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 2024

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 **2024** *RMB'000*	2023 *RMB'000*	Change *RMB'000*	Change *(%)*
Revenue	**1,743,092**	2,355,497	(612,405)	(26.0)
Gross profit	**314,034**	450,848	(136,814)	(30.4)
Other net income	**15,638**	10,552	5,086	48.2
Selling expenses	**(34,414)**	(18,800)	(15,614)	83.1
Administrative expenses	**(82,277)**	(91,667)	9,390	(10.2)
Finance costs	**(60,129)**	(65,134)	5,005	(7.7)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	**(79,847)**	(110,126)	30,279	(27.5)
Profit before taxation	**45,374**	172,652	(127,278)	(73.7)
Income tax	**714**	(19,427)	20,141	(103.7)
Profit for the year	**46,088**	153,225	(107,137)	(69.9)
Attributable to:				
Equity shareholders of the Company	**39,972**	135,206	(95,234)	(70.4)
Non-controlling interests	**6,116**	18,019	(11,903)	(66.1)
Total comprehensive income for the year	**45,270**	148,903	(103,633)	(69.6)
Attributable to:				
Equity shareholders of the Company	**39,126**	131,609	(92,483)	(70.3)
Non-controlling interests	**6,144**	17,294	(11,150)	(64.5)
	RMB cents	*RMB cents*	*RMB cents*	*Change (%)*
Earnings per share				
Basic and diluted	**5**	16	(11)	(68.8)

	As at 31 December **2024** *RMB'000*	2023 *RMB'000*	Change *RMB'000*	Change *(%)*
Non-current assets	**483,674**	483,933	(259)	(0.1)
Current assets	**3,899,855**	3,362,493	537,362	16.0
Current liabilities	**3,578,496**	2,985,285	593,211	19.9
Net current assets	**321,359**	377,208	(55,849)	(14.8)
Non-current liabilities	**9,841**	91,672	(81,831)	(89.3)
Net assets	**795,192**	769,469	25,723	3.3

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 2024 (the "**FY2024**").

The year 2024 marked the 75th anniversary of the founding of New China and served as a pivotal implementation year for the 14th Five-Year Plan. The global economy exhibited uneven paces of recovery, with geopolitical conflicts, inflationary pressures, and financial market volatility significantly impacting various industries. In this complex and volatile global economic landscape with transformation in industries, the Group has consistently adhered to a prudent business strategy, supported by robust execution and the collective efforts of all staff. The Group has maintained strategic certainty, adapted to industry changes, proactively addressed challenges, and worked diligently to achieve its annual targets and objectives. In the process, key operating indicators have shown steady growth, and the Group has performed well in the capital market.

Reflecting on 2024, the Company continued to uphold the overarching principle of seeking progress while maintaining stability, firmly implementing its strategic layout throughout the country. We achieved significant breakthroughs in key regions, including Sichuan, Guangdong, and Hainan. Notably, our cultural tourism operations, expanded from existing business lines, have begun to yield positive results. Despite facing various challenges and pressures, the Group coordinated its development efforts and focused to overcome multiple difficulties, accomplishing steady progress and improvement. For the year, our core business recorded a revenue of approximately RMB1,743.1 million and a net profit of approximately RMB46.1 million.

Looking ahead to 2025, the global economy continues to face numerous uncertainties, particularly in the context of accelerating urbanisation, which presents challenges for the engineering and construction industry amid a market slowdown. However, this environment also offers new opportunities. Since 2024, the Chinese government has implemented a series of debt resolution policies and structural reforms in the construction sector, significantly alleviating local government debt pressures and providing financial security for infrastructure projects. These policies and measures have revitalised the industry and created favourable conditions for the future growth of ZONQING Environmental Limited.

In the coming year, the Group will remain aligned with the state's strategies, demonstrating strategic patience and determination. We will capitalise on opportunities presented by policy changes, deepen our engagement in key regions, focus on core customers, and enhance our competitive edge. Our commitment to high-quality, sustainable development will be realised through continuous market expansion, the promotion of digital transformation, and improvements in corporate operations and management. Concurrently, the Group will uphold its social responsibilities, striving to create greater value for both our shareholders and society.

Shareholders and colleagues, as we look to 2025, we anticipate a year full of opportunities and challenges. We are confident that, through the collective efforts of all employees and the unwavering support of our shareholders and partners, ZONQING Environmental Limited will navigate the competitive market landscape with resilience. Our focus will remain on market dynamics, profitability, and cash flow, as we strive to achieve breakthrough advancements toward our higher development goals with a results-oriented approach

I would like to extend my heartfelt gratitude to our shareholders for their unwavering support of ZONGQING Environmental Limited, to everyone from various sectors who care about our company's growth, and to all our employees for their dedicated collaboration. Thank you!

Sun Juqing
Chairman and Non-executive Director

Hong Kong, 31 March 2025

Management Discussion and Analysis

BUSINESS REVIEW

During FY2024, revenue of the Group was approximately RMB1,743.1 million, representing a decrease of approximately 26.0% as compared with year ended 31 December 2023 ("**FY2023**"). The revenue of the Group was mainly generated from: (i) revenue from city renewal services, (ii) revenue from city operation and maintenance services, (iii) revenue from town planning design services; and (iv) revenue from cultural tourism, which accounted for approximately 79.9%, 14.1%, 4.3% and 1.7% of the total revenue for FY2024, respectively.

In FY2024, the Group continued to consolidate its existing service offerings, while opening up business segment of cultural tourism. Details of the Group's business segments are set out below:

1. City renewal services: the business scope covers construction engineering services in various fields such as landscaping, municipal projects, ecological management, mine restoration and city renewal. With the provision of high-quality construction engineering services as its core, the Group is able to efficiently mobilise its resources in a unified manner in delivering it services, with adjust space focus on completing various projects with tight schedules, heavy workloads and high requirements.

2. City operation and maintenance services: In recent years, the Group has accelerated the layout of city operation and maintenance business, and formed a comprehensive city operation service chain integrating municipal infrastructure maintenance, rail transportation maintenance, urban and rural smart environmental sanitation, green maintenance and ecological maintenance.

3. Town planning design services: It includes investigation, survey, design and consultancy for construction projects. With its innovative capability, resource integration capability and comprehensive planning and design management systems, the Group serves in various fields such as architectural design, city renewal, rural revitalisation, ecological environment design, engineering survey and municipal public works design.

4. Cultural tourism: The business covers the planning, construction and operation of regional cultural tourism hotspots, complexes and natural landscape tourism areas. In FY2024, the Group's cultural and tourism business, with its innovative and unique event planning as well as precise and efficient promotion, successfully made its mark and became a popular tourist destination. In FY2024, the revenue of cultural tourism was approximately 29.64 million, accounting for 1.7% of total revenue; the gross profit was 11.59 million, accounting for 3.7% of total gross profit. The management has optimised its revenue structure by refining its cost control and diversifying its revenue channels, achieving positive net profit growth over the past year and significantly enhancing the profitability of its projects.

During FY2024, the Shenlu Peak National Resort Project in Changchun and the Hare Playground Project in Liaoyuan, which are operated by the Group, have realised stable operating revenues. Further details of these two projects are set out below:

Shenlu Peak National Resort Project: in FY2024, the Group launched its culture and tourism business, aiming to fully promote the comprehensive development of the regional tourism business and build a brand new layout for tourism development. As the core operation project, the Shenlu Peak National Resort Project, having integrated the unique deer culture of Shuangyang in Changchun and the unique natural resources of Diaoshuihu National Park (吊水壺國家森林公園), has an excellent operation foundation. Since the Group took over the project, it has given full play to its professional operation capability and significantly improved the service level and market competitiveness of the scenic spot by improving service quality, innovative product development, and strengthened market promotion.

Hare Playground Project: the project covers a total area of 9.6 hectares and officially commenced operations in August 2024. In operating this project, the Group integrated local mining culture elements and expanded six major functions of themed amusement, water play, food & beverages, performing arts, cuddly pets and camping with more than 30 amusement attractions including the wilderness exploration tower, wave pool, super extreme camping, rope net playground, etc., with an aim to create a comprehensive parent-child theme park that integrates entertainment, education, leisure, and holiday. This design, which combines local culture with diversified functions, not only enhances the park's cultural value, but also strengthens its market competitiveness.

In 2025, the Group will continue to step up its efforts in promoting the expansion of its cultural tourism business.

Adhering to the general principle of seeking progress while maintaining stability, the Company is committed to upgrading its qualifications, enhancing its bidding competitiveness, and continuing to implement its national development strategy, particularly in regions such as Sichuan, Guangdong and Hainan where the Group has already made breakthroughs and established presence.

During FY2024, the Group submitted a total of 912 tenders, representing an increase of 277 tender submissions or approximately 43.62% as compared with FY2023, and the Group recorded a tender success rate of 35.1% for FY2024, representing a decrease of approximately 3.12 percentage points on tender success rate when compared with FY2023. The decrease in tender success rate was mainly due to an increase in the number of tenders as the Group continued to implement its national development strategy during FY2024, and actively engaged in bidding in Sichuan, Guangdong, Jiangxi and other outbound regions, thus reducing the overall bid success rate while making breakthrough progress.

During FY2024, the Group has won tenders for several sizeable projects, including:

(i) the main contracting for the Ruyi Lake Area Development of Infrastructure Construction Project (EOD Mode) in Shuangyang District of Changchun – the Ruyi Lake Area Tourism Project (ancient town, business street and outdoor supporting project, etc.) (Main Contracting) (with a successful bid price of approximately RMB434.30 million);

(ii) the main contracting for the "Three Roads and Two Streams" urban upgrading project (Phase II) (with a successful bid price of approximately RMB407.75 million);

(iii) the main contracting of Xinsheng Jiayuan Community Project in Changchun Beihu Science and Technology Development Zone (with a successful bid price of approximately RMB389.87 million);

(iv) 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 RMB335.21 million);

(v) the main contracting for ancillary works of the Comprehensive Treatment Project of the Northern Section of the Yitong River (with a successful bid price of approximately RMB292.44 million); and

(vi) the PPP project operation and maintenance (two bidding sections) of the New Urbanisation Construction Project (Phase I) (with a successful bid price of approximately RMB198.49 million).

Management Discussion and Analysis

Regarding its outbound regional expansion, the Group has won the bids for the Jianle Park project of Keyuan City at Tangxia Town, Dongguan (with a successful bid price of approximately RMB45.19 million); the Construction Area Landscaping Bidding Section on Plot A of the TOD Comprehensive Development Project Phase I of Sichuan Xingfuqiao Station (with a successful bid price of approximately RMB25.25 million); and the Greening and Maintenance Service Outsourcing Project (Bidding Section I) of Li'an Pilot International Education Innovation Zone in Lingshui, Hainan (Greening-Northern Section) (with a successful bid price of approximately RMB15.09 million).

During FY2024, members of the Group were granted various accreditations and award in recognition of their quality services and achievements in the industries. For instance, Jinghe Design Group Limited* (境和設計集團有限公司) passed the 2024 (the 11th batch) accreditation assessment of Changchun Municipal Enterprise Technology Center; Zonbong Ecology Environmental Construction Limited* (中邦生態環境有限公司) was awarded the national "Credit Star Certificate (7-Star)" (信用星級證書(7星)), granted jointly by China Association of Construction Enterprise Management and Credit Evaluation Engineering Committee, it was also awarded 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; and Changchun Chengjianweihu Group Co., Ltd.* (長春市城建維護集團股份有限公司) ("**Changchun Chengjianweihu**") was awarded the national "Credit Star Certificate (6-Star)" (信用星級證書(6星)) by the China Association of Construction Enterprise Management.

RISK MANAGEMENT

The Company 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 FY2024.

PROSPECTS

The Central Economic Work Conference held on 11 to 12 December 2024 specified the key goals of the country to stabilize economic growth, promote reform, prevent risks and improve people's lives, as well as advance green development and high-quality development. It deepened the understanding of the regularity of economic efforts to enhance the confidence, and proposed a series of policies and measures, including raising the fiscal deficit ratio, improving the intensity of fiscal expenditure, and increasing the issuance of ultra-long-term special government bonds, so as to cope with complicated domestic and international situations, thus ensuring that the goals and tasks in the "14th Five-Year Plan" are achieved on a high-quality basis. In 2025, it is expected that the economy will maintain steady growth, structural reforms will be further deepened, and green transformation will be accelerated.

In April 2024, the National Development and Reform Commission, the National Data Administration, the Ministry of Finance, and the Natural Resources Bureau issued the "Guidance on Deepening the Development of Smart Cities and Promoting the Digital Transformation across the City", which set the overall goal to promote the digital transformation across the city, enhance the intelligence, resilience and livability of the city, promote the integration of industry and city and digital technology innovation, and satisfy the people's needs for a better life. The smart city infrastructure is expected to improve further, allowing the Company to expand its market share in this area.

Management Discussion and Analysis

The Ministry of Culture and Tourism issued the "Measures on Promoting the High-quality Development of the Culture and Tourism Industry" in June 2024 to promote the high-quality development of the culture and tourism industry, the "Guidance on Promoting the Green Development of the Culture and Tourism Industry" in July 2024 to promote the green development of the culture and tourism industry, and the "Measures on Promoting the Integrated Development of the Culture and Tourism Industry" in August 2024 to promote the integrated development of the culture and tourism industry. The Company is therefore confident that the culture and tourism industry will continue to thrive with the support of the government, which will in turn fuel the growth of the new cultural and tourism business segment of the Group.

In December 2024, the "Opinions of the General Office of the State Council on Optimizing and Improving the Management Mechanism of Local Governments' Special Bonds" proposed to improve the positive role of local governments' special bonds in strengthening foundation, making up for deficiencies, improving people's lives, expanding investment and other areas. The number of special bond projects will further increase, bringing market opportunities to the Company. At the same time, they will increase the payment capability of the government and enhance the efficiency of corporate capital turnover.

In 2024, through a merger and acquisition of Guangdong Fengyue Construction Engineering Co., Ltd.* (廣東奉粵建設工程有限公司), the Group obtained the First-Grade Qualification of Main Contractor for municipal public works in Guangdong Province, which laid a solid foundation for the Group to expand into the Guangdong market. In addition, the Group it obtained the Second-Grade Qualification of Main Contractor for construction projects and the Second-Grade Qualification of Main Contractor for municipal public works through the acquisition of Changchun Chaoyang Chengji Construction Co., Ltd.* (長春市朝陽區城基建設有限公司), and obtained the First-Grade Qualification of Main Contractor for municipal public works through the acquisition of Jilin Shengyu Municipal Works Co., Ltd.* (吉林省晟宇市政工程有限公司). As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the above acquisitions (the "**Acquisitions**") were less than 5.0%, each of the above acquisitions was exempted from the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. In addition, each of the Acquisitions did not constitute connected transaction under Chapter 14A of the Listing Rules. The new qualifications obtained through the Acquisitions will strengthen the Group's capabilities in delivering comprehensive services to its customers.

In early 2025, Xi Jinping, the General Secretary of CPC Central Committee, the State President and the Chairman of the Central Military Commission, participated in a forum on private enterprises and gave an important talk, emphasizing that the basic guidelines and policies of the Party and the country in relation to the development of private economy have been incorporated into the socialist system with Chinese characteristics, and shall be consistently upheld and implemented, which cannot and will not change. As the prospects of private economy are highly recognized, the government has clearly stated that it will continue to support the development of private enterprises, including reduction of taxes and fees, financing facilitation and other policies, which has brought confidence and motivation to private enterprises in the complicated economic environment at present.

Looking forward to 2025, China's economy will continue to develop with high quality, where consumption, innovation and green transformation will become the core driving forces. Meanwhile, the policy will emphasize more on the balance among stable growth, structural adjustment and risk prevention. Infrastructure investment continues to be an important engine for steady economic growth, especially in the fields of new urbanization, rural revitalization and coordinated regional development. In addition, the Company will benefit from the implementation of the government's debt cancellation policy, continuously improving its cash flow. In 2025, as the government will gradually complete the debt cancellation, the Group, as a service provider in the public sector, will be benefited. It is expected that the Group's financial pressure will be reduced, so that it could focus its resources on business development to further enhance its profitability and market competitiveness.

