6,700	18,232
Additions	—	3,579	—	3,579
Expiration of lease term	—	(896)	—	(896)
Early termination of lease term	—	(1,649)	—	(1,649)
At 31 December 2023	2,346	10,220	6,700	19,266
Accumulated depreciation:				
At 1 January 2022				
As previously reported	—	(3,735)	—	(3,735)
Adjustment for business combination under common control	(1,000)	(1,110)	(4,271)	(6,381)
As restated	(1,000)	(4,845)	(4,271)	(10,116)
Charge for the year (Restated)	(67)	(3,054)	(1,714)	(4,835)
Expiration of lease term (Restated)	—	563	2,780	3,343
Early termination of lease term	—	1,950	—	1,950
At 31 December 2022 (Restated) and 1 January 2023	(1,067)	(5,386)	(3,205)	(9,658)
Charge for the year	(67)	(2,515)	(837)	(3,419)
Expiration of lease term	—	896	—	896
Early termination of lease term	—	786	—	786
At 31 December 2023	(1,134)	(6,219)	(4,042)	(11,395)
Net book value:				
At 31 December 2023	1,212	4,001	2,658	7,871
At 31 December 2022 (Restated) *(Note 35)*	1,279	3,800	3,495	8,574

(Expressed in RMB unless otherwise indicated)

14 RIGHT-OF-USE ASSETS (CONTINUED)

Notes:

(i) Land use right premiums was paid by the Group for land situated in the PRC. At 31 December 2023, certificates of certain land use rights with an aggregate net book value of RMB1.2 million (31 December 2022: RMB1.3 million) are yet to be obtained. ZIHG has undertaken to procure the obtaining of the title documents for the above-mentioned land use rights.

(ii) The Group has obtained the right to use the leasehold land and premises as its offices or dormitory for staff through tenancy agreements. The leases typically run for an initial period of 2 to 8 years.

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

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 27, respectively.

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

15 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of subsidiary	**Place of establishment and operations**	**Particulars of paid-up capital**	**The Group's effective interest**	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
Zonbong Ecology Environmental Construction Limited (中邦生態環境有限公司) *(Notes(i), and (ii))*	The PRC	RMB325,000,000	99%	—	100%	Landscape design and gardening
Jinghe Design Group Limited (境和設計集團有限公司) *(Notes (i), and (ii))*	The PRC	RMB20,000,000	99%	—	100%	Design
Beijing Zonqing Ecological Technology Limited (北京中慶(集團)有限公司) *(Notes (i), and (ii))*	The PRC	RMB5,151,500	99%	—	99%	Consulting
Jilin Jinghe Design Engineering Co., Ltd. (吉林省境和設計工程有限公司) *(Notes (i) and (ii))*	The PRC	RMB3,000,000	99%	—	100%	Design
Jilin Modern Zhongqing City Construction Co. Ltd. (吉林現代中慶城市建設有限公司) *(Notes (i) and (ii))*	The PRC	RMB349,435,897	86.6%	—	87.5%	Construction and maintenance services for public work projects
Changchun Chengjianweihu Group Co., Ltd. (長春市城建維護集團股份有限公司) *(Notes (i) and (ii))*	The PRC	RMB346,957,183	78.6%	—	90.7%	Construction and maintenance services for public work projects
Jilin Zhonghuan Weilan Environmental Protection Technology Co., Ltd. (吉林省中環蔚藍環保科技有限公司) *(Notes (i) and (ii))*	The PRC	RMB3,750,000	58.9%	—	75%	Provision of environmental hygiene services

Notes:

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

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

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to Jilin Modern Zhongqing and its subsidiaries, which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2023 *RMB'000*
NCI percentage	**13.4%**
Current assets	**1,781,653**
Non-current assets	**96,579**
Current liabilities	**(1,251,348)**
Non-current liabilities	**(79,497)**
Net assets	**547,387**
Carrying amount of NCI	**117,568**
Revenue	**1,189,512**
Profit and total comprehensive for the year	**110,978**
Profit allocated to NCI	**17,639**
Cash flows from operating activities	**54,828**
Cash flows from investing activities	**(40,567)**
Cash flows from financing activities	**(36,726)**

16 INTEREST IN ASSOCIATES

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

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

16 INTEREST IN ASSOCIATES (CONTINUED)

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

	Changchun Xianbang	
	2023	2022
	RMB'000	*RMB'000*
Gross amounts of the associate		
Current assets	**282,223**	179,359
Non-current assets	**311,218**	369,062
Current liabilities	**(346,468)**	(265,653)
Non-current liabilities	**(99,512)**	(137,817)
Equity	**147,461**	144,951
Revenue	**45,921**	39,725
Profit/(loss) and total comprehensive income for the year	**2,510**	(8,357)
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**147,461**	144,951
Group's effective interest	**50%**	50%
Group's share of net assets of the associate	**73,794**	72,539
Carrying amount in the consolidated financial statements	**73,794**	72,539

Notes:

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

(ii) As at 31 December 2023, the paid-in capital of Changchun Xianbang is approximately RMB99,256,000 (31 December 2022: RMB99,256,000), of which approximately RMB49,628,000 (31 December 2022: RMB49,628,000), was injected by the Group. Due to the timing of capital injection by the investors of Changchun Xianbang, the effective interest at the end of each reporting period varies from the agreed percentage of 50%.

As at 31 December 2023, approximately RMB30,755,000 (31 December 2022: RMB30,755,000) was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Changchun Xianbang, of which approximately RMB15,377,000 (31 December 2022: RMB15,377,000) was contributed by the Group.

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

(iv) During the year ended 31 December 2022, the Group acquired 20% ownership in Nangang Municipal through injecting RMB4,721,000 to Nangang Municipal. As at 31 December 2023, the Group's share of net assets of Nangang Municipal is approximately RMB5,084,000.

17 INTEREST IN A JOINT VENTURE

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

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

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

	2023	2022
	RMB'000	*RMB'000*
Gross amounts of the joint venture		
Assets and liabilities:		
Current assets	**146,627**	100,462
Non-current assets	**527,658**	557,762
Current liabilities	**(156,349)**	(104,886)
Non-current liabilities	**(262,942)**	(292,495)
Equity	**254,994**	260,843
Included in the above assets and liabilities:		
Cash and cash equivalents	**371**	5,156
Current financial liabilities (excluding trade and other payables and provisions)	**41,341**	27,550
Profit or loss:		
Revenue	**54**	906
(Loss)/profit and total comprehensive income for the year	**(5,849)**	1,151
Included in the above (loss)/profit:		
Depreciation and amortisation	**1,082**	799
Interest income	**32,638**	33,731
Interest expense	**18,115**	19,821
Income tax (credit)/expense	**(1,096)**	1,237
Reconciled to the Group's interests in the joint venture		
Gross amounts of net assets of the joint venture	**254,994**	260,843
Group's interest held by subsidiaries	**75%**	75%
Group's share of net assets of the joint venture	**191,273**	195,660
Carrying amount in the consolidated financial statements	**191,273**	195,660

17 INTEREST IN A JOINT VENTURE (CONTINUED)

Notes:

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

(ii) As at 31 December 2023, the paid-in capital of Tianjun Tourism is approximately RMB181,043,900 (31 December 2022: RMB181,043,900), of which approximately RMB135,783,000 (31 December 2022: RMB135,783,000), was injected by the Group. Due to the timing of capital injection by the investors of Tianjun Tourism, the interest held by subsidiaries at the end of each reporting period varies from the agreed percentage of 75%.

As at 31 December 2023, approximately RMB37,353,000 (31 December 2022: RMB37,353,000) was recognised as contributions from equity shareholders for the financial guarantee provided for a long-term bank loan of Tianjun Tourism, of which approximately RMB28,015,000 (31 December 2022: RMB28,015,000) was contributed by the Group.

(iii) According to the articles of association of Tianjun Tourism, the resolutions in relation to significant financial and operating decisions have to be approved by all shareholders. Therefore, the Group does not have the power to control the financial and operating policies of Tianjun Tourism.

18 OTHER EQUITY INVESTMENTS

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Unlisted equity investments, at FVOCI (non-recycling)		
— 長春城投城鎮化建設投資有限公司 (Changchun Chengtou Urbanisation Construction Investment Limited) ("**Changchun Chengtou**") *(Note (i))*	**3,204**	3,415
— 潤德建設投資 (長春) 有限公司 (Runde Construction Investment Changchun Co., Ltd.) ("**Runde Construction Investment**") *(Note (ii))*	**9,982**	11,950
— 梅河口市慶豐建設項目管理有限公司 (Meihekou Qingfeng Construction Project Management Co., Ltd.) ("**Meihekou Qingfeng**") *(Note (iii))*	**1,890**	1,920
— 長春市綠園區城泰建設工程有限公司 (Changchun Lvyuan Chengtai Construction Engineering Co., Ltd.) ("**Lvyuan Chengtai**)" *(Note (iv))*	**1,746**	1,521
— 長春潤德建設項目管理有限公司 (Changchun Runde Construction Project Management Co., Ltd.) ("**Runde Construction Project Management**") *(Note (v))*	**53,319**	56,816
	70,141	75,622

18 OTHER EQUITY INVESTMENTS (CONTINUED)

The Group designated its unlisted equity investments in Changchun Chengtou, Runde Construction Investment, Meihekou Qingfeng, Lvyuan Chengtai and Runde Construction Project Management at FVOCI (non-recycling), as the investments are held for strategic purposes. The directors of the Company consider that Group does not have significant influence over any of these investments. No dividends were received from the above investments during the year ended 31 December 2023 (2022: RMBNil). The investments are classified as Level 3 fair value measurement, and the fair value was determined by the directors with reference to a valuation report issued by a third party valuer using the market approach or income approach. Further details are disclosed in Note 30(e).

Notes:

(i) Changchun Chengtou is a private company engaged in development, investment, construction, maintenance, operation and management of urban infrastructure construction projects in the PRC.

(ii) Runde Construction Investment is a private company engaged in development, design, construction, investment of urban infrastructure projects in the PRC.

(iii) Meihekou Qingfeng is a private company engaged in project management, which is responsible for financing, developing, operating and maintaining the PPP project in the PRC.

(iv) Lvyuan Chengtai is a private company engaged in project management, which is responsible for financing, developing, operating and maintaining the PPP project in the PRC.

(v) Runde Construction Project Management is a private company engaged in project management, which is responsible for financing, developing, operating and maintaining the PPP projects in the PRC.

19 INVENTORIES AND OTHER CONTRACT COSTS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Inventories — construction materials	**26,769**	25,058
Other contract costs	**27,155**	11,135
	53,924	36,193

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Carrying amount of inventories used in construction contracts	**782,034**	325,139

19 INVENTORIES AND OTHER CONTRACT COSTS (CONTINUED)

(b) Contract costs

Capitalised contract costs relate to costs incurred to fulfil a contract if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, and are expected to be recovered. Contract costs are recognised as part of "cost of sales" in the consolidated statement of profit or loss in the period in which revenue from the related sales is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2023 was RMB2,278,000 (2022: RMB2,078,000).

The amounts of capitalised contract costs that is expected to be recovered after more than one year as at 31 December 2023 is RMB16,431,000 (31 December 2022: RMB9,357,000). All of the other capitalised contract costs are expected to be recovered within one year.

Incremental costs of obtaining a contract are immaterial during the years ended 31 December 2023 and 2022.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Contract assets		
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**62,398**	123,900
— due from a joint venture *(Note 33(c))*	**45,011**	51,416
— due from an associate *(Note 33(c))*	**22,299**	50,932
— due from companies managed by key management personnel of ZIHG *(Note 33(c))*	**8,678**	14,539
— due from third parties	**1,201,777**	1,058,486
	1,340,163	1,299,273
Less: loss allowance	**(221,700)**	(243,564)
	1,118,463	1,055,709
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and bills receivables" *(Note 21)*	**1,742,401**	1,560,111

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(a) Contract assets (continued)

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

The amounts of revenue during the year ended 31 December 2023 from performance obligations satisfied (or partially satisfied) in previous periods is RMB(31,445,000) (2022: RMB14,059,000), mainly due to the changes in estimate of the stage of completion.

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB513,436,000 (31 December 2022: RMB455,828,000 (Restated)), which are expected to be billed after more than one year.