Management Discussion and Analysis

By closely following the national strategy, the Group will maintain strategic patience and focus, and grasp new opportunities for the development of private enterprises. The Group will continue to penetrate into core areas, focus on key customers and enhance its core competitiveness. In particular, the Group will further consolidate and expand the businesses of outbound branches in Shenzhen, Guangzhou, Tianjin and Chongqing, and continue to explore new markets for urban operation and maintenance as well as cultural tourism, making greater progress around the country with the philosophy of engineering business being driven by cultural, commercial and tourism projects. The Group will also promote digital transformation by grasping the opportunities arising from green infrastructure, digitalization and coordinated regional development, and improve the level of corporate operation and management by leveraging on artificial intelligence and other technologies to cope with industry changes.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 26.0% or approximately RMB612.4 million from approximately RMB2,355.5 million for FY2023 to approximately RMB1,743.1 million for FY2024. The decrease in revenue was mainly due to the fact that certain government construction projects were slowed down which resulted in decrease in the Group's revenue as compared to last year.

City renewal services

The Group recorded a decrease in revenue from the city renewal services segment, from approximately RMB2,024.2 million for FY2023 to approximately RMB1,392.2 million for FY2024, representing a decrease of approximately 31.8% or approximately RMB650.0 million, which was mainly due to the fact that certain government construction projects were slowed down which resulted in decrease in the Group's revenue as compared to last year.

City operation and maintenance services

The Group recorded an increase in revenue from the city operation and maintenance services segment, from approximately RMB219.0 million for FY2023 to approximately RMB245.4 million for FY2024, representing an increase of approximately 12.1% or approximately RMB26.4 million, which was mainly due to the continuous growth of the city operation and maintenance services resulting from the Group's expansion in FY2024 and the increase in value of newly awarded contracts.

Town planning design services

The Group recorded a decrease in revenue from the town planning design services segment, from approximately RMB112.3 million for FY2023 to approximately RMB75.9 million for FY2024, representing a decrease of approximately 32.4% or approximately RMB36.4 million, which was mainly due to the decrease in the number of newly awarded contracts as compared to last year due to the impact of policies and macro economic environment.

Cultural tourism

For FY2024, the Group had new business development under the segment of cultural tourism. Source of income under this new business segment comprised ticket fees, transportation fees, catering income and amusement service fees scenic spots and segment revenue amounted to approximately RMB29.7 million in FY2024.

Management Discussion and Analysis

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 30.3% or approximately RMB136.8 million from approximately RMB450.8 million for FY2023 to approximately RMB314.0 million for FY2024. The decrease in gross profit was mainly due to the decrease in overall revenue. Gross profit margin of the Group decreased from approximately 19.1% for FY2023 to approximately 18.0% for FY2024. The decrease in gross profit margin was mainly due to increased market competitiveness and the Group's expansion into new regions, where lower service fees were charged to facilitate market penetration.

Other net income

The Group's other income increased by approximately 47.2% or approximately RMB5.0 million from approximately RMB10.6 million for FY2023 to approximately RMB15.6 million for FY2024, which was mainly due to an increased income from financial guaranteed issued and other income.

Selling expenses

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

The selling expenses increased from approximately RMB18.8 million for FY2023 to approximately RMB34.4 million for FY2024, representing an increase of approximately 83.0% or approximately RMB15.6 million. The increase in selling expenses was due to the Group deepening its overall layout strategy in the national and regional markets, and investing in the promotion of the newly launched cultural tourism services.

Administrative expenses

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

The administrative expenses decreased from approximately RMB91.7 million for FY2023 to approximately RMB82.3 million for FY2024, representing a decrease of approximately 10.3% or approximately RMB9.4 million. The decrease in administrative expenses was due to a decrease in business volume of the Group as well as and the cost reduction and efficiency improvement management measures adopted by the Group.

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

The impairment losses on trade and other receivables and contract assets under the ECL model for FY2024 was approximately RMB79.8 million (FY2023: approximately RMB110.1 million. The decreased was mainly due to the fact that in FY2024 the government focused on promoting the measurement or settlement of aging contract assets, which facilitated the Group's billing and settlement of contract assets, leading to a reduction in impairment losses.

Finance costs

The Group's finance costs mainly represented interest expenses on bank loans, and it decreased by approximately 7.7% or approximately RMB5.0 million from approximately RMB65.1 million for FY2023 to approximately RMB60.1 million for FY2024, which was mainly due to the reduced loan interest rates in FY2024 which echoed with the national policy of supporting enterprise development.

Management Discussion and Analysis

Share of (losses)/profits of associates

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

Changchun Xianbang was established in Changchun, the PRC, in 2017 as a project company responsible for financing, developing, operating and maintaining the Group's 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), which commenced in 2017. The Group has been holding 50.0% equity interest in Changchun Xianbang since its establishment and it was accounted as the Group's 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 FY2024, results of associates attributable to the Group decreased by approximately RMB4.1 million from share of profit of approximately RMB1.4 million for FY2023 to share of loss of approximately RMB2.7 million for FY2024. Such decrease was mainly due to the increased ECL allowance for trade receivables of Changchun Xianbang.

Share of losses of a joint venture

The Group's share of losses of a joint venture represents losses shared from the Group's 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 the Group's PPP project, the Shenjunshan Ecological Restoration and Landscaping Project (神駿山生態修復及景觀項目), which commenced in 2017. The Group has been holding 75.0% equity interest in Tianjun Tourism since its incorporation and it was accounted as the Group's joint venture given that the power to control its financial and operating policies was jointly held by the Group and another shareholder.

During FY2024, losses of Tianjun Tourism attributable to the Group increased by approximately RMB20.5 million from a loss of approximately RMB4.4 million for FY2023 to a loss of approximately RMB24.9 million for FY2024. Such increase in losses was mainly due to the increased ECL allowance for trade receivables of Tianjun Tourism.

Income tax

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

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 2022 to 2024, from 2023 to 2025 or from 2024 to 2026, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for FY2024 (2023: 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 FY2024 (2023: 100%).

The Group's income tax changed from approximately RMB19.4 million for FY2023 to approximately RMB-0.7 million for FY2024, which was mainly due to decrease in profit before taxation.

Net current assets

The Group's net current assets decreased by approximately 14.8% or approximately RMB55.8 million from approximately RMB377.2 million as at 31 December 2023 to approximately RMB321.4 million as at 31 December 2024. Such decrease was in part due to slowed down payment by the customers and the increase in amounts due to related parties and bank and other loans.

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 2024 and 2023:

	2024	2023
	RMB'000	*RMB'000*
Inventories – construction materials	**14,809**	26,769
Other contract costs	**26,449**	27,155
	41,258	53,924

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 decreased by approximately RMB12.6 million as at 31 December 2024 as compared with 31 December 2023 which was mainly due to the slowdown in project progress in FY2024 which led to a reduction in inventories.

Contract assets

The Group's contract assets remained relatively stable at approximately RMB1,118.5 million as at 31 December 2023 and approximately RMB1,132.2 million as at 31 December 2024.

Trade and bills receivables

The Group's trade and bills receivables increased by approximately 30.4% or approximately RMB536.6 million from approximately RMB1,765.1 million as at 31 December 2023 to approximately RMB2,301.7 million as at 31 December 2024. The increase was primarily due to the impact of the national economic environment, which slowed down the Group's collection of trade receivables.

Management Discussion and Analysis

Restricted bank deposits

The Group's restricted bank deposits decreased by approximately 23.2% or approximately RMB4.7 million from approximately RMB20.3 million as at 31 December 2023 to approximately RMB15.6 million as at 31 December 2024, 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 13.6% or approximately RMB188.9 million from approximately RMB1,389.2 million as at 31 December 2023 to approximately RMB1,578.1 million as at 31 December 2024, which was due to the extended payment cycle negotiated by the Group with its suppliers in response to the weakening repayments from customers.

Capital commitments

The table below sets out the amount of the capital commitments of the Group as at 31 December 2024 and 2023:

	2024	2023
	RMB'000	*RMB'000*
Authorised but not contracted for	**15,824**	14,448

As at 31 December 2024, the capital commitments authorised but not contracted for are mainly used for information technology systems and construction equipment and office equipment.

Indebtedness and Capital Structure

As at 31 December 2024, the Group had borrowings of approximately RMB884.6 million (31 December 2023: approximately RMB806.2 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB882.8 million (31 December 2023: approximately RMB726.3 million) 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 2024, the Group had utilised all of the banking facilities.

During FY2024, none of the covenants relating to the bank loans of the Group 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	
	2024	2023
Gross profit margin (%) (1)	**18.0**	19.1
Net profit margin (%) (2)	**2.6**	6.5
Return on equity (%) (3)	**6.0**	18.1
Return on total assets (%) (4)	**1.1**	3.8

	As at 31 December	
	2024	2023
Current ratio (5)	**1.1**	1.1
Gearing ratio (6)	**1.1**	1.0
Net debt to equity ratio (7)	**1.0**	0.7

Notes:

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

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

(3) Return on equity for the year was calculated based on the profit for the year attributable to equity shareholders of the Company for the respective year divided by 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 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.

Management Discussion and Analysis

Return on equity

The return on equity decreased from 18.1% for FY2023 to 6.0% for FY2024, primarily due to decrease in profit for FY2024.

Return on total assets

The return on total assets decrease from 3.8% for FY2023 to 1.1% for FY2024, primarily due to decrease in profit for FY2024.

Current ratio

The current ratio remained the same from 1.1 for FY2023 to 1.1 for FY2024.

Gearing ratio

The gearing ratio increased from 1.0 as at 31 December 2023 to 1.1 as at 31 December 2024 due to the increase in bank and other loans.

Net debt to equity ratio

The net debt to equity ratio increased from 0.7 as at 31 December 2023 to 1.0 as at 31 December 2024 due to the increase 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.

During FY2024, save as the Acquisitions discussed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2024 and 31 December 2023, 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 2024, the Group had issued a guarantee in respect of a bank loan of Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2024, the balance of the bank loan was RMB285,000,000 (31 December 2023: RMB315,000,000). 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 and 2024, the ECLs of financial guarantee issued amounted to RMB5,289,000 and RMB1,950,000, respectively, which were 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 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB24,000,000 (31 December 2023: RMB24,500,000).

As at 31 December 2024, the Group had issued a guarantee in respect of a bank loan of Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2024, the balance of the bank loan was RMB116,500,000 (31 December 2023: RMB136,150,000). 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 and 2024, the ECLs of financial guarantee issued amounted to RMB3,412,000 and RMB274,000, respectively, which were 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 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB10,600,000 (31 December 2023: RMB12,500,000). 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, such that the Group will have to make specified payments to reimburse the beneficiary of the guarantee for losses that the bank incurs.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

Management Discussion and Analysis

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Given the Group's operation is mainly 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 2024, 22.1% (31 December 2023: 16.7%) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 54.2% (31 December 2023: 54.1%) of the total trade receivables 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.

The Group's 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, the Directors 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 the Group's ability to maintain adequate cash inflows from business operations to meet debt repayment obligations as they fall due and the Group's ability to obtain external financing to meet committed future capital expenditures. It is the Group's policy to regularly monitor its liquidity status and 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 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 2024, 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 50, 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:

- 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 Ecology by ZCLLC as the general manager from December 2008 to April 2010. He served as Zonbong Ecology's director from April 2021 to December 2022 and has ceased to be Zonbong Ecology's director since December 2022..

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

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

Directors and Senior Management

Ms. Wang Yan (王彥) ("**Ms. Wang**"), aged 44, 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 Ecology.

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 54, 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 Ecology from December 2012 to December 2022 and he has held directorship 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 48, 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 Ecology from December 2014 to December 2022 and has held directorship in 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 46, 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 Ecology and Zonbong Shanshui from December 2013 to February 2021. He served as the Supervisor in Zonbong Ecology from February 2021 to December 2022 and he has ceased to be the Supervisor of Zonbong Ecology since December 2022.

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 56, 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 70, 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 57, 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 42, has been the regional deputy general manager of the Group since January 2019. He is primarily responsible for the management of projects of Zonbong Ecology in East Inner Mongolia, Shandong and Beijing. Mr. Wang Peng joined Zonbong Ecology in February 2008 and worked as a technician till January 2009. From February 2009 to February 2010, he was the project manager of Zonbong Ecology. From March 2010 to August 2010, Mr. Wang Peng was the manager of the engineering department of Zonbong Ecology. From September 2010 to January 2014, he was the deputy chief production manager of Zonbong Ecology. He was then promoted to be the project director and project manager of Zonbong Ecology, responsible for the production management of Zonbong Ecology 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 50, 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 Ecology 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.

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 FY2024.

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.

Corporate Governance Report

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 FY2024 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.

THE BOARD

Number of meetings attended

The Board held 4 regular meetings during the Reporting Period.

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

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

Note:

(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.

Corporate Governance Report

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website (www.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, two Audit Committee meetings were held. The attendance record of each member of the Audit Committee is set out in the table below:

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

Remuneration Committee

The primary duties of the Remuneration Committee are to (i) oversee the remuneration packages of the Company and its subsidiaries payable to their directors and the members of their senior management; (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 FY2024. 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 96 to 102 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 FY2024 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 FY2024.

Further details of the emoluments of the Directors and the five highest paid employees for FY2024 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 FY2024 is set out below:

Services rendered	**Service Category Fee Paid/Payable** *RMB'000*
Audit service	2,950
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 2024, 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.

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 FY2024.

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 services, city operation and maintenance services, town planning design services and cultural tourism.

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 103 to 104 of this Report.

DIVIDEND

The Directors do not recommend the payment of dividend for FY2024.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company is scheduled to be held on 27 May 2025. A notice convening the 2024 Annual General Meeting will be issued and sent to the Shareholders in or around April 2025.

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 22 May 2025 to 27 May 2025 (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 21 May 2025.

BUSINESS REVIEW

A review of the business of Group during FY2024 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 FY2024, 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 FY2024 containing the information required under Appendix 27 to the Listing Rules are included in the pages 57 to 95 of this Report.

RESULTS

The results of the Group for FY2024 are set out in the consolidated financial statements on pages 103 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 FY2024 are set out in the consolidated statement of changes in equity, pages 107 to 108 and note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As of 31 December 2024, the Company did not have any reserves available for distribution to the Shareholders of the Company (2023: 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 FY2024.

SUBSIDIARIES

Details of the Company's principal subsidiaries as of 31 December 2024 are set out in note 15 to the consolidated financial statements.

DIRECTORS

The list of Directors of the Company during FY2024 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 19 to 22 in this Report.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme (the "**Share Option Scheme**") pursuant to the written resolutions of the Shareholders and Directors passed on 14 December 2020 which took effect upon Listing. Other than the Share Option Scheme, the Group has no share schemes under Chapter 17 of the Listing Rules. No share option has been granted by the Company under the Share Option Scheme since Listing and up to the date of this Report. There were 27,500,000 shares option available for grant as at both 1 January 2024 and 31 December 2024, as no share options had been granted in FY2024. 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 2024, the remaining life of the Share Option Scheme is approximately six 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 2024, the Group had a total of 799 employees, which incurred staff costs (including Directors' remuneration) of approximately RMB173.4 million for the FY2024 (2023: 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 FY2024 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 FY2024 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 FY2024 would not constitute connected transactions under Chapter 14A of the Listing Rules.

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

Report of the Directors

During FY2024, in addition to the transactions described under the section headed "Continuing Connected Transactions" in this Report, the Group had the following related party transactions which constituted connected transactions of the Company:

(i) The total of purchase of goods for FY2024 was approximately RMB2,743,000 (2023: approximately RMB8,824,000) 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; and

(ii) Guarantees provided by ZIHG and its subsidiaries, joint ventures and associates for the Group's bank loans as at 31 December 2024 of approximately RMB642,708,000 (2023 approximately RMB393,007,000; which were not secured by any assets of the Group and is conducted on normal commercial terms or better.

CONTINUING CONNECTED TRANSACTIONS

The followings are the connected persons of the Company:

- Mr. Sun Juqing, a non-executive Director of the Company and hence a connected person;

- Ms. Zhao Hongyu, the spouse of a non-executive Director of the Company, Mr. Sun Juqing, and hence an associate of Mr. Sun Juqing and a connected person; and

- ZIHG, a company owned as to 35% by Ms. Zhao Hongyu and 27% by Mr. Sun Juqing and hence an associate of Mr. Sun Juqing and a connected person.

During FY2024, the Group had the following transactions which constituted continuing connected transactions:

(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 proposed annual caps of RMB600,000, RMB700,000 and RMB800,000, respectively. The transaction amount for the year ended 31 December 2024 was Nil, which did not exceed the annual cap for the year ended 31 December 2024.