(b) Contract liabilities

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Contract liabilities		
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**24,607**	3,663
— due to a joint venture *(Note 33(c))*	**19,281**	18,324
— due to companies managed by key management personnel of ZIHG *(Note 33 (c))*	**8,442**	394
— due to third parties	**549,741**	560,655
	602,071	583,036

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.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities (continued)

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000 (Restated)
Balance at 1 January	**583,036**	—
– As previously reported	**—**	154,659
– Adjustment for business combination under common control	**—**	70,930
– As restated	**583,036**	225,589
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(132,475)**	(86,572)
Increase in contract liabilities as a result of billing in advance of construction, maintenance and design activities and recognising revenue during the year	**151,510**	444,019
Balance at 31 December	**602,071**	583,036

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

21 TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**175,615**	84,886
— due from a joint venture *(Note 33(c))*	**22,368**	18,480
— due from an associate *(Note 33(c))*	**17,900**	12,034
— due from companies managed by key management personnel of ZIHG *(Note 33(c))*	**11,100**	33,205
— due from third parties	**1,825,225**	1,601,067
	2,052,208	1,749,672
Bills receivable	**316**	1,752
	2,052,524	1,751,424
Less: loss allowance	**(287,409)**	(171,980)
	1,765,115	1,579,444
Reconciliation to the consolidated statement of financial position:		
Non-current	**602**	18,988
Current	**1,764,513**	1,560,456
	1,765,115	1,579,444

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

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

Ageing analysis

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**927,684**	735,224
1 to 2 years	**265,083**	525,701
2 to 3 years	**346,694**	145,543
3 to 4 years	**102,359**	40,181
4 to 5 years	**31,098**	49,413
Over 5 years	**92,197**	83,382
	1,765,115	1,579,444

The Group generally requires customers to settle progress billings in accordance with contracted terms. Further details on the Group's credit policy and credit risk arising from trade and bills receivable are set out in Note 30(a).

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Amounts due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**10,047**	579,608
Amounts due from one of the shareholders of the subsidiary *(Note 33(c))*	**—**	1,047
Amounts due from an associate *(Note 33(c))*	**60,259**	37,319
Amounts due from a joint venture *(Note 33(c))*	**19,840**	50
Advances to third parties	**59,329**	24,593
Advances to staff	**2,012**	351
Tax recoverable	**18,740**	8,085
Prepayments for purchase of raw materials	**9,066**	115,289
Deposits of bidding and performance for construction and design contracts	**1,686**	2,481
Deposits to secure the guarantees by third parties *(Note 26(d))*	**16,400**	21,790
Others	**6,858**	5,409
	204,237	796,022
Less: loss allowance	**(9,395)**	(1,645)
	194,842	794,377

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

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

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Cash at bank and on hand	**230,751**	242,456
Less: restricted bank deposits	**(20,346)**	(22,223)
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**210,405**	220,233

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

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

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Bank and other loans *RMB'000* *(Note 26)*	Interest payable *RMB'000* *(Note 25)*	Amounts due to third parties *RMB'000* *(Note 25)*	Advances from related parties *RMB'000* *(Note 25)*	Lease liabilities *RMB'000* *(Note 27)*	Dividends payable *RMB'000* *(Note 25)*	Total *RMB'000*
At 1 January 2023 (Restated)		**1,053,713**	**5,058**	**35,831**	**81,138**	**3,425**	**307**	**1,179,472**
Changes from financing cash flows:								
Proceeds from new loans		**1,336,679**	**—**	**33,062**	**584,472**	**—**	**—**	**1,954,213**
Repayment of loans		**(1,584,204)**	**—**	**(40,810)**	**(658,351)**	**(2,627)**	**—**	**(2,285,992)**
Interest paid		**—**	**(65,990)**	**—**	**—**	**(181)**	**—**	**(66,171)**
Total changes from financing cash flows		**(247,525)**	**(65,990)**	**(7,748)**	**(73,879)**	**(2,808)**	**—**	**(397,950)**
Exchange adjustments		**22**	**—**	**—**	**—**	**—**	**—**	**22**
Other changes:								
Increase in lease liabilities from entering into new leases during the year		**—**	**—**	**—**	**—**	**3,507**	**—**	**3,507**
Interest expenses	7(a)	**—**	**64,953**	**—**	**—**	**181**	**—**	**65,134**
Early termination of lease term		**—**	**—**	**—**	**—**	**(1,038)**	**—**	**(1,038)**
Total other changes		**—**	**64,953**	**—**	**—**	**2,650**	**—**	**67,603**
At 31 December 2023		**806,210**	**4,021**	**28,083**	**7,259**	**3,267**	**307**	**849,147**

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Note	Bank and other loans RMB'000 (Note 26)	Interest payable RMB'000 (Note 25)	Amounts due to third parties RMB'000 (Note 25)	Advances from related parties RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 27)	Dividends payable RMB'000 (Note 25)	Derivative financial instrument RMB'000 (Note 26)	Total RMB'000
At 1 January 2022									
As previous reported		504,565	2,567	21,239	—	5,423	307	1,170	535,271
Adjustment for business combination under common control		384,942	—	30,777	38,367	1,336	—	—	455,422
As restated		889,507	2,567	52,016	38,367	6,759	307	1,170	990,693
Changes from financing cash flows:									
Proceeds from new loans (Restated)		1,206,339	—	66,519	270,219	—	—	—	1,543,077
Repayment of loans (Restated)		(1,047,181)	—	(82,704)	(227,448)	(3,034)	—	—	(1,360,367)
Interest paid (Restated)		(26,291)	(36,847)	—	—	(236)	—	—	(63,374)
Total changes from financing cash flows (Restated)		132,867	(36,847)	(16,185)	42,771	(3,270)	—	—	119,336
Exchange adjustments (Restated)		5,048	—	—	—	—	—	(1,170)	3,878
Other changes:									
Increase in lease liabilities from entering into new leases during the year		—	—	—	—	2,586	—	—	2,586
Interest expenses (Restated)	7(a)	26,291	39,338	—	—	374	—	—	66,003
Early termination of lease term (Restated)		—	—	—	—	(3,024)	—	—	(3,024)
Total other changes (Restated)		26,291	39,338	—	—	(64)	—	—	65,565
At 31 December 2022 (Restated)		1,053,713	5,058	35,831	81,138	3,425	307	—	1,179,472

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement represent leases rental paid and comprise the following:

	2023 RMB'000	2022 RMB'000 (Restated)
Within operating cash flows	**(9,964)**	(8,388)
Within financing cash flows	**(2,808)**	(3,270)
	(12,772)	(11,658)

24 TRADE AND BILLS PAYABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade payables		
— due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**24,445**	14,698
— due to companies managed by key management personnel of ZIHG *(Note 33(c))*	**28,299**	20,685
— due to third parties	**1,336,437**	1,140,402
Bills payables	**—**	61,693
	1,389,181	1,237,478

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

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year	**1,078,377**	685,188
1 to 3 years	**190,745**	444,249
Over 3 years	**120,059**	108,041
	1,389,181	1,237,478

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

25 ACCRUED EXPENSES AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Amounts due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**8,426**	101,959
Amounts due to companies managed by key management personnels of ZIHG *(Note 33(c))*	**4,210**	—
Amounts due to non-controlling interests	**—**	2,000
Amounts due to third parties *(Note (i))*	**28,083**	35,831
Payables for staff related costs	**66,230**	66,798
Dividends payable	**307**	307
Interest payable	**4,021**	5,058
Payables for purchase of property, plant and equipment	**3,717**	3,881
Others	**8,209**	13,828
Financial liabilities measured at amortised cost	**123,203**	229,662
Financial guarantees issued *(Note 32)*	**37,000**	31,801
Payables for miscellaneous taxes	**51,337**	86,822
	211,540	348,285

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) As at 31 December 2023, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB32,376,000 (31 December 2022: RMB28,299,000). All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

26 BANK AND OTHER LOANS

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Bank loans:		
Guaranteed by related parties	**14,990**	149,000
Guaranteed by third parties *(Note 26(d))*	**283,755**	273,705
Guaranteed by related parties and third parties *(Note 26(d))*	**238,274**	302,169
Guaranteed by related parties and secured by trade and bills receivables and contract assets of the Group	**40,433**	29,748
Guaranteed by a third party and secured by trade and bills receivables and contract assets of the Group *(Notes 26(c) and 26(d))*	**—**	29,663
Guaranteed by related parties and a third party and secured by trade and bills receivables and contract assets of the Group *(Notes 26(c) and 26(d))*	**99,310**	—
Guaranteed by a third party and secured by bank deposits of the Group *(Notes 26(c) and 26(d))*	**35,584**	49,473
Secured by trade and bills receivables and contract assets of the Group *(Note 26(c))*	**—**	25,000
Secured by bank deposits of the Group *(Note 26(c))*	**47,000**	6,220
Unguaranteed and unsecured	**28,300**	30,000
	787,646	894,978
Other loan:		
Unguaranteed and unsecured loans from third parties	**14,052**	17,145
Unguaranteed and unsecured loans from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**2,700**	141,590
Unguaranteed and unsecured loans from ZONBONG International Investment Limited ("**Zonbong International**") *(Note 33(c))*	**1,812**	—
	806,210	1,053,713

26 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:

	2023 RMB'000	2022 RMB'000 (Restated)
Within 1 year or on demand	**726,263**	974,781
After 1 year but within 2 years	**78,135**	2,000
After 2 year but within 5 years	**1,812**	76,932
	79,947	78,932
	806,210	1,053,713

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

	2023 RMB'000	2022 RMB'000 (Restated)
Trade and bills receivables and contract assets	**36,069**	270,571
Bank deposits	**18,800**	8,720

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

	2023 RMB'000	2022 RMB'000 (Restated)
Counter-guarantee by related parties	**656,923**	559,900
Trade and bills receivables and contract assets	**252,961**	340,670
Guarantee deposits	**16,400**	21,790

(e) All of the Group's banking facilities were utilised as of 31 December 2023 and 31 December 2022.

(f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 30(b). At 31 December 2023, none of the covenants relating to the bank loans had been breached (31 December 2022: None).

26 BANK AND OTHER LOANS (CONTINUED)

(g) At 31 December 2023 and 2022, certain bank loans were guaranteed by the subsidiaries within the Group.

27 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Within 1 year	**2,018**	2,610
After 1 year but within 2 years	**1,077**	483
After 2 years but within 5 years	**172**	332
	1,249	815
	3,267	3,425

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Net balance of income tax payable at 1 January	**23,311**	—
– As previously reported	**—**	8,457
– Adjustment for business combination under common control	**—**	27,546
– As restated	**23,311**	36,003
Provision for the year *(Note 8(a))*	**37,760**	5,446
Income tax paid	**(9,889)**	(18,138)
Net balance of income tax payable at 31 December	**51,182**	23,311
Represented by:		
Income tax recoverable (included in tax recoverable) *(Note 22)*	**(3,030)**	(2,959)
Income tax payable	**54,212**	26,270

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Accrued payables	Credit loss allowance on trade receivables and contract assets	Fair value adjustments in connection with the acquisition of subsidiaries	Equity method investment income	Credit loss allowance on financial guarantees issued	Derivative financial instrument measured at FVPL	Unused tax losses	Depreciation allowances in excess of the related depreciation and government grants and related depreciation	Fair value adjustments in connection with other equity investments	Unrealised gains and losses	Withholding tax on distributable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022												
As previous reported	12,104	31,996	(343)	(10,780)	–	175	1,718	–	–	466	(1,800)	33,536
Adjustment for business combination under common control *(Note 35)*	–	10,069	–	–	–	–	–	(2,265)	883	–	–	8,687
As restated	12,104	42,065	(343)	(10,780)	–	175	1,718	(2,265)	883	466	(1,800)	42,223
Credited/(charged) to profit or loss (Restated)	1,994	21,023	88	(203)	–	(175)	852	(72)	–	–	–	23,507
Charged to reserve (Restated)	–	–	–	–	–	–	–	–	(1,070)	–	–	(1,070)
At 31 December 2022 and 1 January 2023 (Restated)	14,098	63,088	(255)	(10,983)	–	–	2,570	(2,337)	(187)	466	(1,800)	64,660
(Charged)/credited to profit or loss	(25)	15,530	87	152	1,305	–	176	964	–	144	–	18,333
Charged to reserve	–	–	–	–	–	–	–	–	452	–	–	452
At 31 December 2023	14,073	78,618	(168)	(10,831)	1,305	–	2,746	(1,373)	265	610	(1,800)	83,445

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised (continued)

(ii) Reconciliation to the consolidated statement of financial position

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Net deferred tax assets	**93,921**	77,422
Net deferred tax liabilities	**(10,476)**	(12,762)
	83,445	64,660

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses and deductible temporary differences arising from certain subsidiaries of the Group of RMB11,470,000 as of 31 December 2023 (31 December 2022: RMB11,502,000 (Restated)), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The year of expiry of unused tax losses differences not recognised is as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Year of expiry:		
2023	—	276
2024	**3,661**	3,661
2025	**3,562**	3,562
2026	**3,579**	3,579
2027	**424**	424
2028	**244**	—
	11,470	11,502