(2) 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. 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 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 2024 was RMB1,874,000, which did not exceed the annual cap for the year ended 31 December 2024.

(3) 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. 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 Group to the ZIHG Group for the provision for property leasing for the three years ending 31 December 2025 shall not exceed the proposed annual caps of RMB4,500,000, RMB4,800,000 and RMB4,800,000, respectively. The transaction amount for the year ended 31 December 2024 was RMB2,463,000, which did not exceed the annual cap for the year ended 31 December 2024.

(4) 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, subject to the approval of the independent shareholders. The independent shareholders approved the framework agreement and the proposed annual caps at the EGM held on 5 January 2023. 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 2024 was RMB25,834,000, which did not exceed the annual cap for the year ended 31 December 2024.

(5) General contracting management of construction works 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 to the ZIHG Group for the three years ending 31 December 2025, and the transaction amounts thereunder shall not exceed the proposed annual caps of RMB30,000,000, RMB40,000,000 and RMB40,000,000, respectively. Details of the framework agreement were disclosed in the announcement of the Company dated 28 October 2022. The transaction amount for the year ended 31 December 2024 was RMB5,433,000, which did not exceed the annual cap for the year ended 31 December 2024.

(6) 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 for the three years ending 31 December 2025, and the transaction amounts thereunder shall not exceed the proposed annual caps of RMB30,000,000, RMB40,000,000 and RMB40,000,000, respectively. Details of the framework agreement were disclosed in the announcement of the Company dated 28 October 2022. The transaction amount for the year ended 31 December 2024 was RMB6,149,000, which did not exceed the annual cap for the year ended 31 December 2024.

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 (Revised). *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**")	543,606,498	65.89%
Mr. Liu Haitao	Interest in a controlled corporation	Zonbong International Investment Limited ("**Zonbong International**")	42,162,312	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	543,606,498	65.89%
Ms. Zhao Hongyu	Interest in a controlled corporation	Long position	543,606,498	65.89%
Mr. Sun Juqing	Interest of spouse	Long position	543,606,498	65.89%
Zonbong International	Beneficial owner	Long position	42,162,312	5.11%
Mr. Liu Haitao	Interest in a controlled corporation	Long position	42,162,312	5.11%
Ms. Wang Tiannv	Interest of spouse	Long position	42,162,312	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.

Report of the Directors

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 FY2024.

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 21.4% (2023: 21.2%) of the Group's total revenue, and sales to five largest customers combined is 56.1% (2023: 73.2%) of the Group's total revenue for FY2024.

The five largest suppliers and subcontracts is less than 30% of the Group's total cost of sales for FY2024 and FY2023.

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 FY2024 and FY2023.

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 2024, 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

The Ultimate Controlling Shareholders, owned the entire equity interest in ZIHG. The ZIHG Group mainly engaged in the infrastructure and municipal construction works with a focus on construction of buildings and railways, which may be in limited potential competition with the Group's 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. Further, pursuant to the equity transfer agreement dated 11 April 2023 in relation to the Group's acquisition of 87.50% equity interests in Jilin Modern Zhongqing City Construction Co. Ltd.* (吉林現代中慶城市建設有限公司) (collectively with its subsidiaries, the "**Jilin Modern Group**"), the parent company of Changchun Chengjianweihu, ZIHG had provided a non-competition undertaking (the "**Non-competition Undertaking**") in favor of the Group, pursuant to which the scope of restricted activity was enlarged to cover business activity that competes or may penitentially compete with the businesses of the Jilin Modern Group (the "**New Restricted Activities**").

The Deed of Non-competition and the Non-competition Undertaking operate in parallel to address any potential competition (if any) between the Group and the ZIHG Group. The Restricted Activity under the Deed of Non-competition primarily includes (i) technical consultancy, design and work implementation of landscaping projects; (ii) surveying, technical consultancy, design and work implementation of ecological restoration projects; and (iii) surveying, investigation, technical consultancy and design of municipal public work projects. On the other hand, the New Restricted Activities under the Non-competition Undertaking primarily include (a) construction of city roads in Changchun city, construction of water supply and sewage pipes and ducts in Changchun city, and construction of flyovers and bridges with span of less than 100 metres in Changchun city; (b) provision of inspection and maintenance services to public work projects and public infrastructures including city roads, bridges, city parks, tunnels, rail transportation systems, underground water supply and sewage network; and (c) provision of environmental hygiene services including cleaning and hygiene services to public infrastructures such as city and rural roads and bridges. Accordingly, there is a clear delineation of business between the Group and the ZIHG Group, and the Group is therefore capable of carrying on its business independently of, and at arms length from, the excluded business.

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 and the Non-competition Undertaking (as applicable) 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 the Non-competition Undertaking and enforcement of the terms thereof by the Controlling Shareholders. The Independent Non-executive Directors confirmed that the Controlling Shareholders have not been in breach of Deed of Non-Competition and the Non-competition Undertaking (as applicable) during the period from the Listing Date to the date of this Report. Given the Deed of Non-competition and the Non-competition Undertaking were 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 Non-competition Undertaking 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 FY2024.

CHARITABLE DONATION

Charitable donations made by the Group amounted to RMBNil (2023: RMB0.5 million) for FY2024.

Report of the Directors

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

For FY2024, 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 FY2024 or subsisted at the end of FY2024.

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 FY2024 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 FY2024 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, 31 March 2025

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the fifth 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 2024 to 31 December 2024 (the "Year" or "Reporting Period"). Some contents of the ESG Report dates back to before 2024 and into 2025, 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 27 to the Listing Rules.

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

Materiality: The Group 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: The Group employ a consistent approach to statistics disclosure. In this 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

The Group highly values 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 city renewal services, city operation and maintenance services, city planning and design, and culture and tourism. In its development, the Group adheres to setting high goals focusing on main and key businesses and upholds the spirit of craftsmanship, scientific attitude, and pursuit of humanistic characteristics. Our products integrate science and technology, culture and art, focusing on 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, and is responsible for 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 people-oriented and endeavour-oriented development concept and recruiting talents from all over the world, at the same time giving full play to the protection and motivation role of welfare, to standardise and strengthen the welfare management of employees in the Group. The Group continues to strengthen the cultivation of talents and the introduction of high-tech 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
Shareholders	• 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, striving 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 • High-quality services along the industrial chain • 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 • Providing fair promotion and development opportunities • Improving communication mechanism and participating in the management of the Group	Labour contracts, staff trainings, 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 unbiased cooperation for mutual benefit, 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 on 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 substantial (important) ESG issues of the Group, and disclosed the same in the report.

Materiality Assessment Process

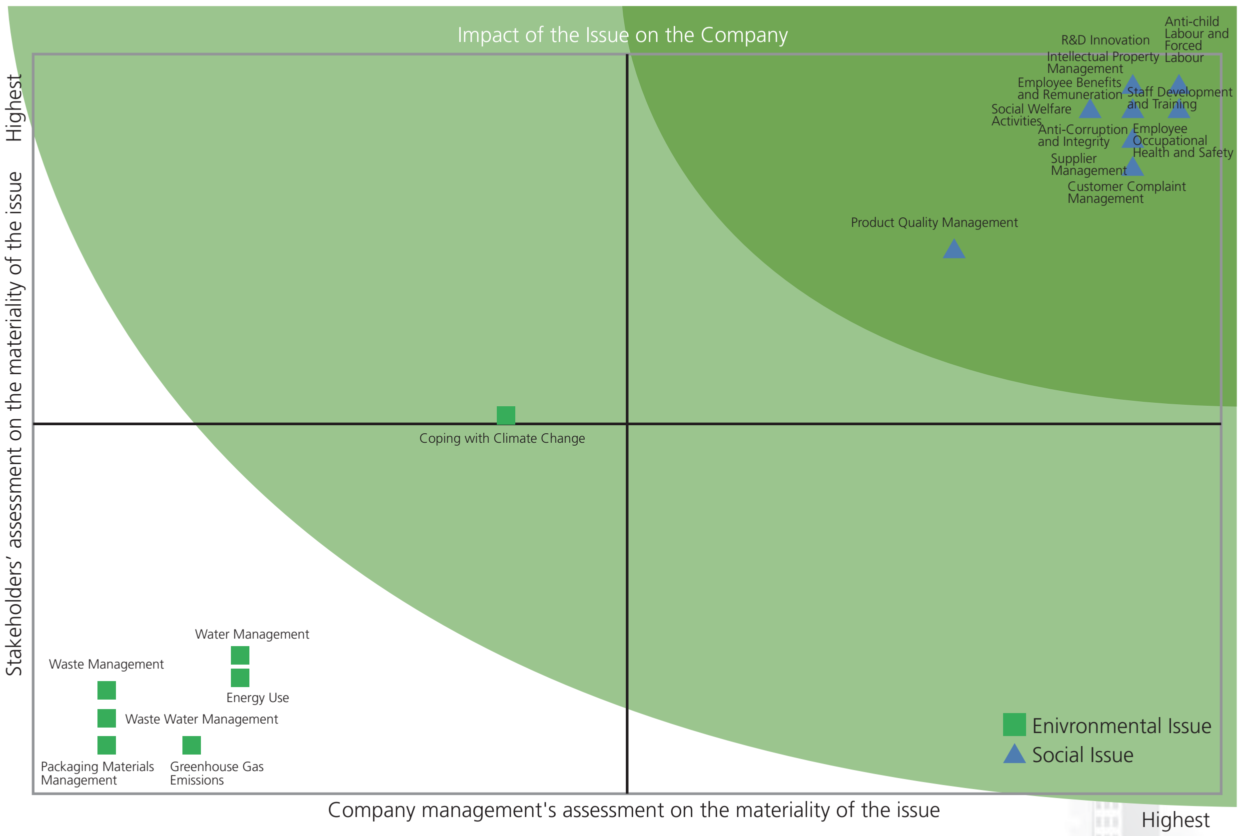
1) Identifying ESG issues relevant to the Group through analysis of the HKEX's ESG Reporting Guide and issues disclosed by peers;

2) Inviting important stakeholders to assess the materiality of the identified issues, including the assessment by internal stakeholders mainly from the perspectives 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 perspectives 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) Prioritising the materiality of the issues as approved by the management of Zonqing;

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

Materiality Matrix of Issues



Environmental, Social and Governance Report

1. RESPONSIBLE OPERATION

1.1 Quality Assurance of Works

With the goal of delivering premium works, building a quality brand image and building up quality and enhancing efficiency, Zonqing takes a series of measures to ensure the quality of products and services according to the Quality Management System (《質量管理制度》), builds a scientific and advanced quality management system at a high level according to GB/T 19001-2016 Requirements for Quality Management System, and manage and control quality 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 Group's Quality Management System: Elaborating in details the specific processes and requirements of the eight aspects 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 Framework: Based on the GB/T 19001-2016 standard, the Group 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 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 Group focuses on process optimisation, conducts the systematic specification and management of processes and their interactions, and manages processes and the system as a whole by using the PDCA cycle and always acting 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 the quality management system to ensure that the desired outcomes are achieved.

During the year, we have improved the management aspects, including 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, and enhanced specific measures for quality management. Focusing on the areas of "special technologies, parts under the special control and common quality issues", we have measures in place to strictly execute the first article system, and fully implement process standardization management. A mechanism of process self-check and double inspection by the secondary unit is in place to control the occurrence of quality problems in a timely and effective way and thus to prevent reworking for quality reasons. The quality of the construction works (products) undertaken must meet the requirements of the relevant national standards and regulations.

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 Company in respect of non-conformities and quality issues. The Safety and Quality Department and the Project Department should analyse the causes of quality issues, and formulate corrective 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 production into three stages: before, during and after. Pre-control includes controls such as identifying quality objectives, planning construction plans, formulating process standards, and producing "Model Guidance and Demonstration Section". In-process control is carried out strictly with reference to the technical documentations compiled in accordance with the project characteristics and our existing premium works 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 product manufacturing process for use in the quality management subsequently.

In the future, we will establish a quality standard system indexed by premium works, and refine high and cutting edge technology and improve the technical standard system covering all levels with products as the main theme. The integration of planning, design, construction and operation is highlighted when going over the advanced technology and experience and the technical standard system is widely promoted and applied, which together form the core competitiveness of brand quality supporting the development of Zonqing, 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 continue to take stock of the current knowledge and capability structure of its technical staff, analyse the blind spots in business knowledge, formulate targeted training programmes, and develop more technical backbone talents. It will summarise and establish high quality technical standards, and gradually improve the business technical standards system. In the future, quality control will eliminate ineffective labour and waste through process and business improvement, promoting 6S lean construction, and an assessment will be conducted in respect of progress, cost, materials, technology, quality, safety and other areas, with an aim of quality improvement and efficiency enhancement and producing premium products.

1.2 Customer Service Management

Zonqing follows closely 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 went above and beyond to provide customers with all-round professional services, which greatly enhanced customer satisfaction, and kept delivering premium works and providing high-quality services to customers, successfully scoring referrals of new projects from existing customers.

In terms of handling customer complaints, Zonqing has a dedicated person who is responsible for receiving and handling on-site 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 2024, Zonqing continued to push its servicing to the forefront and collaborate with all business segments, so as 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 to ensure product quality. It also 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 2024.

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 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 consistently promote technological innovation.

In 2024, Zonqing invested RMB76,583,000 in R&D, and launched 15 R&D projects in the field of ecological environment construction and protection, and 15 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 to continuously lead and promote the development of the industry.

Intellectual Property Protection

Zonqing has always been attaching 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 218 intellectual property rights, an increase of 42 as compared to 2023, including 22 invention patents, 118 utility model patents and design patents, 73 software copyrights, 3 trademark registrations and 2 domain name registrations. In 2024, there were 27 additional intellectual property rights and 8 additional software copyrights.

Zonqing encourages its staff to create inventions and production and process technology transformation and timely report intellectual property rights for the intellectual achievements formed. It assigns dedicated personnel in the product development department to be responsible for management, and focusing on intellectual property protection policies, formulates intellectual property protection strategies. It has established an intellectual property rights file and data platform, to classify intellectual property rights according to their actual creatable value, their importance to the Company's development and their maintenance cost, etc.. It has also formulated a series of measures and processes for the management of intellectual property rights in accordance with relevant national intellectual property rights laws and regulations and internal control processes of the Company. At the same time, Zonqing also evaluates and continuously improves 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 the Company, 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 Company to the fullest extent possible; in the course of cooperation with other units or individuals, the Group develops detailed provisions on the ownership, scope of use, duration and distribution of subsequent R&D results of the intellectual property involved, enters into relevant legal documents and uses the intellectual property rights in a comprehensive manner to protect the interests of the Company. Meanwhile, through the promotion and education of intellectual property rights, the Group raises employees' awareness of and attention to intellectual property rights, and develops a sound intellectual property rights protection system, creating an environment of fair competition and innovative development for the Company.

1.4 Sustainable Supply Chain

➢ Supplier management admission criteria: Being 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 number, 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 safe 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 subcontracted supplier has good integrity, and has not committed a violation such as defaulting on workers' wages; the subcontracted supplier has no record of major safety and quality incidents.

➢ Material supplier admission criteria: possess qualified production and business qualifications, being able to 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 manufacturing or service capabilities certified by government or industry authorities; 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. It 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, Zonqing gradually increases the proportion of cooperation with them, forming procurement appeal and promoting long-term and stable cooperation, to secure preferential prices and cooperation policies. It will also diversify priority payment methods, such as supply chain financing, etc. In the meantime, it dynamically monitors the operating status of such suppliers to prevent hidden risks caused by excessive dependence.

➢ Excellent suppliers: For such suppliers, Zonqing enhances mutual understanding, paying attention to their growth, expansion ability and innovation capability, to seek cooperation opportunities and secure preferential price policies, thus promoting stable cooperation.

➢ Qualified suppliers: Such suppliers, being a potential resource for cooperation, should be used as supplementary source of supply, and we will monitor their business status and growth.

➢ 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, malicious litigations and other actions. Such suppliers represent an extremely high supply risk and cooperation should be terminated and procurement be discontinued immediately.