(d) Deferred tax liabilities not recognised

Pursuant to the corporate income tax law, a 10% withholding tax is levied on dividends declared to foreign investors. As at 31 December 2023, temporary difference unrecognised for deferred tax liabilities relating to undistributed profits of subsidiaries amounted to RMB192,773,000 (31 December 2022: RMB84,366,000 (Restated)). Deferred tax liabilities of RMB19,277,000 (31 December 2022: RMB8,437,000 (Restated)) have not been recognised in this respect as it is probable that such profits will not be distributed in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share premium	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	230	90,063	1,538	(45,868)	45,963
Changes in equity:					
Profit for the year	—	—	—	300	300
Other comprehensive income for the year	—	—	3,288	—	3,288
Total comprehensive income for the year	—	—	3,288	300	3,588
At 31 December 2022	230	90,063	4,826	(45,568)	49,551
At 1 January 2023	230	90,063	4,826	(45,568)	49,551
Changes in equity:					
Loss for the year	—	—	—	(1,918)	(1,918)
Other comprehensive income for the year	—	—	519	—	519
Total comprehensive income for the year	—	—	519	(1,918)	(1,399)
At 31 December 2023	230	90,063	5,345	(47,486)	48,152

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

	At 31 December 2023 and 2022	
	Number of shares	*HKD'000*
Authorised:		
Ordinary shares of HKD0.001 each	10,000,000,000	10,000

	HKD shares	
	No. of shares	*RMB'000*
Ordinary shares, issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	275,000,000	230

(c) Dividends

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

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.071 (equivalent to HKD0.078) per share, in an aggregate amount of RMB19,747,000 (equivalent to HKD21,450,000) has been proposed by the directors of the Company and is subject to the approval of the shareholders of the Company in the forthcoming annual general meeting.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 December 2022.

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

No final dividend in respect of the previous financial year has been approved during the year ended 31 December 2023 (2022: HKDNil).

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 34 of the Companies Act (as revised) of the Cayman Islands.

(ii) Other reserve

The other reserve comprises: (i) the difference between the carrying value of the net assets acquired and the consideration paid for the acquisition of a business under common control; (ii) the difference between the carrying value of non-controlling interests and the consideration received from the non-controlling shareholder; (iii) deemed contribution and distribution arising from a group reorganisation; (iv) the contribution from the Controlling Parties through the waiver of interest; and (v) reserve from a group reorganisation.

(iii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Group's subsidiary established in the PRC is required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to statutory reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held during the year (see Note 2(g)).

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the companies comprising the Group into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 2(v).

(vi) Special reserve

Pursuant to the relevant PRC laws and regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to retained earnings.

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The capital management policy remained the same as that in previous year.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, the Group defines adjusted net debt as total debt (which includes bank and loans, amounts due to third parties and related parties and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2023 and 2022 was as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current liabilities:		
Amounts due to third parties	**28,083**	35,831
Amounts due to related parties	**7,259**	93,345
Lease liabilities	**2,018**	2,610
Bank and other loans	**726,263**	974,781
	763,623	1,106,567
Non-current liabilities:		
Bank loans	**79,947**	78,932
Lease liabilities	**1,249**	815
Total debt	**844,819**	1,186,314
Less: cash and cash equivalents	**(210,405)**	(220,233)
Adjusted net debt	**634,414**	966,081
Total equity and adjusted capital	**769,469**	918,015
Adjusted net debt-to-capital ratio	**82%**	105%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 32, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees as at the end of the reporting period is disclosed in Note 32.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2023, 16.7% (31 December 2022: 16.9% (Restated)) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 54.1% (31 December 2022: 44.4% (Restated)) of the total trade receivables and contract assets, were due from the Group's five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Trade receivables and contract assets for contract work are considered past due once billings have been made and revenue has been recognised, respectively. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

Note:

(aa) The impairment losses recognised are contributed to the origination of new trade receivables and contract assets net of those settled and the increase in days past due.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2023		
	Expected loss rate **%**	**Gross carrying amount** ***RMB'000***	**Loss allowance** ***RMB'000***
Current (not past due)	**1.2%**	**957,829**	**11,437**
Within 1 year past due	**5.1%**	**1,133,309**	**57,307**
1 to 2 years past due	**10.7%**	**417,251**	**44,475**
2 to 3 years past due	**20.8%**	**431,325**	**89,916**
Over 3 years past due	**67.6%**	**452,657**	**305,974**
		3,392,371	**509,109**

	2022 (Restated)		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	1.7%	548,494	9,243
Within 1 year past due	3.5%	1,182,087	41,520
1 to 2 years past due	9.0%	775,447	69,473
2 to 3 years past due	24.9%	250,436	62,351
Over 3 years past due	79.6%	292,481	232,957
		3,048,945	415,544

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance account in respect of trade receivables and contract assets during the year are as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Balance at 1 January	**415,544**	—
– As previously reported	**—**	211,239
– Adjustment for business combination under common control	**—**	65,641
– As restated	**415,544**	276,880
Impairment losses recognised during the year	**93,675**	138,738
Amounts written off during the year	**(110)**	(74)
Balance at 31 December	**509,109**	415,544

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The treasury function is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of loans to cover expected cash demands.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2023				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Trade and bills payables	**1,389,181**	**—**	**—**	**1,389,181**	**1,389,181**
Accrued expenses and other payables measured at amortised cost	**123,203**	**—**	**—**	**123,203**	**123,203**
Bank and other loans	**747,390**	**81,543**	**1,812**	**830,745**	**806,210**
Lease liabilities	**2,148**	**1,100**	**200**	**3,448**	**3,267**
	2,261,922	**82,643**	**2,012**	**2,346,577**	**2,321,861**

	2022 (Restated)				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	1,237,478	—	—	1,237,478	1,237,478
Accrued expenses and other payables measured at amortised cost	229,662	—	—	229,662	229,662
Bank and other loans	1,011,261	8,295	80,466	1,100,022	1,053,713
Lease liabilities	2,689	518	396	3,603	3,425
	2,481,090	8,813	80,862	2,570,765	2,524,278

The maximum amount guaranteed in relation to the financial guarantees issued is disclosed in Note 32.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2023		2022 (Restated)	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Bank and other loans	**3.85%-8.01%**	**806,210**	4.35%-9.00%	1,028,713
Lease labilities	**6.18%-6.56%**	**3,267**	6.18%-6.56%	3,425
		809,477		1,032,138
Variable rate borrowings:				
Bank loans		**—**	5.64%	25,000
Total borrowings		**809,477**		1,057,138
Fixed rate borrowings as a percentage of total borrowings		**100.0%**		97.6%

(ii) Sensitivity analysis

At 31 December 2023 it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMBNil (2022: RMB213,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

For the years ended 31 December 2023 and 2022, the Group did not expose to significant currency risk.

(e) Fair value measurement

(i) Assets and liabilities measured at fair value

Fair value hierarchy

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

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements categorised into Level 3	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Recurring fair value measurements		
Other equity investments	**70,141**	75,622

(Expressed in RMB unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

During the years ended 31 December 2023 and 2022 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current forward rate. The discount rate used is derived from the PRC government yield curve as at the end of the reporting period plus an adequate constant credit spread.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability	20.5% (2022: 20.6%)
	Discounted cashflow approach (bb)	Discount rate	7.0%-9.3% (2022: 7.0%-9.3%)

(aa) The fair value of the non-listed shares is determined by using enterprise value per book value or value per earnings before interest, taxes, depreciation and amortisation of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2023 it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB736,000 (2022: RMB803,000 (Restated)).

(bb) The fair value of the non-listed shares is determined by discounting projected cash flow. The valuation takes into account the expected cash flow according to the PPP agreement. The discount rate used has been adjusted to reflect specific risks relating to respective investees. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2023 it is estimated that with all other variables held constant, a decrease in discount rate by 1% would have increased the Group's other comprehensive income by RMB79,000 (2022: RMB104,000 (Restated)), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB80,000 (2022: RMB111,000 (Restated)).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (continued)

(i) Assets and liabilities measured at fair value (continued)

Information about Level 3 fair value measurements (continued)

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Unlisted equity securities:		
At 1 January	**75,622**	—
– As previously reported	**—**	16,949
– Adjustment for business combination under common control	**—**	43,050
– As restated	**75,622**	59,999
Payment for purchases	**—**	8,161
Net unrealised (losses)/gains recognised in other comprehensive income during the year	**(5,481)**	7,462
At 31 December	**70,141**	75,622

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

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

31 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the consolidated financial statements were as follows:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Authorised but not contracted for	**14,448**	4,908

32 CONTINGENT LIABILITIES

As at 31 December 2023, the Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2023, the balance of the bank loan is RMB315,000,000 (31 December 2022: RMB330,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. For the year ended 31 December 2023, the ECLs of financial guarantee issued amounted to RMB5,289,000 was recognised as "accrued expenses and other payables – financial guarantees issued". The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2023, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB24,500,000 (31 December 2022: RMB21,131,000).

As at 31 December 2023, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2023, the balance of the bank loan is RMB136,150,000 (31 December 2022: RMB180,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB12,685,000 and RMB2,692,000 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 an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. For the year ended 31 December 2023, the ECLs of financial guarantee issued amounted to RMB3,412,000 was recognised as "accrued expenses and other payables — financial guarantees issued". The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2023, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB12,500,000 (31 December 2022: RMB10,670,000).

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.

The Group has issued guarantees in respect of bank loans and bills payable of ZIHG and its subsidiaries, joint ventures and associates and third parties. As at 31 December 2023, the balance of the bank loans and bills payable of ZIHG and its subsidiaries, joint ventures and associates, which has been guaranteed or counter-guaranteed by the Group amounted to RMB300,000,000 (31 December 2022: RMB630,000,000). All such financial guarantees issued by the Group have been released as at the date of this report.

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries and other emoluments	**11,760**	11,103
Discretionary bonuses	**2,751**	3,912
Contributions to defined contribution retirement schemes	**969**	765
	15,480	15,780

Total remuneration is included in "staff costs" (see Note 7(b)).

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties:

In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Rendering of construction, survey, design, technical consultancy and other services	**40,895**	51,705
Purchase of goods	**8,824**	2,434
Service received	**4,051**	10,873
Service income	**—**	182
Loan received from related parties	**646,060**	266,090
Loan repaid to related parties	**784,950**	125,500
Interest expenses on loan from related parties	**—**	2,302
Proceeds from advances from related parties	**584,472**	270,224
Repayment of advance from related parties	**658,351**	227,448
Proceeds from other loans from related parties	**—**	1,000
Lease charges relating to short-term leases and leases of low-value assets	**2,544**	2,436
Payments for advances granted to related parties	**442,623**	1,560,357
Proceeds from repayment of advances granted to related parties	**1,012,184**	1,641,093
Issuance of bills	**—**	50,000
Acquisition of equity interests of Jilin Jinghe Design from a related party	**—**	12,207
Acquisition of equity interests of Jilin Modern Zhongqing from a related party	**305,756**	—

(ii) Transactions with a joint venture

	2023 ***RMB'000***	2022 *RMB'000*
Rendering of construction services	**392**	252
Income from financial guarantee issued	**1,920**	1,920
Payment for advances granted to a related party	**19,790**	50

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties: (continued)

(iii) Transactions with an associate

	2023 RMB'000	2022 RMB'000
Rendering of construction services	**11,739**	18,534
Payment for advances granted to a related party	**22,940**	23,889
Income from financial guarantee issued	**1,582**	1,582

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

	2023 RMB'000	2022 RMB'000 (Restated)
Rendering of construction service	**—**	1,334
Services received	**26,397**	5,257
Purchase of goods, property, plant and equipment	**108,173**	24,611

(v) Transactions with Zonbong International

	2023 RMB'000	2022 RMB'000
Loan received from related parties	**1,812**	—

(vi) Transactions with one of the shareholders of the subsidiary

	2023 RMB'000	2022 RMB'000
Proceeds from repayment of advances granted to related parties	**1,047**	—

Financial guarantees provided by the Group for long-term bank loans of an associate and a joint venture will be released upon the maturity and repayment of the bank loans in 2029 and 2033, respectively.