The number of suppliers (or subcontractors) with which the Group maintain a business relationship with in 2024 is 1,292, 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)	73
Northeast China (Heilongjiang Province, Jilin Province, Liaoning Province)	1004
Northwest China (Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region)	5
East China (Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Shandong Province)	129
Central China (Henan Province, Hubei Province, Hunan Province)	36
South China (Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province)	35
Southwest China (Sichuan Province, Guizhou Province, Yunnan Province, Chongqing, Tibet Autonomous Region)	10
Hong Kong, Macau and Taiwan region	0
Overseas	0
Total	1292

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 qualification, raw material sources, production processes, supply continuity, factory sites, quality documentation and processes, procurement documentation, warehouse packaging, staffing and production management. We rate suppliers into four grades, 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:

No.	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 technologies if they are of same quality, and during the design stage, give priority to environmentally friendly materials and technologies. Construction processes with outdated capacity and high environmental pollution shall be eliminated. Supplier evaluation is carried out every year by rating suppliers' quantity, quality, timeliness of supply, price reasonableness, bidding price, contract performance, ability to co-operate, payment benchmark, etc., and compositing the scores for the purpose of 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. An inspection team will be formed to inspect the environmental aspects of the supplier's production factory before the supplier is 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 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 and implemented a Data Security and Confidentiality System, the Network and Information Security Management System, and the Network Security Emergency Response Plan. It has 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, as well as 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 computers used by employees of Zonqing have been installed with Tianqing Firewall (天擎防火牆), and the information system applications are deployed separately from the data servers, where only the applications could be connected to external source while the data servers are not available 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, the Group has been committed to public welfare cause. Always adhering to the concept of "giving back to and moving forward together with the community", it has developed a sound public welfare engagement mechanism, and established a Public Welfare Committee comprising of key personnel from various departments, which is responsible for arranging and planning annual public welfare activities and ensuring that public welfare activities are carried out orderly. At the beginning of each year, the Public Welfare Committee, taking into account the Group's business characteristics and social needs, determines the annual goals for public welfare, focusing on the areas of environmental protection and caring for the disadvantaged groups.

In 2023, the Group donated RMB500,000 for the flood outbreak in Jilin Province, actively responding to government's call to fulfil our corporate mission and social responsibility;

In 2024, the Group actively participated in the prevention of urban flood and waterlogging, and stood on duty at sites to respond quickly, safeguarding people's life.

In the future, the Group will consistently devote itself to public welfare undertakings, demonstrating its corporate social responsibility, and contributing to building a better and happier new life for the people; 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, organise and promote public welfare activities and give back to the society, leveraging on relevant national platforms and industry advantages.

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 winning 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. The Party branch of the Company takes the lead and the legal affairs department carries out the supervision work. The Party branch of the Company has set up an anti-corruption reporting mailbox, which is regularly opened and checked by a dedicated person in charge to report the case, if any, to the Party branch, paying high attention to the construction of an anti-corruption and bribery system. We have gradually developed an anti-corruption risk assessment process that is suitable for the Group's own development:

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

➢ The management of the Group 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 text messages) to superiors, to accept banquets, gifts, gratuities and other properties from suppliers or cooperative units in violation of the regulations, 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.

➢ The Group conduct effective communication or training internally through a variety of forms (through employee handbooks, publication of the Company's 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 practices.

➢ 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 by each functional department of Zonqing, it will identify 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.

In terms of anti-corruption, the Company has developed a detailed code of conduct, which clearly defines the boundaries of employees' behaviour when engaging with customers, partners and others, and strictly prohibits any form of acceptance or solicitation of bribes. During the year, the Company organised a number of anti-corruption trainings and promotional activities, which enhanced employees' awareness of integrity by explaining cases and interpreting regulations. In addition, a hotline and an online platform for whistle-blowing have also been set up to encourage employees and external persons to oversee and report corrupt practices, ensuring an honest and clean operating environment for the Company.

Through such measures, the Company has achieved remarkable results in preventing bribery and corruption of suppliers, and maintained a good image and business order of the Company.

In the future, in terms of anti-corruption, the Group will continue to focus on prevention, supplemented by combating corruption. It will continuously strengthen publicity and training on anti-corruption, repeatedly emphasize and publicize anti-corruption, and consistently instill the spirit of anti-corruption into employees, so that they have a fear of corruption. The Group will also enhance the supervision and punishment mechanisms against corruption, so that employees are unwilling, afraid and unable to be corrupt.

Regarding the procurement process, the Group places great emphasis on the prevention of bribery and corrupt practices by suppliers, establishing sound regulations and management systems. To prevent suppliers' bribery, the Company has formulated strict supplier admission policies, to conduct thorough reviews of, among others, qualifications and credibility of suppliers to control risks at the source. Meanwhile, the Group has signed integrity agreements with suppliers, specifying the obligations to be incorrupt and the liabilities for breaching during business dealings between both parties, which have legal bindings on them. During implementation, the Company sets up a dedicated supervisory team to conduct regular audits on transactions with suppliers, including contract execution, payment and other processes, and to follow up and handle any anomalies as soon as they are found.

In the procurement process, if any acceptance of bribes is 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 platform account of the Group; 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 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 2024, the Group continued to follow the standards for supervision and inspection of procurement implementation and management as specified in the Material Procurement Management System, and implemented procurement activities according to the inspection mechanism and related provisions. Relevant personnel who are involved in procurement activities are required to strictly abide by this system and all applicable laws, regulations and the Company's 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 making material plans that cause material backlogs, rejecting unauthorised procurement practices, rejecting participation of family relatives in and voluntarily recusing themselves of bidding, 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 result in accidents in procurement activities and cause a financial loss, the Engineering Management Center will arrange for relevant departments to analyse the causes of the accidents and discipline the relevant responsible units and persons.

- making relevant reports on the 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 protects the relevant private information of the whistleblower and the details of the report. The Legal Affairs Department 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 Legal Affairs Department. The Legal Affairs Department 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 identify 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 disclose its anti-corruption reporting channels as follows:

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

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

➢ Reporting by email: zonqingsj@163.com

2. TALENT TRAINING AND DEVELOPMENT

2.1 Safeguarding Employee Rights

Zonqing has been upholding the people-oriented and endeavour-oriented development concept and recruiting talents from all over the world. It strictly abides 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 is standardised subject to rules and regulations, which in turn facilitates continuous rapid development of the Group.

The Group has formulated a Recruitment Management System and a Personnel Management System, insisted on equal pay for equal work, set positions by ability, and gender, nationality, country, etc. are not taken into account in the selection and hiring process.

The Group has formulated a Salary Management System, set up a scientific compensation system, and given full play to the compensation management function, allowing employees to 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 Group 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 management, the Group 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 2024, 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 prohibits the use of child labour and forced labour. The Group 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 employees, 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 Group 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 Group 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 2024, the total number of Zonqing employees is 799, with a breakdown by employee category, gender and geographical region as follows:

		2024	2023
Total number of employees by employee category	Full-time	**799**	899
	Part-time	**0**	0
Total number of employees by gender	Male	**559**	614
	Female	**240**	285
Total number of employees by geographical region	Jilin	**731**	833
	Outside Jilin	**68**	66
Total number of employees by age group	25 and below	**15**	33
	26-30 (including 30)	**113**	138
	31-35 (including 35)	**222**	259
	36-40 (including 40)	**232**	241
	Over 40	**217**	228

The following is a breakdown of Zonqing employee turnover rates by gender, age group and geographical region in 2024:

		2024	2023
Employee turnover rate by gender (%)	Male	**21.11%**	15.31%
	Female	**24.58%**	13.68%
Employee turnover rate by geographical region (%)	Jilin	**19.15%**	12.36%
	Outside Jilin	**54.41%**	43.94%
Employee turnover rate by age group (%)	25 and below	**93.33%**	6.06%
	26-30 (including 30)	**33.63%**	18.84%
	31-35 (including 35)	**23.87%**	19.69%
	36-40 (including 40)	**15.95%**	12.45%
	Over 40	**16.13%**	10.09%

During the Year, Zonqing did not have any violation of regulations on discrimination, use of child labour and forced labour.

2.2 Employee Care and Welfare

In order to standardise and strengthen the welfare management of the Group's employees, and give full play to the protective and motivational role of welfare, the Group 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, among others.

2.3 Employee Health and Safety

The Group's safety management is based on the principle of "safety first, prevention priority, 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. It has also built 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 priority 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 incidents of work-related injuries 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 Group strives to provide a safe and comfortable working environment for its employees:

➢ The Group has developed comprehensive safety policies and guidelines for our employees, such as the Safety and Civilisation Construction Standards 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 Group organises safety education training, education on health and hygiene and education on new safety laws for new hires 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 reporting period, the Group did not have any safety incidents of general or above level, or any non-compliance with occupational health and safety laws and regulations.

2.4 Staff Development and Training

Zonqing has been always insisting on the talent development concept of "technology and talent are keys to success", and has insisted on a "Four-in-One" talent cultivation system to facilitate the development of the Company with talent development. Up to now, 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 a "Training Management System" and an "Internal Training Management System" to ensure the cultivation of talents for the Company.

In 2024, the Company has enhanced the multi-channel talent development path and has 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 classes 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.

In 2024, the Group set up a special talent training programme for talent cultivation, organising more than 100 training sessions throughout the Year, with a 100% staff coverage ratio.

➢ 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 talents at the base level, facilitating the development of business experts and business masters;

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

In 2024, the total number of training hours provided to Zonqing employees was 31,150, with an average of 34.75 training hours completed per employee, particulars of which are as follows:

Type	Key indicator	2024	2023
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	**34.75**	34.25
	Female	**34.75**	34.50
	Senior management	**64.75**	46.25
	Middle management	**60.75**	44.75
	General staff	**34.63**	25.75

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, to implement various training efforts. The Company has developed a talent training plan for the year 2025, 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.

4. GREEN AND SUSTAINABLE DEVELOPMENT

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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.

Project name: Infrastructure Construction Project of Jingyuetan Scenic Spot in Changchun, Jilin Province

➢ *Landscape Renovation at the Eastern District*

I. Renovation Plan for Yueliangwan Pier

(A) Background

Jingyuetan Park, as an ecological icon of Changchun City, carries important functions in environmental protection and tourism. Yueliangwan Pier, being a key spot within the park, cannot cater for the needs of tourists and the requirements for ecological conservation any longer. Although the former pontoon pier may adapt to water level changes, it requires cumbersome adjustments to the installation positions and has outdated facilities. The abandoned boats and flower boxes in the surroundings not only affect the esthetics, but also pose safety hazards. Moreover, the poor traffic connection between the pier and the Huantan Road, along with the severely damaged gravel road, has affected the tourists' experience. In addition, this area is designated for forestry and water use with rich and undamaged vegetation resources, which provide a good ecological foundation for this renovation, and also impose stricter requirements on ecology protection in the process of renovation. As a result, it is urgent to renovate Yueliangwan Pier with an aim of ecological management and environmental protection.

(B) Renovation Objectives

1. **Ecological conservation and restoration:** minimizing the impact of renovation works on surrounding vegetation and water bodies, restoring damaged ecosystems, protecting biodiversity, and maintaining the ecological balance of Jingyuetan Park.

2. **To improve the tourists' experience:** creating a safe, comfortable, convenient and distinctive environment at the pier that caters for the needs of tourists for boat tour, leisure and viewing, to improve the overall experience of tourists in the pier area.

3. **To optimize the functional layout:** making reasonable planning for the pier space, improving facilities, and increasing the operational efficiency and service capacity of the pier, so as to make it align with the overall function of the Jingyuetan Park.

4. **To enhance the concept of environmental protection:** fully using environmentally friendly materials and energy-saving technologies in the process of renovation for the purposes of sustainable utilization of resources, so as to develop Yueliangwan Pier into a demonstration area for ecological and environmental protection.

(C) Analysis of Current Status

1. **Structure:** The former pontoon pier is supported by pontoons, and its height may change according to water levels, to adapt to different water conditions. However, it is required to frequently adjust the installation positions according to water levels with high maintenance cost. Furthermore, the pontoon materials are aging, and some connection parts are loosening, which pose safety hazards. Currently, the pier is only used by pedal boats, with relatively simple functions.

2. **Surrounding facilities:** There are abandoned boats being left idle for a long time, with rusted hulls and some fallen parts, which not only affect the esthetics, but also may produce pollution to water. Although the dragon boat-style flower boxes have some decorative effect, they are placed in disorder, and the plants in some flower boxes are not growing well.

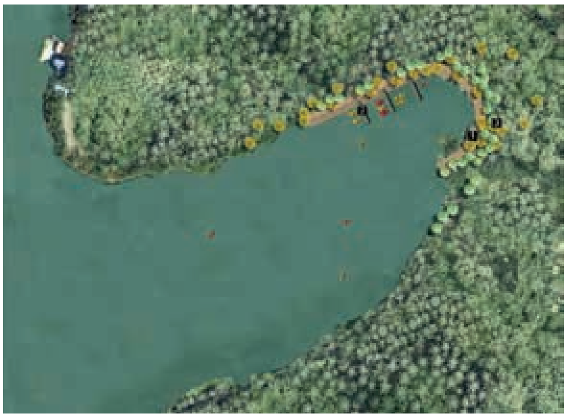
3. **Traffic connection:** The height difference between the pier and the Huantan Road is large, and the gravel road previously constructed has a steep slope, with pitted and uneven surface due to serious erosion caused by rainfall, and the gravels on some road sections have been lost, exposing the roadbed. This not only causes inconvenience to tourists, but also easily leads to soil erosion, thus affecting the surrounding ecosystem.

4. **Ecological environment:** The area is surrounded by dense vegetation, mainly consisting of pine trees, poplar trees, etc., with various shrubs and herbaceous plants in the bottom of the forest, and the ecosystem is relatively stable. Due to the lack of effective ecological protection measures around the pier, there are dead trees and poorly grown trees.

Renovation details: building a new 400-meter waterside wooden walkway and three pontoon piers, and replanting colorful foliage trees.

A waterside wooden walkway is built along the east shore of the lake for the project. As the wooden walkway of this project is located in the core landscape zone of the scenic area, and there are a large number of tourists viewing the scenery during the peak season in the scenic area, the wooden walkway is designed with a width of 8-10 m. All steel structural components are subject to anticorrosion treatment by spraying with anticorrosion paint after removing rust. The wooden walkway is equipped with anticorrosion wooden purlins and paved with thick bamboo. The project has a steel resting pavilion with anti-corrosion wood roof frames, and bamboo wood composite floor. To demonstrate the park's water proximity and improve the recreational experience, the project will renovate the Badong Pier and build three new pontoon piers for pleasure boats.

Picture 5-63 Floor Plan of Yueliangwan



Picture 5-64 Effect Picture of the Pier

Through this renovation program with an aim of ecological management and environmental protection, the Yueliangwan Pier will be transformed to an ecologically friendly scenic spot with comprehensive functions and beautiful sceneries from one with outdated facilities, simple function and ecological damages.

(A) Ecology

1. *Ecosystem Restoration and Stabilization*

(1) **Water purification:** The new ecological floating island after the renovation has played a significant role in purifying the water body. Water plants that are planted on the floating island, such as lotus, calamus and reed, absorb nitrogen, phosphorus and other eutrophic substances in the water through their root systems, effectively reducing the degree of water eutrophication and inhibiting excessive algae growth, which improves water quality and ensures that the water ecosystem is more stable and healthy.

(2) **Soil and water conservation:** The ecological walkway uses permeable paving materials, allowing rainwater to seep into the ground rapidly to replenish groundwater, reducing the washing of the surrounding soil by surface runoff. In addition, plants such as Bermuda grass, purple flowering locust, and willow trees that are planted in the ecological slope protection area have deep root systems that are able to effectively anchor the soil, effectively preventing soil erosion, protecting soil structure and maintaining soil fertility and stability, which provides a good foundation for vegetation growth.

2. Biodiversity Conservation and Promotion

(1) **Provision of habitats for aquatic life:** The ecological floating island not only purifies water but also offers an ideal habitat for numerous aquatic organisms. The underwater part of the floating island provides the space for fish and shellfish to hide from predators and breed, while the aquatic plants on the floating island provide food sources and habitats for aquatic insects and plankton, thus promoting biodiversity and richness of the aquatic community.

(2) **More terrestrial habitats:** The optimized planting of vegetation surrounding the pier and the deliberate creation of wildlife habitats have provided more living spaces suitable for birds, small mammals and other terrestrial creatures. Bird nests and tree hollows in the forest have provided breeding and resting places for birds, while the shallow beaches and wetlands along the shoreline have become important places for water birds to forage and rest, attracting more species of wildlife to inhabit and breed here, and thus enhancing the ecosystem biodiversity in the region.