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

	2023 ***RMB'000***	2022 *RMB'000* (Restated)
Trade in nature:		
Contract assets *(Note 20(a))*	**62,398**	123,900
Trade and bills receivables *(Note 21)*	**175,615**	84,886
Trade and bills payables *(Note 24)*	**24,445**	14,698
Contract liabilities *(Note 20(b))*	**24,607**	3,663
Accrued expenses and other payables *(Note 25)*	**1,167**	8,614
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**10,047**	579,608
Accrued expenses and other payables		
— Advances from related parties *(Note 25)*	**7,259**	81,138
— Payable for acquisition consideration *(Note 25)*	**—**	12,207
Bank and other loans *(Note 26)*	**2,700**	141,590
Guarantees provided by related parties for the Group's bank loans at the end of the reporting period *(Note 26(a))*	**393,007**	480,917
Guarantees provided to related parties for the bank loans at the end of the reporting period	**300,000**	630,000

(ii) Due from or due to a joint venture

	2023 ***RMB'000***	2022 *RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**45,011**	51,416
Trade and bills receivables *(Note 21)*	**22,368**	18,480
Contract liabilities *(Note 20(b))*	**19,281**	18,324
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**19,840**	50
Guarantee provided by the Group for the joint venture's bank loan at the end of the reporting period *(Note 32)*	**315,000**	330,000

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(iii) Due from or due to an associate

	2023 RMB'000	2022 RMB'000
Trade in nature:		
Contract assets *(Note 20(a))*	**22,299**	50,932
Trade and bills receivables *(Note 21)*	**17,900**	12,034
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**60,259**	37,319
Guarantee provided by the Group for the associate's bank loan at the end of the reporting period	**136,150**	180,000

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

	2023 RMB'000	2022 RMB'000 (Restated)
Trade in nature:		
Contract assets *(Note 20(a))*	**8,678**	14,539
Trade and bills receivables *(Note 21)*	**11,100**	33,205
Trade and bills payables *(Note 24)*	**28,299**	20,685
Contract liabilities *(Note 20(b))*	**8,442**	394
Accrued expenses and other payables *(Note 25)*	**4,210**	—

(v) Due to Zonbong International

	2023 RMB'000	2022 RMB'000 (Restated)
Non-trade in nature:		
Bank and other loans *(Note 26(a))*	**1,812**	—

(vi) Due from one of the shareholders of the subsidiary

Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**—**	1,047

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

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2023 RMB'000	2022 RMB'000
Non-current asset		
Interests in subsidiaries *(Note (i))*	**49,745**	52,143
Current asset		
Cash and cash equivalents	**228**	49
	49,973	52,192
Current liability		
Accrued expenses and other payables *(Note (ii))*	**9**	2,641
Non-current liability		
Other loans	**1,812**	—
	48,152	49,551
NET ASSETS		
CAPITAL AND RESERVES		
Share capital	**230**	230
Reserves	**47,922**	49,321
TOTAL EQUITY	**48,152**	49,551

Notes:

(i) The balance included amounts due from its subsidiaries.

(ii) The balance included loans from equity shareholders and amounts due to its subsidiaries.

35 BUSINESS COMBINATION UNDER COMMON CONTROL

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

The details of the restated balances are stated as below.

35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The reconciliation of the effect arising from the business combination under common control on the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss for the year ended 31 December 2022 are as follows:

At 31 December 2022

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

35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

At 31 December 2022 (continued)

	As previously reported	Jilin Modern Zhongqing	Elimination	Recognition of non-controlling interests	Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Trade and bills payables	785,538	452,474	(534)	—	1,237,478
Accrued expenses and other payables	263,725	87,145	(2,585)	—	348,285
Contract liabilities	230,471	352,565	—	—	583,036
Bank and other loans	663,200	311,581	—	—	974,781
Lease liabilities	2,240	370	—	—	2,610
Income tax payable	6,494	19,776	—	—	26,270
	1,951,668	1,223,911	(3,119)	—	3,172,460
Non-current liabilities					
Bank loans	—	78,932	—	—	78,932
Lease liabilities	815	—	—	—	815
Deferred tax liabilities	10,880	1,882	—	—	12,762
	11,695	80,814	—	—	92,509
NET ASSETS	486,950	431,060	5	—	918,015
CAPITAL AND RESERVES					
Share capital	230	—	—	—	230
Reserves	479,983	391,455	—	(3,915)	867,523
Total equity attributable to equity shareholders of the Company	480,213	391,455	—	(3,915)	867,753
Non-controlling interests	6,737	39,605	5	3,915	50,262
TOTAL EQUITY	486,950	431,060	5	—	918,015

35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

For the year ended 31 December 2022

	As previously reported *RMB'000*	Jilin Modern Zhongqing *RMB'000*	Elimination *RMB'000*	Restated *RMB'000*
Revenue	653,441	463,001	—	1,116,442
Cost of sales	(519,437)	(403,253)	—	(922,690)
Gross profit	134,004	59,748	—	193,752
Other net income	7,087	1,481	—	8,568
Selling expenses	(13,234)	(5,601)	—	(18,835)
Administrative expenses	(59,515)	(27,295)	—	(86,810)
Impairment losses on trade and other receivables, contract assets	(149,526)	11,043	5	(138,478)
(Loss)/profit from operations	(81,184)	39,376	5	(41,803)
Finance costs	(40,311)	(29,570)	—	(69,881)
Share of profits of associates	(3,928)	—	—	(3,928)
Share of profits of a joint venture	863	—	—	863
(Loss)/profit before taxation	(124,560)	9,806	5	(114,749)
Income tax	18,556	(495)	—	18,061
(Loss)/profit for the year	(106,004)	9,311	5	(96,688)
Attributable to:				
Equity shareholders of the Company	(105,286)	9,032	(89)	(96,343)
Non-controlling interests	(718)	279	94	(345)
(Loss)/profit for the year	(106,004)	9,311	5	(96,688)

(Expressed in RMB unless otherwise indicated)

35 BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The effect of the business combinations of entities under common control described above, on the Group's basic and diluted loss per share for the year ended 31 December 2022 is as follows:

	Impact on loss per share of the Group
	RMB cents
	(Restated)
Reported figures before restatement	(39)
Restatement arising from business combination under common control	4
	(35)

36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In January 2024, the Group obtained the First-Grade Qualification of Main Contractor for Municipal Public Works through the acquisition of 100% equity interests in Guangdong Fengyue Construction Engineering Co., Ltd at a consideration of RMB5,000,000.

After the end of the reporting period, the directors of the Company recommended to distribute a final dividend. Further details are disclosed in Note 29(c).

(Expressed in RMB unless otherwise indicated)

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of the consolidated financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in the consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024
Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider the immediate parent of the Group to be ZONQING International Investment Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

At 31 December 2023, the directors consider the ultimate controlling party of the Group is the Controlling Parties.

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)		
Revenue	**2,355,497**	1,116,442	936,595	1,001,427	897,486
Profit/(loss) before taxation	**172,652**	(114,749)	37,006	99,352	79,374
Income tax	**19,427**	(18,061)	3,596	30,411	29,921
Profit/(loss) attributable to equity shareholders of the Company	**135,206**	(96,343)	33,558	68,505	49,496
Profit/(loss) attributable to non-controlling interests	**18,019**	(345)	(148)	436	(43)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)	(Restated)	
Non-current assets	**483,933**	493,793	385,865	369,533	392,899
Current assets	**3,362,493**	3,689,191	1,993,922	1,711,259	1,307,214
Total assets	**3,846,426**	4,182,984	2,379,787	2,080,792	1,700,113
Current liabilities	**2,985,285**	3,172,460	1,738,198	1,532,444	1,205,828
Total assets less current liabilities	**861,141**	1,010,524	641,589	548,348	494,285
Non-current liabilities	**91,672**	92,509	37,512	60,250	86,856
NET ASSETS	**769,469**	918,015	604,077	488,098	407,429
Equity					
Share capital	**230**	230	230	1	1
Reserves	**649,365**	867,523	594,397	478,522	402,295
Total equity attributable to equity shareholders of the Company	**649,595**	867,753	594,627	478,523	402,296
Non-controlling interests	**119,874**	50,262	9,450	9,575	5,133
TOTAL EQUITY	**769,469**	918,015	604,077	488,098	407,429

Note: The summary of the consolidated results of the Group for the year ended 31 December 2019 and of the assets, equity and liabilities as at 31 December 2019 have been extracted from the Prospectus. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is prepared on the basis as set out in Note 2(b) to the consolidated financial statements.

In July 2022, the Group acquired the entire equity interests of Jilin Jinghe Design, a fellow of the Group, from ZIHG and a third party at considerations of RMB12,207,000 and RMB378,000, respectively. Jilin Jinghe Design became a subsidiary of the Group upon the completion of the acquisition. This business combination under common control has been accounted for using the principle of merger accounting. The consolidated statements of financial position as of 31 December 2020 and 2021 and the consolidated results for the year ended 31 December 2021 have been restated.

In June 2023, the Group acquired the 87.5% equity interests of Jilin Modern Zhongqing, a fellow subsidiary of the Group, from ZIHG at considerations of RMB305,756,000. The consideration of RMB305,756,000 has been paid in July 2023. This business combination under common control has been accounted for using the principle of merger accounting. The consolidated statements of financial position as of 31 December 2021 and 2022 and the consolidated results for the year ended 31 December 2022 have been restated.

Definitions and Glossary of Technical Terms

"Articles of Association" or "Articles"	the amended and restated articles of association of the Company conditionally adopted on 14 December 2020
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Chief Executive Officer"	the chief executive office of the Company
"Company", "the Company" or "We"	ZONQING Environmental Limited (中庆环境股份有限公司) (formerly known as ZONBONG LANDSCAPE Environmental Limited (中邦园林环境股份有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 8 March 2019
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Report, Hong Kong, Macau Special Administration Region and Taiwan
"the Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this report, means the controlling shareholders of the Company, being Zonqing International, Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive director(s) of the Company
"Group" or "the Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Non-executive Director(s)"	the independent non-executive director(s) of the Company
"Jilin Shengyi"	Jilin Shengyi Engineering Consulting Limited (吉林晟藝工程諮詢有限公司), a limited liability company established under the laws of the PRC on 28 February 2019 and owned as to 35% by Ms. Zhao Hongyu, 27% by Mr. Sun Juqing, 5% by Mr. Liu Haitao and 33% by other nine PRC individuals. It is an associate of the Controlling Shareholders
"Jilin Zonbong"	Jilin Zonbong Ecological Environmental Limited (吉林中邦生態環境有限公司), a company established under the laws of the PRC on 29 September 2018 and an indirect wholly-owned subsidiary of the Company
"Listing" or "IPO"	the listing of the Shares on the Main Board of the Stock Exchange on 6 January 2021

Definitions and Glossary of Technical Terms

"Listing Date"	6 January 2021, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director(s)"	the non-executive director(s) of the Company
"Prospectus"	the prospectus issued by the Company dated 22 December 2020
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares with a nominal value of HKD0.001 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)", "USD" or "US$"	United States dollars, the lawful currency of the United States of America
"Ultimate Controlling Shareholder(s)"	refers to Ms. Zhao Hongyu, Mr. Sun, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"ZCLLC"	Zhongqing Construction Limited Liability Company (中慶建設有限責任公司), formerly known as Changchun Chengda Luqiao Limited (長春市成達路橋有限責任公司), a company established under the laws of the PRC on 27 October 2004 and a wholly-owned subsidiary of ZIHG and a connected person of the Company
"Zhongke Zonbong"	Beijing Zhongke Zonbong Ecological Technology Limited (北京中科中邦生態科技有限公司), a company established under the laws of the PRC on 14 April 2016 and owned as to 99% by Jilin Zonbong, an indirect wholly-owned subsidiary of the Company and 1% by Jilin Shengyi, an associate of the Controlling Shareholders

Definitions and Glossary of Technical Terms

"ZIHG"	Zhongqing Investment Holding Group Limited Liability Company (中慶投資控股(集團)有限責任公司), formerly known as Changchun Mingju Commerce Limited (長春市銘聚商貿有限責任公司), a company established under the laws of the PRC on 16 May 2014 and a connected person of the Company
"ZIHG Group"	ZIHG together with its subsidiaries and associates as defined under the Listing Rules
"Zonbong Environment"	ZonBong Garden Environment Co., Limited (中邦园林环境有限公司), a company incorporated in Hong Kong on 3 April 2019 and an indirect wholly-owned subsidiary of the Company
"Zonbong Landscape"	Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤園林環境建設有限公司), formerly known as Changchun Qida Green Landscape Engineering Limited (長春市啟達綠化景觀工程有限公司) and Zonbong Landscape Co., Ltd. (中邦園林股份有限公司), a company established under the laws of the PRC on 22 December 2008 and an indirect wholly-owned subsidiary of the Company
"Zonbong Shanshui"	Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司), a company established under the laws of the PRC on 3 June 2009 and an indirect wholly-owned subsidiary of the Company, formerly known as Jilin Province Zhongsheng Municipal Construction Design Limited (吉林省中盛市政工程設計有限公司), Jilin Province Zhongsheng Design and Consulting Company Limited (吉林省中盛設計諮詢股份有限公司) and Jilin Province Zhongsheng Design and Consulting Limited (吉林省中盛設計諮詢有限公司)

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