(B) Humanities

1. Improving Tourist Experience and Satisfaction

(1) **Safe and comfortable touring environment:** The new pontoon platform is made of high-strength, corrosion-resistant and environmentally friendly composite materials, and uses flexible connection technology to ensure stability, which provides tourists with safe and reliable boarding and boat ride experience. The construction of the ecological trail with reasonable gradient and anti-skid facilities has solved the difficulties in walking on the former gravel road, enabling tourists to travel between the pier and the Huantan Road in an easy and safe manner. Also, the well-equipped lighting, resting seats and other supporting facilities around the pier provide a more comfortable touring environment for tourists, which has significantly enhanced their satisfaction.

(2) **Diversified tour attractions and experience:** After the renovation, the refurbished boats have been put into use, diversifying the water tour options of tourists. The rich layers of seasonal plant communities in the surroundings, and the ecological landscape features such as the wooden walkway and the viewing platforms, provide more sightseeing points and leisure spaces for tourists, increasing the fun and diversity of their tours. Additionally, an ecological science education signage is placed which allows tourists to learn about ecological knowledge during the tour, further enhancing their tour experience.

2. *Spreading the Concept and Culture of Environmental Protection*

(1) **Enhancing tourists' awareness of environmental protection:** The waste separation facilities and environmental protection publicity signs placed in the pier area remind tourists to pay attention to their environmental behaviors at all times, and guide them to discharge garbage after classification, to develop their good environmental habits. Moreover, the ecological science popularization signage presents the information on the ecosystem, animals and plants and ecological protection of Jingyuetan Park, allowing tourists to understanding in-depth the importance of ecological protection while appreciating the scenery, which enhances their awareness of environmental protection, and promotes tourists to pay more attention to environmental protection behaviours in their daily life.

(2) **Creating an environmental culture atmosphere:** As a demonstration area for ecological and environmental protection, Yueliangwan Pier has implemented the concept of environmental protection throughout the process from design to construction and then to operational management, demonstrating a successful example of combining ecological protection with tourism development, which has an effect that is expected to facilitate to spread the environmental protection culture around the Jingyuetan Park and even within a wider area, and to stimulate the public's attention to and interest in engaging in ecological protection, thus forming a good atmosphere of social engagement in environmental protection.

The renovated pier will become a new highlight for ecological protection and tourism development of Jingyuetan Park, which will provide tourists with higher quality services and also lays a solid foundation for the sustainable development of Jingyuetan Park. In the process of implementation, we will strictly adhere to the principle of ecology and environmental protection, ensuring that all renovation measures are scientific, reasonable and effective, to work together to create a beautiful Yueliangwan Pier where humans and nature coexist harmoniously.

II. *Wetland Park Protection*

Restore and conserve the ecosystem of the current wetland park, which covers an area of 19,900m^2.

1. Bio-floating Island

The bio-floating island technology is a technology that simulates an environment suitable for the growth of aquatic plants and microorganisms, grows aquatic plants in polluted water bodies using artificial cultivation facilities, and creates habitats suitable for the growth of microorganisms, to purify water through a combination of plant absorption, microbial decomposition and other effects.

2. Ecological Water Plants

The practice of planting water plants underwater has proven that water bodies with lush water plants often have good water quality and clarity. Artificial planting of water plants is also an important part of restoring the water ecosystem of a lake. Ecological water plants: they are planted at the bottom of the lake occupying approximately 60% of the total area of the lake bottom.

3. Emergent Plants

In this project, we have designated planting areas for emergent plants and are constructing planting platforms for those plants in such areas. On the shores of the shallow waters where emergent plants are distributed, pine stakes are driven and planting soil is laid to ensure that the emergent plants are planted in a depth of no more than 0.4m, and with a width of approximately 2 meters along the shoreline. The main species of emergent plants include canna lilies, pontederia cordata, iris, cattails and calamus, among others.

4. Plants on Lake Surface

Plant floating plants on the water surface. There are two kinds of aquatic plants on the water surface, i.e. floating plants with roots in the water, such as water hyacinth, and floating-leafed plants with roots in the mud at the bottom of rivers and lakes, such as lotus. Floating-leafed pants: at some sites along the shoreline in this area, floating-leafed plants are planted by species to embellish the landscape, including water lilies, euryale ferox and Nymphoides peltatum, among others.

5. Aquatic Bioremediation Measures

Raise fish and shrimp in water. When raising fish and shrimp, we should pay attention to the mix of herbivorous, omnivorous, and carnivorous species. Shellfish such as snails and mussels and a large number of benthic animals form another world under the water, which play a significant role in water purification acting as underwater cleaners. Promote bacteria through aeration. The survival and reproduction of bacteria, fungi, actinomycetes, soil protozoa and other biological populations that are invisible to the naked eye continuously decompose organic substances in water into inorganic substances and water. Since they need ample oxygen, appropriate measures should be adopted for aeration to increase the oxygen content in the water, thereby promoting the growth and reproduction of aerobic bacteria, in order to enhance and accelerate the decomposition of organic pollutants in the water.

Picture 5-66 Effect Picture of the Wetland Park's Waterfront Platform

The project shall strictly enforce the "Three Simultaneous" system, which requires that environmental protection facilities be designed, constructed and put into operation simultaneously with the main project. Adhering to the principle of "prevention first, combination of prevention and control and comprehensive management", we will control the total amount, and treat the pollutants generated during the project construction and use, to ensure that the emissions standards are met.

(1) Although the noise, sewage and solid waste generated by the project during the construction period will have a certain negative impact on the regional environment, the impact is short-term and will disappear with the end of the construction.

(2) During the operation period, domestic sewage from all scenic spots in the project will be discharged into the sewage treatment plant through the municipal pipeline network for further treatment, and will not be discharged into surface water.

3.2 Coping with Climate Change

In the course of construction, we may face the challenges of extreme weather such as heavy rain and snow storm. The Group prepares 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 Emergency Plans that align with construction characteristics 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 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 new urban parks and upgrading, greening construction of urban roads, and water ecology smart city operation and maintenance. 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 2024, the Group planted 28,039 trees, 27,514 shrubs and approximately 1,230,148.778 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 to 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 has actively collaborated 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 in charge 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 air 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 air 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 for hot water boilers, cookers and heating boilers for winter construction.

The Group's main source of wastewater stems from domestic wastewater. All construction sites are prohibited from using aqua privies, but equipped with flushing toilets and septic tanks for disinfection, and use sewage pumping vehicles regularly for transportation to the wastewater treatment plant for treatment.

Zonqing mainly focuses on city renewal service, city operation and maintenance service, town planning design services and cultural tourism, and the waste generated 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. Greening 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 greening 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 the course of its daily business, 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 followings:

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

➢ Material saving measures – Develop material saving measures on the premise of ensuring 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 the site 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. Adopting 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 conduct 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 devices in summer and winter respectively.

➢ Land conservation and construction land protection measures – Development of temporary land use targets, construction overall layout planning and temporary land conservation measures, etc. Specific land conservation and construction land protection measures are as follows:

1. The overall layout of the construction is scientific and reasonable to reduce the area for the temporary land use.

2. The warehouses, processing areas, material yards, etc. at the construction site are located as closely 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 and environment. Living and production areas should be separated with standard separation facilities.

4. Use removable protective fencing at the construction site to provide temporary edge protection and increase the material recycling rate.

We use clean energy sources such as natural gas, LPG, and electricity 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 used 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 raw materials used in the Group's landscaping projects include seedlings, crushed stones for paving foundations, concrete and stones for paving surfaces. 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 old foundation materials removed 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 exhaust from materials on human health is minimized.

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

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**	**2024**	2023
Total amount of greenhouse gas emissions	tonnes of carbon dioxide equivalent	**1,524.32**	1,596.07
Greenhouse gas emission intensity	kg of carbon dioxide equivalent/ten thousand yuan operating income	**8.74**	6.80
Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent	**892.68**	942.96
Indirect greenhouse gas emissions	tonnes of carbon dioxide equivalent	**631.64**	653.11
Total amount of hazardous waste generated	kg	**11.66**	13.01
Hazardous waste generation intensity	g/ten thousand yuan operating income	**0.067**	0.056
Ink cartridges	kg	**11.20**	12.50
Batteries	kg	**0.46**	0.51
Total amount of non-hazardous waste generated	kg	**260,352.00**	285,510.00
Non-hazardous waste generation intensity	kg/ten thousand yuan operating income	**1.49**	1.22
Paper	kg	**95.00**	100.00
Household waste	kg	**11,357.00**	11,410.00
Trash from pruning of trees, shrubs and ground cover, dust nets, etc.	kg	**248,900.00**	274,000.00
Total amount of sewage discharged	cubic meter	**8,282.68**	8,302.71
Discharge of domestic sewage in office area	cubic meter	**1,312.34**	1,301.25
Discharge of domestic sewage during construction	cubic meter	**6,970.34**	7,001.46
Use of resources			
Total amount of electricity consumed	kWh	**1,434,441.84**	1,631,133.59
Electricity consumption intensity	kWh/ten thousand yuan operating income	**8.23**	6.99
Electricity consumption in office area	kWh	**206,565.84**	297,951.59
Electricity consumption during construction	kWh	**127,876.00**	1,333,182.00
Total amount of water consumed	cubic meter	**91,552.83**	103,419.76
Water consumption intensity	cubic meter/ten thousand yuan operating income	**0.53**	0.44
Water consumption in office area	cubic meter	**34,37.51**	3,813.53
Water consumption during construction	cubic meter	**88,115.32**	99,606.23

APPENDIX

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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.	1.1 Quality Assurance of Works
B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.1 Quality Assurance of Works
B6.4	Description of quality assurance process and recall procedures.	1.1 Quality Assurance of Works
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	1.1 Quality Assurance of Works
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

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 103 to 188, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024 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 2024, 98% of the Group's total revenue was recognised progressively overtime, based on estimated transaction price and percentage of completion when control of the goods or services is transferred to customer.

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

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

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

How the matter was addressed in our audit

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

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the estimation and revision of the estimated transaction price and total expected costs to completion;
- scrutinising the key clauses of contracts with customers on a sample basis, and assessing whether the key clauses had been appropriately reflected in the estimation of transaction price and total expected costs 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;

KEY AUDIT MATTERS (CONTINUED)

Recognition of revenue based on percentage of completion (continued)

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

The Key Audit Matter	How the matter was addressed in our audit
	• performing a re-calculation of revenue recognised for individual contracts, on a sample basis, based on the estimated transaction price, total expected costs to complete 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 2024, the Group's contract assets and trade receivables totalled RMB3,434 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.

— Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

31 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

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

	Note	**2024**	2023
		RMB'000	*RMB'000*
Revenue	*4*	**1,743,092**	2,355,497
Cost of sales		**(1,429,058)**	(1,904,649)
Gross profit		**314,034**	450,848
Other net income	*5*	**15,638**	10,552
Selling expenses		**(34,414)**	(18,800)
Administrative expenses		**(82,277)**	(91,667)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	*6*	**(79,847)**	(110,126)
Profit from operations		**133,134**	240,807
Finance costs	*7(a)*	**(60,129)**	(65,134)
Share of (losses)/profits of associates		**(2,740)**	1,366
Share of losses of a joint venture		**(24,891)**	(4,387)
Profit before taxation	*7*	**45,374**	172,652
Income tax	*8(a)*	**714**	(19,427)
Profit for the year		**46,088**	153,225
Attributable to:			
Equity shareholders of the Company		**39,972**	135,206
Non-controlling interests		**6,116**	18,019
Profit for the year		**46,088**	153,225
Earnings per share (RMB cents)			
Basic and diluted	*11*	**5**	16

The notes on pages 111 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 2024

(Expressed in RMB)

	2024	2023
	RMB'000	*RMB'000*
Profit for the year	**46,088**	153,225
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	**(1,522)**	(5,029)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	**704**	707
Other comprehensive income for the year	**(818)**	(4,322)
Total comprehensive income for the year	**45,270**	148,903
Attributable to:		
Equity shareholders of the Company	**39,126**	131,609
Non-controlling interests	**6,144**	17,294
Total comprehensive income for the year	**45,270**	148,903

The notes on pages 111 to 188 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	12	**37,264**	39,309
Intangible assets	13	**17,040**	1,938
Right-of-use assets	14	**12,740**	7,871
Interest in associates	16	**76,138**	78,878
Interest in a joint venture	17	**166,382**	191,273
Other equity investments	18	**68,351**	70,141
Deferred tax assets	28(b)	**105,214**	93,921
Non-current portion of trade receivables	21	**545**	602
		483,674	483,933
Current assets			
Inventories and other contract costs	19	**41,258**	53,924
Contract assets	20(a)	**1,132,150**	1,118,463
Trade and bills receivables	21	**2,301,133**	1,764,513
Prepayments, deposits and other receivables	22	**286,935**	194,842
Restricted bank deposits	23	**15,600**	20,346
Cash and cash equivalents	23	**122,779**	210,405
		3,899,855	3,362,493
Current liabilities			
Trade and bills payables	24	**1,578,145**	1,389,181
Accrued expenses and other payables	25	**353,986**	211,540
Contract liabilities	20(b)	**726,695**	602,071
Bank and other loans	26	**882,813**	726,263
Lease liabilities	27	**2,746**	2,018
Income tax payable	28(a)	**34,111**	54,212
		3,578,496	2,985,285
Net current assets		**321,359**	377,208

Consolidated Statement of Financial Position

At 31 December 2024

(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Total assets less current liabilities		**805,033**	861,141
Non-current liabilities			
Bank and other loans	*26*	**1,848**	79,947
Lease liabilities	*27*	**4,340**	1,249
Deferred tax liabilities	*28(b)*	**1,930**	10,476
Long-term payables		**1,723**	—
		9,841	91,672
NET ASSETS		**795,192**	769,469
CAPITAL AND RESERVES	*29*		
Share capital		**230**	230
Reserves		**668,744**	649,365
Total equity attributable to equity shareholders of the Company		**668,974**	649,595
Non-controlling interests		**126,218**	119,874
TOTAL EQUITY		**795,192**	769,469

Approved and authorised for issue by the board of directors on 31 March 2025.

Liu Haitao
Director

Wang Yan
Director

The notes on pages 111 to 188 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(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	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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(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 2024	230	90,063	272,109	79,322	2,483	5,672	16,644	183,072	649,595	119,874	769,469
Changes in equity for 2024:											
Profit for the year	–	–	–	–	–	–	–	39,972	39,972	6,116	46,088
Other comprehensive income	–	–	–	–	(1,550)	704	–	–	(846)	28	(818)
Total comprehensive income	–	–	–	–	(1,550)	704	–	39,972	39,126	6,144	45,270
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	200	200
Dividends declared *(Note 29(c))*	–	(19,747)	–	–	–	–	–	–	(19,747)	–	(19,747)
Appropriation to reserves	–	–	–	7,530	–	–	795	(8,325)	–	–	–
	–	(19,747)	–	7,530	–	–	795	(8,325)	(19,747)	200	(19,547)
At 31 December 2024	230	70,316	272,109	86,852	933	6,376	17,439	214,719	668,974	126,218	795,192

The notes on pages 111 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024

(Expressed in RMB)

	Note	**2024**	2023
		RMB'000	*RMB'000*
Cash flows from operating activities			
Profit before taxation		**45,374**	172,652
Adjustments for:			
Depreciation		**13,450**	12,605
Amortisation	*7(c)*	**1,795**	502
Net loss/(gain) on disposal of non-current assets	*5*	**296**	(86)
Impairment losses on trade and other receivables and contract assets	*6*	**77,623**	101,425
Impairment losses on financial guarantees issued	*6*	**2,224**	8,701
Finance costs	*7(a)*	**60,129**	65,134
Net foreign exchange loss	*5*	**912**	277
Interest income		**(6,797)**	(6,448)
Income from financial guarantees issued	*5*	**(4,624)**	(3,502)
Share of losses/(profits) of associates		**2,740**	(1,366)
Share of losses of a joint venture		**24,891**	4,387
Changes in working capital:			
Decrease in restricted bank deposits		**946**	11,957
Decrease/(increase) in inventories and other contract costs		**13,111**	(17,731)
Decrease/(increase) in contract assets		**42,808**	(40,890)
Increase in trade and bills receivables		**(644,438)**	(295,483)
(Increase)/decrease in prepayments, deposits and other receivables		**(14,934)**	93,351
Increase in trade and bills payables		**212,577**	151,703
Increase/(decrease) in accrued expenses and other payables		**46,303**	(44,808)
Increase in contract liabilities		**122,279**	19,035
Cash (used in)/generated from operations		**(3,335)**	231,415
Income tax paid	*28(a)*	**(38,920)**	(9,889)
Net cash (used in)/generated from operating activities		**(42,255)**	221,526

Consolidated Cash Flow Statement

For the year ended 31 December 2024

(Expressed in RMB)

	Note	2024 RMB'000	2023 RMB'000
Cash flows from investing activities			
Payment for purchase of non-current assets		**(7,102)**	(12,152)
Payment for purchase of equity interests from a related party		–	(317,963)
Payment for advances granted to related parties		**(428,537)**	(442,623)
Payment for advances granted to third parties		**(98,707)**	(44,403)
Payment for loans granted to an associate		**(11,870)**	(22,940)
Payment for loans granted to a joint venture		**(46,249)**	(19,790)
Payment for disposal of non-current assets		**(391)**	(461)
Proceeds from disposal of non-current assets		**584**	1,367
Proceeds from repayment of advances granted to related parties		**436,086**	1,013,231
Proceeds from repayment of advances granted to third parties		**159,655**	9,667
Acquisition of subsidiaries, net of cash acquired	23(d)	**(84,616)**	–
Dividends received from other equity investments		**450**	–
Interest received		**1,047**	1,044
Net cash (used in)/generated from investing activities		**(79,650)**	164,977
Cash flows from financing activities			
Proceeds from bank and other loans	23(b)	**1,541,812**	1,336,679
Proceeds from advances from related parties	23(b)	**153,663**	584,472
Proceeds from advances from third parties	23(b)	**12,778**	33,062
Repayment of bank loans and other loans	23(b)	**(1,491,661)**	(1,584,204)
Repayment of advances from related parties	23(b)	**(118,491)**	(658,351)
Repayment of advances from third parties	23(b)	**(2,000)**	(40,810)
Capital element of lease rentals paid	23(b)	**(4,812)**	(2,627)
Interest element of lease rentals paid	23(b)	**(217)**	(181)
Decrease/(increase) in restricted deposits		**3,800**	(10,080)
Decrease in deposits paid to secure guarantees granted by third parties		**750**	5,390
Interest paid	23(b)	**(57,481)**	(65,990)
Contributions from non-controlling shareholders		**200**	8,736
Dividends paid to shareholders of the Company	23(b)	**(4,076)**	–
Distributions of a subsidiary		**–**	(2,429)
Net cash generated from/(used in) financing activities		**34,265**	(396,333)
Net decrease in cash and cash equivalents		**(87,640)**	(9,830)
Cash and cash equivalents at 1 January	23(a)	**210,405**	220,233
Effect of foreign exchange rate changes		**14**	2
Cash and cash equivalents at 31 December	23(a)	**122,779**	210,405

The notes on pages 111 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 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 Zhongqing Investment Holding Group Limited Liability Company ("**ZIHG**") at considerations of RMB305,756,000. The consideration of RMB305,756,000 has been paid in July 2023.

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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

For the year ended 31 December 2024, the Group had net cash used in operating activities of RMB42,255,000.

For the year ended 31 December 2024, the Group had net cash used in operating activities of RMB42,255,000. Notwithstanding the above condition, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. Management of the Group had prepared a cash flow forecast of the Group for at least the next twelve months from 31 December 2024, which has taken into account the following:

- the Group has obtained newly drawn-down and refinanced bank loans of RMB90,000,000 after 31 December 2024;

- The Group continues to improve its operating cash flows by accelerating the progress billings and collection of trade receivables, actively participating in bidding, negotiating with suppliers on payment terms, and reduction of operation expenses;

- The Group continues the negotiations with various banks to:

  (i) renew the short-term bank loans upon maturity (see Note 26(a)); and/or

  (ii) provide additional bank facilities to the Group.

- ZIHG, which is controlled by the Controlling Parties, has committed to provide the necessary financial support for at least the next twelve months from 31 December 2024, including but not limited to:

  (i) not require the Group repay the amounts due to ZIHG and its subsidiaries;

  (ii) continue to provide or add additional guarantees to bank loans of the Group upon maturity (see Note 26(a));

  (iii) provision of additional borrowing facilities from ZIHG and its subsidiaries, as needed; and/or

  (iv) continue to provide additional non-interests bearing advances to the Group, as needed.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

The preparation of financial statements in conformity with 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 group has applied the following amendments to IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period of the Group:

- Amendments to IAS 1, *Presentation of financial statements — Classification of liabilities as current or non-current* ("**2020 amendments**") and amendments to IAS 1, P*resentation of financial statements — Non-current liabilities with covenants* ("**2022 amendments**")

- Amendments to IFRS 16, Leases — *Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures — Supplier finance arrangements*

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

Amendments to IAS 1, *Presentation of financial statements ("2020 and 2022 amendments", or collectively the "IAS 1 amendments")*

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the IAS 1 amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

Amendments to IFRS 16, Leases: *Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right-of-use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The Group has provided the new disclosures in Notes 26(e) and 30(b).

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 — 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.

	Useful life
Patents	5-10 years

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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)).

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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(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); and

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.

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.

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 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.

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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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.

(ii) Credit losses from financial guarantees issued

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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.

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 of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and 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)).

(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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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:

— 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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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)).

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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

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 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.

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).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

(ii) Contracts for services

The Group recognises its revenue from rendering of services progressively over time using the cost-to-cost method, 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.

(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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other income (continued)

(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.

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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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.

(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:

	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from city renewal services	**1,392,163**	2,024,246
— Revenue from city operation and maintenance services	**245,428**	218,957
— Revenue from town planning design services	**75,860**	112,294
— Revenue from cultural tourism	**29,641**	
	1,743,092	2,355,497

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 2024 and 2023 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).

	2024	2023
	RMB'000	*RMB'000*
Customer A*	**373,582**	412,935
Customer B*	**200,303**	296,118
Customer C*	**199,066**	498,400
Customer D*	**Note**	371,111

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

* Revenue from city renewal services, city operation and maintenance services and town planning design 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 19 months (2023: 31 months).

	2024	2023
	RMB'000	*RMB'000*
Remaining performance obligations expected to be satisfied	**3,596,580**	2,847,978

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 four reportable segments. No operating segments have been aggregated to form the following reportable segment.

— City renewal services: this segment includes construction engineering services in various fields such as landscaping 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;

— Town planning design services: this segment includes investigation, survey, design and consultancy for construction projects; and

— Cultural tourism: this segment includes tickets fees, transportation fees and other services for scenic spots.

As revenue from cultural tourism was generated in 2024, it is expected that cultural tourism will help generate stable cashflows, and the growth in revenue of cultural tourism will be a good opportunity for the Group to diversify its business matrix and revenue streams to improve the financial performance and profitability of the Group. The Group's most senior executive management considered the adoption of new segment is appropriate.

(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 2024 and 2023 is set out below.

	2024				
	City renewal services *RMB'000*	**City operation and maintenance services** *RMB'000*	**Town planning design services** *RMB'000*	**Cultural tourism** *RMB'000*	**Total** *RMB'000*
Disaggregated by timing of revenue recognition					
Point in time	**—**	**—**	**3,901**	**29,641**	**33,542**
Over time	**1,392,163**	**245,428**	**71,959**	**—**	**1,709,550**
Revenue from external customers and reportable segment revenue	**1,392,163**	**245,428**	**75,860**	**29,641**	**1,743,092**
Reportable segment gross profit/(loss)	**236,338**	**66,935**	**(832)**	**11,593**	**314,034**

	2023			
	City renewal services *RMB'000*	City operation and maintenance services *RMB'000*	Town planning design services *RMB'000*	Total *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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

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

	2024 RMB'000	2023 RMB'000
Revenue		
Reportable segment revenue and consolidated revenue *(Note 4(b)(i))*	**1,743,092**	2,355,497
Profit		
Total reportable segment gross profit	**314,034**	450,848
Other net income	**15,638**	10,552
Selling expenses	**(34,414)**	(18,800)
Administrative expenses	**(82,277)**	(91,667)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	**(79,847)**	(110,126)
Finance costs	**(60,129)**	(65,134)
Share of (losses)/profits of associates	**(2,740)**	1,366
Share of losses of a joint venture	**(24,891)**	(4,387)
Consolidated profit before taxation	**45,374**	172,652

(iii) Geographic information

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

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

5 OTHER NET INCOME

	2024	2023
	RMB'000	*RMB'000*
Interest income on trade and other receivables	**5,682**	5,404
Interest income on bank deposits	**775**	854
Interest income on finance lease	**340**	190
Government grants	**2,545**	2,043
Net foreign exchange loss	**(912)**	(277)
Net (loss)/gain on disposal of non-current assets	**(296)**	86
Income from financial guarantees issued *(Note 32)*	**4,624**	3,502
Dividends income	**450**	–
Others	**2,430**	(1,250)
	15,638	10,552

6 IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND FINANCIAL GUARANTEES ISSUED

	2024	2023
	RMB'000	*RMB'000*
Impairment losses on trade and bills receivables	**121,579**	115,539
Reversal of impairment losses on contract assets	**(55,530)**	(21,864)
Impairment losses on prepayments, deposits and other receivables	**11,574**	7,750
Impairment losses on financial guarantees issued	**2,224**	8,701
	79,847	110,126

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2024	2023
	RMB'000	*RMB'000*
Interest on bank and other loans	**59,913**	64,953
Interest on lease liabilities	**216**	181
	60,129	65,134

No borrowing costs have been capitalised during the years ended 31 December 2024 and 2023.

7 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs

	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**155,805**	153,379
Contributions to defined contribution retirement schemes *(Note)*	**17,578**	16,355
	173,383	169,734

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.

(c) Other items

	2024	2023
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment *(Note 12)*	**9,592**	9,186
Depreciation of right-of-use assets *(Note 14)*	**3,858**	3,419
Amortisation of intangible assets *(Note 13)*	**1,795**	502
Leases charges relating to short-term leases and leases of low-value assets	**11,822**	9,964
Research and development costs	**76,583**	85,542
Auditor's remuneration	**3,118**	5,641
Cost of inventories *(Note 19(a))*	**580,427**	782,034

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2024 RMB'000	2023 RMB'000
Current tax *(Note 28(a))*		
Provision for the year	**18,856**	37,760
Deferred tax *(Note 28(b))*		
Origination and reversal of temporary differences	**(19,570)**	(18,333)
	(714)	19,427

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

	2024 RMB'000	2023 RMB'000
Profit before taxation	**45,374**	172,652
Notional tax on profit before taxation, calculated at the rates applicable to profits in the respective tax jurisdictions concerned *(Notes (i), (ii) and (iii))*	**11,437**	43,363
Tax concessions and effect of changes of tax rate *(Note (iv))*	**(15,551)**	(24,488)
Tax effect of unused tax losses and deductible temporary differences not recognised	**1,503**	61
Tax effect of non-deductible expenses	**1,897**	491
Income tax expense	**(714)**	19,427

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 2024 (2023: 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 2024 (2023: 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.

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

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

Notes: (continued)

(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 2024 (2023: 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 2022 to 2024, 2023 to 2025 or from 2024 to 2026, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2024 (2023: 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 2024 (2023: 100%).

9 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	2024				
	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	—	519	—	40	559
Wang Yan	—	474	—	40	514
Non-executive directors					
Sun Juqing	—	—	—	—	—
Lyu Hongyan	—	526	—	40	566
Shao Zhanguang	—	—	—	—	—
Independent non-executive directors					
Gao Xiangnong	125	—	—	—	125
Yin Jun	83	—	—	—	83
Lee Kwok Tung Louis	125	—	—	—	125
	333	1,519	—	120	1,972

9 DIRECTORS' EMOLUMENTS (CONTINUED)

	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
Non-executive directors					
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

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 2024 and 2023.

The emoluments of Ms. Lyu Hongyan was partially borne by companies under the control of the Controlling Parties during the years ended 31 December 2023.

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 2024 and 2023. There was no arrangement under which a director has waived or agreed to waive any remuneration during the years ended 31 December 2024 and 2023.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2023: one) are directors whose emolument is disclosed in Note 9. The aggregate of the emoluments in respect of other three individuals (2023: four) are as follows:

	2024	2023
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,711**	2,029
Discretionary bonuses	**819**	1,159
Retirement scheme contributions	**159**	150
	2,689	3,338

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:

	2024	2023
	Number of individuals	*Number of individuals*
HKDNil — HKD1,000,000	**3**	4

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB39,972,000 (2023: profit of RMB135,206,000), and the weighted average of 825,000,000 ordinary shares in issue during the year (2023: 825,000,000 ordinary shares (restated)), calculated as follows:

Weighted average number of ordinary shares

	2024	2023
	No. of shares	*No. of shares*
	'000	*'000*
Issued ordinary shares at 1 January	**825,000**	275,000
Effect of shares subdivision *(Note)*	**—**	550,000
Issued ordinary shares at December	**825,000**	825,000

Note:

With effect from 1 August 2024, The Company subdivides each of the existing issued and unissued shares of nominal value of HKD0.001 each in the share capital of the Company into three subdivided shares of nominal value of HKD0.0003 each. After this subdivision, the authorised ordinary shares and issued and fully paid ordinary shares of the Company were divided into 30,000,000,000 shares and 825,000,000 shares, respectively. The number of ordinary shares outstanding before the share subdivision completed on 1 August 2024 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the share subdivision had occurred at the beginning of the earliest period presented.

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2024 and 2023. Hence, the diluted earnings per share is the same as basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction equipment	Motor vehicles	Other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 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 and 1 January 2024	4,423	18,191	32,904	24,210	79,728
Additions	—	2,886	2,248	2,997	8,131
Disposals	—	(1,071)	(46)	(1,107)	(2,224)
At 31 December 2024	4,423	20,006	35,106	26,100	85,635
Accumulated depreciation:					
At 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 and 1 January 2024	(1,485)	(8,189)	(14,666)	(16,079)	(40,419)
Charge for the year	(231)	(2,038)	(5,128)	(2,195)	(9,592)
Written back on disposals	—	876	44	720	1,640
At 31 December 2024	(1,716)	(9,351)	(19,750)	(17,554)	(48,371)
Net book value:					
At 31 December 2024	2,707	10,655	15,356	8,546	37,264
At 31 December 2023	2,938	10,002	18,238	8,131	39,309

At 31 December 2024, property certificates of certain properties with an aggregate net book value of RMB2.7 million (31 December 2023: RMB2.9 million) are yet to be obtained.

13 INTANGIBLE ASSETS

	Patents
	RMB'000
Cost:	
At 1 January 2023, 31 December 2023 and 1 January 2024	**5,184**
Additions	**16,897**
Disposals	**(39)**
At 31 December 2024	**22,042**
Accumulated amortisation:	
At 1 January 2023	**(2,744)**
Charge for the year	**(502)**
At 31 December 2023 and 1 January 2024	**(3,246)**
Charge for the year	**(1,795)**
Written back on disposals	**39**
At 31 December 2024	**(5,002)**
Net book value:	
At 31 December 2024	**17,040**
At 31 December 2023	**1,938**

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

Acquisition of subsidiary

On 4 January 2024 ("first acquisition date"), the Group entered into a sale and purchase agreement to acquire 100% equity interest in Guangdong Fengyue Construction Engineering Co., Ltd.("Guangdong Fengyue") at a total consideration of RMB5,000,000 (Note 23(d)). The principal activity of Guangdong Fengyue is construction services, and its identifiable assets are mainly First-Grade Qualification of Main Contractor for Municipal Public Works. The transaction was completed in January 2024 and recognised as an acquisition of assets, rather than a business combination, given that substantially all of the fair value of the gross assets is concentrated in a group of similar identifiable assets and Guangdong Fengyue had no existing construction contracts and organised workforce at first acquisition date. Further details of the net assets acquired are set out in Note 23(d).

On 30 August 2024 ("second acquisition date"), the Group entered into a sale and purchase agreement to acquire 100% equity interest in Jilin Shengyu Municipal Engineering Co., Ltd..("Jilin Shengyu") at a total consideration of RMB80,194,400 (Note 23(d)). The principal activity of Jilin Shengyu is construction services, and its identifiable assets are mainly prepayments, deposits and other receivables, First-Grade Qualification of Main Contractor for Municipal Public Works. The transaction was completed in August 2024 and recognised as an acquisition of assets, rather than a business combination, given that substantially all of the fair value of the gross assets is concentrated in a group of similar identifiable assets and Jilin Shengyu had no existing construction contracts and organised workforce at second acquisition date. Further details of the net assets acquired are set out in Note 23(d).

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 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 and 1 January 2024	2,346	10,220	6,700	19,266
Additions	—	9,140	—	9,140
Early termination of lease term	—	(730)	—	(730)
At 31 December 2024	2,346	18,630	6,700	27,676
Accumulated depreciation:				
At 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 and 1 January 2024	(1,134)	(6,219)	(4,042)	(11,395)
Charge for the year	(67)	(2,830)	(961)	(3,858)
Early termination of lease term	—	317	—	317
At 31 December 2024	(1,201)	(8,732)	(5,003)	(14,936)
Net book value:				
At 31 December 2024	1,145	9,898	1,697	12,740
At 31 December 2023	1,212	4,001	2,658	7,871

(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 2024, certificates of certain land use rights with an aggregate net book value of RMB1.1 million (31 December 2023: RMB1.2 million) are yet to be obtained.

(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
Shenzhen Zonqing Holdings Group Limited* (深圳中庆控股集团有限公司) *(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

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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.

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.

	2024	2023
	RMB'000	*RMB'000*
NCI percentage	13.4%	13.4%
Current assets	1,943,685	1,781,653
Non-current assets	98,408	96,579
Current liabilities	(1,469,023)	(1,251,348)
Non-current liabilities	(284)	(79,497)
Net assets	572,786	547,387
Carrying amount of NCI	123,557	117,568
Revenue	649,701	1,189,512
Profit and total comprehensive income for the year	25,399	110,978
Profit allocated to NCI	5,989	17,639
Cash flows from operating activities	5,546	54,828
Cash flows from investing activities	(70,383)	(40,567)
Cash flows from financing activities	49,684	(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	
	2024	2023
	RMB'000	*RMB'000*
Gross amounts of the associate		
Current assets	**359,381**	282,223
Non-current assets	**292,870**	311,218
Current liabilities	**(427,048)**	(346,468)
Non-current liabilities	**(83,430)**	(99,512)
Equity	**141,773**	147,461
Revenue	**47,349**	45,921
(Loss)/profit and total comprehensive income for the year	**(5,688)**	2,510
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**141,773**	147,461
Group's effective interest	**50%**	50%
Group's share of net assets of the associate	**70,949**	73,794
Carrying amount in the consolidated financial statements	**70,949**	73,794

Notes:

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

(ii) As at 31 December 2024, the paid-in capital of Changchun Xianbang is approximately RMB99,256,000 (31 December 2023: RMB99,256,000), of which approximately RMB49,628,000 (31 December 2023: 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 2024, approximately RMB30,755,000 (31 December 2023: 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 2023: 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 2024, the Group's share of net assets of Nangang Municipal is approximately RMB5,189,000.

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:

	2024	2023
	RMB'000	*RMB'000*
Gross amounts of the joint venture		
Assets and liabilities:		
Current assets	**140,909**	146,627
Non-current assets	**519,233**	527,658
Current liabilities	**(203,931)**	(156,349)
Non-current liabilities	**(234,405)**	(262,942)
Equity	**221,806**	254,994
Included in the above assets and liabilities:		
Cash and cash equivalents	**372**	371
Current financial liabilities (excluding trade and other payables and provisions)	**137,246**	91,179
Non-current financial liabilities (excluding trade and other payables and provisions)	**219,511**	248,048
Profit or loss:		
Revenue	**58**	54
Loss and total comprehensive income for the year	**(33,188)**	(5,849)
Included in the above (loss)/profit:		
Depreciation and amortisation	**177**	1,082
Interest income	**34,750**	32,638
Interest expense	**16,059**	18,115
Income tax credit	**—**	(1,096)
Reconciled to the Group's interests in the joint venture		
Gross amounts of net assets of the joint venture	**221,806**	254,994
Group's interest held by subsidiaries	**75%**	75%
Group's share of net assets of the joint venture	**166,382**	191,273
Carrying amount in the consolidated financial statements	**166,382**	191,273

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 2024, the paid-in capital of Tianjun Tourism is approximately RMB181,043,900 (31 December 2023: RMB181,043,900), of which approximately RMB135,783,000 (31 December 2023: 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 2024, approximately RMB37,353,000 (31 December 2023: 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 2023: 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

	2024	2023
	RMB'000	*RMB'000*
Unlisted equity investments, at FVOCI (non-recycling)		
— 長春城投城鎮化建設投資有限公司 (Changchun Chengtou Urbanisation Construction Investment Limited) ("**Changchun Chengtou**") *(Note (i))*	**3,076**	3,204
— 潤德建設投資 (長春) 有限公司 (Runde Construction Investment Changchun Co., Ltd.) ("**Runde Construction Investment**") *(Note (ii))*	**8,849**	9,982
— 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))*	**1,117**	1,890
— 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))*	**1,744**	1,746
— 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))*	**53,565**	53,319
	68,351	70,141

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. RMB450,000 dividends were received from the above investments during the year ended 31 December 2024 (2023: 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

	2024	2023
	RMB'000	*RMB'000*
Inventories — construction materials	**14,809**	26,769
Other contract costs	**26,449**	27,155
	41,258	53,924

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

	2024	2023
	RMB'000	*RMB'000*
Carrying amount of inventories used in construction contracts	**580,427**	782,034

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 2024 was RMB9,573,000 (2023: RMB2,278,000).

The amounts of capitalised contract costs that is expected to be recovered after more than one year as at 31 December 2024 is RMB11,134,000 (31 December 2023: RMB16,431,000). 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 2024 and 2023.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2024	2023
	RMB'000	*RMB'000*
Contract assets		
– due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**47,712**	62,398
– due from a joint venture *(Note 33(c))*	**42,561**	45,011
– due from an associate *(Note 33(c))*	**39,828**	22,299
– due from companies managed by key management personnel of ZIHG *(Note 33(c))*	**165**	8,678
– due from third parties	**1,168,054**	1,201,777
	1,298,320	1,340,163
Less: loss allowance	**(166,170)**	(221,700)
	1,132,150	1,118,463
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and bills receivables" *(Note 21)*	**2,277,707**	1,742,401

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 and construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The contract assets that could be billed and settled within one year according to terms of the contracts with customers are classified as current assets. Otherwise, the contract assets are classified as non-current assets.

The amounts of revenue during the year ended 31 December 2024 from performance obligations satisfied (or partially satisfied) in previous periods is RMB22,679,000 (2023: RMB(31,445,000)), 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 RMB471,056,000 (31 December 2023: RMB513,436,000), which are expected to be billed after more than one year.

(b) Contract liabilities

	2024	2023
	RMB'000	*RMB'000*
Contract liabilities		
– due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**16,020**	24,607
– due to a joint venture *(Note 33(c))*	**13,878**	19,281
– due to companies managed by key management personnel of ZIHG *(Note 33 (c))*	**1,514**	8,442
– due to third parties	**695,283**	549,741
	726,695	602,071

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

	2024	2023
	RMB'000	*RMB'000*
Balance at 1 January	**602,071**	583,036
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	**(168,440)**	(132,475)
Increase in contract liabilities as a result of billing in advance of construction, maintenance and design activities and recognising revenue during the year	**293,064**	151,510
Balance at 31 December	**726,695**	602,071

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

	2024	2023
	RMB'000	*RMB'000*
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**204,112**	175,615
— due from a joint venture *(Note 33(c))*	**23,166**	22,368
— due from an associate *(Note 33(c))*	**37,901**	17,900
— due from companies managed by key management personnel of ZIHG *(Note 33(c))*	**11,100**	11,100
— due from third parties	**2,433,812**	1,825,225
	2,710,091	2,052,208
Bills receivable	**—**	316
	2,710,091	2,052,524
Less: loss allowance	**(408,413)**	(287,409)
	2,301,678	1,765,115

Reconciliation to the consolidated statement of financial position:

Non-current	**545**	602
Current	**2,301,133**	1,764,513
	2,301,678	1,765,115

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:

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**1,014,258**	927,684
1 to 2 years	**719,257**	265,083
2 to 3 years	**203,285**	346,694
3 to 4 years	**229,910**	102,359
4 to 5 years	**47,957**	31,098
Over 5 years	**87,011**	92,197
	2,301,678	1,765,115

21 TRADE AND BILLS RECEIVABLES (CONTINUED)

Ageing analysis (continued)

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

	2024	2023
	RMB'000	*RMB'000*
Amounts due from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**2,498**	10,047
Amounts due from an associate *(Note 33(c))*	**72,129**	60,259
Amounts due from a joint venture *(Note 33(c))*	**66,089**	19,840
Advances to third parties	**98,728**	59,329
Advances to staff	**1,524**	2,012
Tax recoverable	**14,783**	18,740
Prepayments for purchase of raw materials	**24,423**	9,066
Deposits of bidding and performance for construction and design contracts	**1,675**	1,686
Deposits to secure the guarantees by third parties *(Note 26(d))*	**15,650**	16,400
Others	**10,405**	6,858
	307,904	204,237
Less: loss allowance	**(20,969)**	(9,395)
	286,935	194,842

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:

	2024	2023
	RMB'000	*RMB'000*
Cash at bank and on hand	**138,379**	230,751
Less: restricted bank deposits	**(15,600)**	(20,346)
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	**122,779**	210,405

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 2024		806,210	4,021	28,083	7,259	3,267	307	849,147
Changes from financing cash flows:								
Proceeds from new loans		1,541,812	—	12,778	153,663	—	—	1,708,253
Repayment of loans		(1,491,661)	—	(2,000)	(118,491)	(4,812)	—	(1,616,964)
Dividends paid to equity shareholders of the company		—	—	—	—	—	(4,076)	(4,076)
Interest paid		—	(57,481)	—	—	(217)	—	(57,698)
Total changes from financing cash flows		50,151	(57,481)	10,778	35,172	(5,029)	(4,076)	29,515
Other changes:								
Bank loans arising from supplier finance arrangement	26(e)	28,300	—	—	—	—	—	28,300
Increase in lease liabilities from entering into new leases during the year		—	—	—	—	9,140	—	9,140
Interest expenses	7(a)	—	59,913	—	—	216	—	60,129
Early termination of lease term		—	—	—	—	(508)	—	(508)
Increase in acquisition of subsidiaries		—	—	2,612	29,416	—	—	30,028
Dividends declared		—	—	—	—	—	19,747	19,747
Total other changes		28,300	59,913	2,612	29,416	8,848	19,747	148,836
At 31 December 2024		884,661	6,453	41,473	71,847	7,086	15,978	1,027,498

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)	Total RMB'000
At 1 January 2023		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)

(c) Total cash outflow for leases

Amounts included in the consolidated cash flow statement represent leases rental paid and comprise the following:

	2024	2023
	RMB'000	*RMB'000*
Within operating cash flows	**(11,822)**	(9,964)
Within financing cash flows	**(5,029)**	(2,808)
	(16,851)	(12,772)

(d) Net cash outflow arising from the acquisition of subsidiaries

The recognised amounts of assets and liabilities acquired at the date of acquisition of the two acquired subsidiaries:

	Guangdong Fengyue 4 January 2024	Jilin Shengyu 30 August 2024
	RMB'000	*RMB'000*
Patents	4,157	10,129
Trade and bills receivables and contract assets	2,749	5,826
Inventories	–	444
Property, plant and equipment	–	23
Prepayments, deposits and other receivables	118	100,230
Cash and cash equivalents	344	234
Trade and bills payables	(509)	(4,178)
Contract liabilities	(1,835)	(510)
Accrued expenses and other payables	(24)	(32,004)
Net assets acquired	5,000	80,194
Total consideration paid in cash	5,000	80,194
Less: cash and cash equivalents acquired	(344)	(234)
	4,656	79,960

24 TRADE AND BILLS PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables		
– due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**22,843**	24,445
– due to companies managed by key management personnel of ZIHG *(Note 33(c))*	**49,570**	28,299
– due to third parties	**1,496,232**	1,336,437
Bills payables	**9,500**	–
	1,578,145	1,389,181

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

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**721,926**	1,078,377
1 to 3 years	**713,244**	190,745
Over 3 years	**142,975**	120,059
	1,578,145	1,389,181

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

	2024	2023
	RMB'000	*RMB'000*
Amounts due to ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**78,512**	8,426
Amounts due to companies managed by key management personnels of ZIHG *(Note 33(c))*	**4,231**	4,210
Amounts due to third parties *(Note (i))*	**41,473**	28,083
Payables for staff related costs	**68,495**	66,230
Dividends payable	**15,978**	307
Interest payable	**6,453**	4,021
Payables for purchase of property, plant and equipment	**5,611**	3,717
Others	**21,853**	8,209
Financial liabilities measured at amortised cost	**242,606**	123,203
Financial guarantees issued *(Note 32)*	**34,600**	37,000
Payables for miscellaneous taxes	**76,780**	51,337
	353,986	211,540

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

(ii) As at 31 December 2024, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB29,701,000 (31 December 2023: RMB32,376,000). 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:

	2024	2023
	RMB'000	*RMB'000*
Bank loans:		
Guaranteed by related parties	**74,737**	14,990
Guaranteed by third parties *(Note 26(d))*	**123,707**	283,755
Guaranteed by related parties and third parties *(Note 26(d))*	**339,294**	238,274
Guaranteed by related parties and secured by trade and bills receivables and contract assets of the Group *(Note 26(c))*	**99,310**	40,433
Guaranteed by related parties and third parties and secured by trade and bills receivables and contract assets of the Group *(Notes 26(c) and 26(d))*	**129,367**	99,310
Guaranteed by a third party and secured by bank deposits of the Group *(Notes 26(c) and 26(d))*	**–**	35,584
Secured by trade and bills receivables of the Group *(Note 26(c))*	**40,000**	–
Secured by bank deposits of the Group *(Note 26(c))*	**30,000**	47,000
Unguaranteed and unsecured	**37,300**	28,300
	873,715	787,646
Other loan:		
Unguaranteed and unsecured loans from third parties	**8,098**	14,052
Unguaranteed and unsecured loans from ZIHG and its subsidiaries, joint ventures and associates *(Note 33(c))*	**1,000**	2,700
Unguaranteed and unsecured loans from ZONBONG International Investment Limited ("**Zonbong International**") *(Note 33(c))*	**1,848**	1,812
	884,661	806,210

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:

	2024 RMB'000	2023 RMB'000
Within 1 year or on demand	**882,813**	726,263
After 1 year but within 2 years	**1,848**	78,135
After 2 year but within 5 years	**—**	1,812
	1,848	79,947
	884,661	806,210

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

	2024 RMB'000	2023 RMB'000
Trade and bills receivables and contract assets	**17,473**	36,069
Bank deposits	**15,000**	18,800

(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:

	2024 RMB'000	2023 RMB'000
Counter-guarantee by related parties	**592,368**	656,923
Trade and bills receivables and contract assets	**512,088**	252,961
Guarantee deposits	**15,650**	16,400

26 BANK AND OTHER LOANS (CONTINUED)

(e) Bank loans arising from supplier finance arrangements

The Group has entered into loans with banks for pay certain suppliers with banks, under which the Group obtained credit in respect of the invoice amounts owed to certain suppliers of construction materials and services. The banking facilities in relation to these arrangements are guaranteed by third parties.

Under these arrangements, the banks pay suppliers the amounts owed by the Group on the original due dates, which are normally 30 – 365 days after the invoice date. The Group then settles with the banks approximately one year after the original due dates with the suppliers, with interest.

In the consolidated statement of financial position, the Group has presented the payables to the banks under these arrangements as "bank and other loans", in view of the nature and function of such liabilities when compared with the Group's trade payables. As at 31 December 2024, the carrying amount of financial liabilities under these arrangements amounted to RMB28,300,000, RMB28,300,000 of which suppliers have received payments from the banks.

In the consolidated cash flow statement, payments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks amounting to RMB28,300,000 are non-cash transactions.

(f) All of the Group's banking facilities were utilised as of 31 December 2024 and 31 December 2023.

(g) 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 2024, none of the covenants relating to the bank loans had been breached (31 December 2023: None).

(h) At 31 December 2024 and 2023, 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:

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**2,746**	2,018
After 1 year but within 2 years	**3,516**	1,077
After 2 years but within 5 years	**824**	172
	4,340	1,249
	7,086	3,267

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2024	2023
	RMB'000	*RMB'000*
Net balance of income tax payable at 1 January	**51,182**	23,311
Provision for the year *(Note 8(a))*	**18,856**	37,760
Income tax paid	**(38,920)**	(9,889)
Net balance of income tax payable at 31 December	**31,118**	51,182
Represented by:		
Income tax recoverable (included in tax recoverable) *(Note 22)*	**(2,993)**	(3,030)
Income tax payable	**34,111**	54,212

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	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*
At 1 January 2023	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
Credited to reserve	–	–	–	–	–	–	–	452	–	–	452
At 31 December 2023 and 1 January 2024	14,073	78,618	(168)	(10,831)	1,305	2,746	(1,373)	265	610	(1,800)	83,445
(Charged)/credited to profit or loss	(2,020)	11,607	88	5,490	334	4,071	587	–	(587)	–	19,570
Credited to reserve	–	–	–	–	–	–	–	269	–	–	(269)
At 31 December 2024	12,053	90,225	(80)	(5,341)	1,639	6,817	(786)	534	23	(1,800)	103,284

(ii) Reconciliation to the consolidated statement of financial position

	2024	2023
	RMB'000	*RMB'000*
Net deferred tax assets	**105,214**	93,921
Net deferred tax liabilities	**(1,930)**	(10,476)
	103,284	83,445

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative unused tax losses arising from certain subsidiaries of the Group of RMB13,821,000 as of 31 December 2024 (31 December 2023: RMB11,470,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

The year of expiry of unused tax losses differences not recognised is as follows:

	2024	2023
	RMB'000	*RMB'000*
Year of expiry:		
2024	**–**	3,661
2025	**3,562**	3,562
2026	**3,579**	3,579
2027	**424**	424
2028	**244**	244
2029	**6,012**	–
	13,821	11,470

(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 2024, temporary difference unrecognised for deferred tax liabilities relating to undistributed profits of subsidiaries amounted to RMB223,731,000 (31 December 2023: RMB192,773,000). Deferred tax liabilities of RMB22,373,000 (31 December 2023: RMB19,277,000) have not been recognised in this respect as it is probable that such profits will not be distributed in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital	**Share premium**	**Exchange reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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
At 1 January 2024	230	90,063	5,345	(47,486)	48,152
Changes in equity:					
Loss for the year	–	–	–	(604)	(604)
Other comprehensive income for the year	–	–	696	–	696
Total comprehensive income for the year	–	–	696	(604)	92
Dividends declared (Note 29(c))	–	(19,747)	–	–	(19,747)
At 31 December 2024	230	70,316	6,041	(48,090)	28,497

29 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

	At 31 December 2024	
	Number of shares	**HKD'000**
Authorised:		
Ordinary shares of HKD0.0003 each	**30,000,000,000**	**10,000**

	At 31 December 2023	
	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 2023 and 31 December 2023	275,000,000	230
Shares subdivision	550,000,000	–
At 31 December 2024	825,000,000	230

With effect from 1 August 2024, the Company subdivides each of the existing issued and unissued shares of nominal value of HKD0.001 each in the share capital of the Company into three subdivided shares of nominal value of HKD0.0003 each. After this subdivision, the authorised ordinary shares and issued and fully paid ordinary shares of the Company were divided into 30,000,000,000 shares and 825,000,000 shares, respectively.

(c) Dividends

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

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2024 (2023: RMB19,747,000).

(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 2024 (2023: 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 2024 and 2023 was as follows:

	2024	2023
	RMB'000	*RMB'000*
Current liabilities:		
Amounts due to third parties	**41,473**	28,083
Amounts due to related parties	**71,847**	7,259
Dividend payable	**15,978**	307
Lease liabilities	**2,746**	2,018
Bank and other loans	**882,813**	726,263
	1,014,857	763,930
Non-current liabilities:		
Bank loans	**1,848**	79,947
Lease liabilities	**4,340**	1,249
Total debt	**1,021,045**	845,126
Less: cash and cash equivalents	**(122,779)**	(210,405)
Adjusted net debt	**898,266**	634,721
Total equity and adjusted capital	**795,192**	769,469
Adjusted net debt-to-capital ratio	**113%**	82%

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 and contract assets. At 31 December 2024, 22.1% (31 December 2023: 16.7%) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 54.2% (31 December 2023: 54.1%) 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.

The following table provides information on the Group's exposure to credit risk and ECLs for trade receivables and contract assets as of 31 December 2024.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Trade and bills receivables:

	2024		
	Expected loss rate *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
Within 1 year past due	**4.3%**	**1,080,029**	**46,385**
1 to 2 years past due	**6.9%**	**791,823**	**54,402**
2 to 3 years past due	**13.5%**	**254,455**	**34,392**
Over 3 years past due	**46.8%**	**583,784**	**273,234**
		2,710,091	**408,413**

	2024		
	Expected loss rate *%*	**Gross carrying amount** *RMB'000*	**Loss allowance** *RMB'000*
Contract assets	**12.8%**	**1,298,320**	**166,170**

The following table provides information on the Group's exposure to credit risk and ECLs for trade receivables and contract assets as of 31 December 2023.

Trade and bills receivables:

	2023		
	Expected loss rate *%*	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Current (not past due)	2.6%	19,387	511
Within 1 year past due	2.7%	971,930	25,888
1 to 2 years past due	7.4%	304,381	22,521
2 to 3 years past due	17.5%	441,282	77,174
Over 3 years past due	51.2%	315,228	161,315
		2,052,208	287,409

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Trade and bills receivables: (continued)

	2023		
	Expected loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Contract assets	16.5%	1,340,163	221,700

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:

	2024 *RMB'000*	2023 *RMB'000*
Balance at 1 January	**509,109**	415,544
Impairment losses recognised during the year	**66,049**	93,675
Amounts written off during the year	**(575)**	(110)
Balance at 31 December	**574,583**	509,109

(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.

Note 2(b) explains management's plans for managing the liquidity needs of the Group. Taking all factors set out in Note 2(b) into account, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and long term.

As disclosed in Note 26(e), the Group has entered into certain loans with banks for pay certain suppliers, under which the Group obtained extended credit in respect of the invoice amounts owed to certain suppliers of construction materials and services. This results in the Group being required to settle a larger amount with a single counterparty, rather than smaller amounts with several counterparties. However, the amounts of payables subject to the arrangements are limited.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2024				
	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	**1,578,145**	**–**	**–**	**1,578,145**	**1,578,145**
Accrued expenses and other payables measured at amortised cost	**242,606**	**–**	**–**	**242,606**	**242,606**
Bank and other loans	**903,421**	**1,848**	**–**	**905,269**	**884,661**
Lease liabilities	**3,090**	**3,639**	**953**	**7,682**	**7,086**
	2,727,262	**5,487**	**953**	**2,733,702**	**2,712,498**

	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

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:

	2024		2023	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Bank and other loans	**3.85%-8.00%**	**884,661**	3.85%-8.01%	806,210
Lease labilities	**6.18%-6.37%**	**7,086**	6.18%-6.56%	3,267
		891,747		809,477
Variable rate borrowings:				
Bank loans		**–**		–
Total borrowings		**891,747**		809,477
Fixed rate borrowings as a percentage of total borrowings		**100.0%**		100.0%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2024, 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 (2023: RMBNil).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

For the years ended 31 December 2024 and 2023, 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.

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)

	Fair value measurements categorised into Level 3	
	2024	2023
	RMB'000	*RMB'000*
Recuring fair value measurements		
Other equity investments	**68,351**	70,141

During the years ended 31 December 2024 and 2023 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	20.4% (2023: 20.5%)
	Discounted cashflow approach (bb)	Discount rate	7.0%-9.3% (2023: 7.0%-9.3%)

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)

(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 2024 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 RMB823,000 (2023: RMB736,000).

(bb) The fair value of the non-listed shares is determined by discounting projected cash flow. The valuation takes into account the expected cash flow according to the PPP agreement. The discount rate used has been adjusted to reflect specific risks relating to respective investees. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2024 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 RMB119,000 (2023: RMB79,000), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB112,000 (2023: RMB80,000).

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

	2024	2023
	RMB'000	*RMB'000*
Unlisted equity securities:		
At 1 January	**70,141**	75,622
Net unrealised losses recognised in other comprehensive income during the year	**(1,790)**	(5,481)
At 31 December	**68,351**	70,141

(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 2024 and 2023.

31 COMMITMENTS

Capital commitments outstanding at 31 December 2024 not provided for in the consolidated financial statements were as follows:

	2024	2023
	RMB'000	*RMB'000*
Authorised but not contracted for	**15,824**	14,448

32 CONTINGENT LIABILITIES

As at 31 December 2024, 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 2024, the balance of the bank loan is RMB285,000,000 (31 December 2023: RMB315,000,000). 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 years ended 31 December 2023 and 2024, the ECLs of financial guarantee issued amounted to RMB5,289,000 and RMB1,950,000 was recognised as "accrued expenses and other payables– financial guarantees issued", respectively. 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 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB24,000,000 (31 December 2023: RMB24,500,000).

As at 31 December 2024, 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 2024, the balance of the bank loan is RMB116,500,000 (31 December 2023: RMB136,150,000). 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 years ended 31 December 2023 and 2024, the ECLs of financial guarantee issued amounted to RMB3,412,000 and RMB274,000 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 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB10,600,000 (31 December 2023: RMB12,500,000).

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.

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:

	2024	2023
	RMB'000	*RMB'000*
Salaries and other emoluments	**11,133**	11,760
Discretionary bonuses	**1,133**	2,751
Contributions to defined contribution retirement schemes	**983**	969
	13,249	15,480

Total remuneration is included in "staff costs" (see Note 7(b)).

(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

	2024	2023
	RMB'000	*RMB'000*
Rendering of construction, survey, design, technical consultancy and other services	**39,290**	40,895
Purchase of goods	**2,743**	8,824
Service received	**2,969**	4,051
Loan received from related parties	**772,521**	646,060
Loan repaid to related parties	**774,221**	784,950
Interest expenses on loan from related parties	**612**	–
Proceeds from advances from related parties	**153,663**	584,472
Repayment of advance from related parties	**118,491**	658,351
Lease charges relating to short-term leases and leases of low-value assets	**2,463**	2,544
Payments for advances granted to related parties	**428,537**	442,623
Proceeds from repayment of advances granted to related parties	**436,086**	1,012,184
Acquisition of equity interests of Jilin Modern Zhongqing from a related party	**–**	305,756
Dividends declared to a related party	**13,011**	–

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties: (continued)

(ii) Transactions with a joint venture

	2024 **RMB'000**	2023 *RMB'000*
Rendering of construction services	–	392
Payment for advances granted to a related party	**46,249**	19,790
Income from financial guarantee issued	**2,450**	1,920

(iii) Transactions with an associate

	2024 **RMB'000**	2023 *RMB'000*
Rendering of construction services	**14,198**	11,739
Payment for advances granted to a related party	**11,870**	22,940
Income from financial guarantee issued	**2,174**	1,582

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

	2024 **RMB'000**	2023 *RMB'000*
Services received	**8,156**	26,397
Purchase of goods	**31,057**	104,519
Purchase of property, plant and equipment	–	3,654

(v) Transactions with Zonbong International

	2024 **RMB'000**	2023 *RMB'000*
Loan received from a related party	–	1,812
Dividends declared to a related party	**1,009**	–

(vi) Transactions with one of the shareholders of the subsidiary

	2024 **RMB'000**	2023 *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

	2024	2023
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**47,712**	62,398
Trade and bills receivables *(Note 21)*	**204,112**	175,615
Trade and bills payables *(Note 24)*	**22,843**	24,445
Contract liabilities *(Note 20(b))*	**16,020**	24,607
Accrued expenses and other payables *(Note 25)*	**6,665**	1,167
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**2,498**	10,047
Accrued expenses and other payables		
– Advances from related parties *(Note 25)*	**71,847**	7,259
– Dividend payable to a related party	**14,543**	–
Bank and other loans *(Note 26)*	**1,000**	2,700
Guarantees provided by related parties for the Group's bank loans at the end of the reporting period *(Note 26(a))*	**642,708**	393,007
Guarantees provided to related parties for the bank loans at the end of the reporting period	**–**	300,000

(ii) Due from or due to a joint venture

	2024	2023
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**42,561**	45,011
Trade and bills receivables *(Note 21)*	**23,166**	22,368
Contract liabilities *(Note 20(b))*	**13,878**	19,281
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**66,089**	19,840
Guarantee provided by the Group for the joint venture's bank loan at the end of the reporting period *(Note 32)*	**285,000**	315,000

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

	2024	2023
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**39,828**	22,299
Trade and bills receivables *(Note 21)*	**37,901**	17,900
Non-trade in nature:		
Prepayments, deposits and other receivables *(Note 22)*	**72,129**	60,259
Guarantee provided by the Group for the associate's bank loan at the end of the reporting period	**116,500**	136,150

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

	2024	2023
	RMB'000	*RMB'000*
Trade in nature:		
Contract assets *(Note 20(a))*	**165**	8,678
Trade and bills receivables *(Note 21)*	**11,100**	11,100
Trade and bills payables *(Note 24)*	**49,570**	28,299
Contract liabilities *(Note 20(b))*	**1,514**	8,442
Accrued expenses and other payables *(Note 25)*	**4,231**	4,210

(v) Due to Zonbong International

	2024	2023
	RMB'000	*RMB'000*
Non-trade in nature:		
Bank and other loans *(Note 26(a))*	**1,848**	1,812
Dividend payable	**1,128**	–

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

	2024 RMB'000	2023 RMB'000
Non-current asset		
Interests in subsidiaries *(Note (i))*	**45,482**	49,745
Current asset		
Cash and cash equivalents	**927**	228
	46,409	49,973
Current liability		
Accrued expenses and other payables *(Note (ii))*	**16,064**	9
Non-current liability		
Other loans	**1,848**	1,812
	17,912	1,821
	28,497	48,152
NET ASSETS		
CAPITAL AND RESERVES		
Share capital	**230**	230
Reserves	**28,267**	47,922
TOTAL EQUITY	**28,497**	48,152

Notes:

(i) The balance included amounts due from its subsidiaries.

(ii) The balance included dividends payable, loans from equity shareholders and amounts due to its subsidiaries.

(Expressed in RMB unless otherwise indicated)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 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 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to IFRS 9 and IFRS 7, *Contracts Referencing Nature-dependent Electricity*	1 January 2026
Amendments to IFRS 9, *Financial instruments and IFRS 7, Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027
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.

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2024, 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 2024, the directors consider the ultimate controlling party of the Group is the Controlling Parties.

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Restated)	(Restated)	
Revenue	**1,743,092**	2,355,497	1,116,442	936,595	1,001,427
Profit/(loss) before taxation	**45,374**	172,652	(114,749)	37,006	99,352
Income tax	**(714)**	19,427	(18,061)	3,596	30,411
Profit/(loss) attributable to equity shareholders of the Company	**39,972**	135,206	(96,343)	33,558	68,505
Profit/(loss) attributable to non-controlling interests	**6,116**	18,019	(345)	(148)	436

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Restated)	(Restated)	*(Restated)*
Non-current assets	**483,674**	483,933	493,793	385,865	369,533
Current assets	**3,899,855**	3,362,493	3,689,191	1,993,922	1,711,259
Total assets	**4,383,529**	3,846,426	4,182,984	2,379,787	2,080,792
Current liabilities	**3,578,496**	2,985,285	3,172,460	1,738,198	1,532,444
Total assets less current liabilities	**805,033**	861,141	1,010,524	641,589	548,348
Non-current liabilities	**9,841**	91,672	92,509	37,512	60,250
NET ASSETS	**795,192**	769,469	918,015	604,077	488,098
Equity					
Share capital	**230**	230	230	230	1
Reserves	**668,744**	649,365	867,523	594,397	478,522
Total equity attributable to equity shareholders of the Company	**668,974**	649,595	867,753	594,627	478,523
Non-controlling interests	**126,218**	119,874	50,262	9,450	9,575
TOTAL EQUITY	**795,192**	769,469	918,015	604,077	488,098

Note: 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

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"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)"	the ordinary shares with a nominal value of HK$0.0003 each in the capital of the Company (formerly prior to the share subdivision which became effective in August 2024, ordinary shares with a nominal value of HK$0.001 each in the capital of the Company)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)", "USD" or "US$"	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

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"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 Ecology"	Zonbong Ecology Environmental Construction Limited (中邦生態環境有限公司), formerly known as Zonbong Huize Landscape Environmental Construction Limited (中邦匯澤生態園林環境建設有限公司), 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.