

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ZONBONG LANDSCAPE Environmental Limited

中邦园林环境股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1855)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONSOLIDATED RESULTS

As set out under “Review of Unaudited Annual Results” in this announcement below, the auditing process for the annual results of ZONBONG LANDSCAPE Environmental Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) has not been completed due to the preventive and control measures such as working from home, travel restriction and quarantine adopted by the local authority of the PRC government to prevent and to combat the COVID-19 outbreak. In the meantime, the board (the “**Board**”) of directors (the “**Directors**”) of the Company has approved in the Board meeting on 30 March 2022 the unaudited consolidated results of the Group for the year ended 31 December 2021 (the “**FY2021**”) which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), together with the comparative audited figures for the year ended 31 December 2020 (“**FY2020**”), are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2021	2020
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
Revenue	5	896,747	1,001,427
Cost of sales		<u>(704,949)</u>	<u>(762,995)</u>
Gross profit		191,798	238,432
Other net income	6	22,714	9,957
Selling expenses		(23,841)	(13,113)
Administrative expenses		(66,904)	(67,841)
Impairment losses on trade and other receivables and contract assets	7	<u>(62,232)</u>	<u>(40,393)</u>
Profit from operations		61,535	127,042
Finance costs	8(a)	(37,909)	(38,065)
Share of profits of an associate		1,259	1,446
Share of profits of a joint venture		<u>6,530</u>	<u>8,929</u>
Profit before taxation	8	31,415	99,352
Income tax	9	<u>(3,033)</u>	<u>(30,411)</u>
Profit for the year		<u>28,382</u>	<u>68,941</u>
Attributable to:			
Equity shareholders of the Company		28,530	68,505
Non-controlling interests		<u>(148)</u>	<u>436</u>
Profit for the year		<u>28,382</u>	<u>68,941</u>
Basic and diluted earnings per share (<i>RMB cents</i>)	10	<u>10</u>	<u>31</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit for the year	28,382	68,941
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 reserves	2,238	563
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	599	1,877
Other comprehensive income for the year	2,837	2,440
Total comprehensive income for the year	31,219	71,381
Attributable to:		
Equity shareholders of the Company	31,344	70,939
Non-controlling interests	(125)	442
Total comprehensive income for the year	31,219	71,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	Note	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		8,982	9,791
Intangible assets		2,931	1,824
Right-of-use assets		5,082	1,165
Interest in an associate		76,718	75,459
Interest in a joint venture		194,797	188,267
Other equity investments		16,949	14,711
Deferred tax assets		43,355	31,618
Non-current portion of trade receivables	12	34,627	43,402
		<u>383,441</u>	<u>366,237</u>
Current assets			
Inventories and other contract costs		30,046	37,185
Contract assets	11	732,484	813,448
Trade and bills receivables	12	979,887	653,600
Prepayments, deposits and other receivables		68,212	51,071
Restricted bank deposits		12,110	602
Cash and cash equivalents		46,673	143,997
		<u>1,869,412</u>	<u>1,699,903</u>
Current liabilities			
Trade and bills payables	13	838,448	703,415
Accrued expenses and other payables		139,579	182,949
Contract liabilities		148,726	191,274
Derivative financial instrument		1,170	—
Bank and other loans	14	479,565	430,000
Lease liabilities		3,005	635
Income tax payable		10,602	15,280
		<u>1,621,095</u>	<u>1,523,553</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Net current assets		248,317	176,350
Total assets less current liabilities		631,758	542,587
Non-current liabilities			
Bank loans	14	25,000	50,000
Lease liabilities		1,661	270
Deferred tax liabilities		10,336	8,507
		36,997	58,777
NET ASSETS		594,761	483,810
CAPITAL AND RESERVES			
Share capital		230	1
Reserves		585,081	474,234
Total equity attributable to equity shareholders of the Company		585,311	474,235
Non-controlling interests		9,450	9,575
TOTAL EQUITY		594,761	483,810

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 January 2021 (the “**Listing Date**”).

The registered office address of the Company is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands. The head office and principal place of business of the Company and its subsidiaries (together, the “**Group**”) is 3/F, Zhongqing Building, No. 5888 Fuzhi Road, Jingyue High-tech Industrial Development Zone, Changchun City, Jilin Province, People’s Republic of China (“**PRC**”).

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The annual results set out in this announcement are extracted from the Group’s statutory financial statements for the year ended 31 December 2021.

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

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 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 and derivative financial instrument which are stated at their fair values.

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 mainland China in Renminbi (“**RMB**”), the consolidated financial statements are presented in Renminbi.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

4. ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

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.

(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.

5. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in landscaping, ecological restoration and other related projects. Further details regarding the Group's principal activities are disclosed in Note 5(b).

(i) *Disaggregation of revenue*

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Revenue from landscaping	705,368	621,208
– Revenue from ecological restoration	149,938	302,737
– Revenue from others	41,441	77,482
	896,747	1,001,427

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

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction and design contracts. The transaction price does not include any estimated amounts of variable consideration, unless at the reporting date it is highly probable that the Group will satisfy the conditions of variable consideration. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 55 months (2020: 67 months).

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Remaining performance obligations expected to be satisfied	1,383,999	2,565,800

During the year ended 31 December 2021, the scope of work agreed with customers at the beginning in year has been modified. The remaining performance obligations under the existing contracts reduced accordingly.

(b) Segment reporting

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

- Landscaping: this segment includes public space landscaping, theme park landscaping, private park landscaping and maintenance projects;
- Ecological restoration: this segment includes treatment of polluted rivers, building urban waterfront parks, restoration of regional water ecology system and mine rehabilitation; and
- Others: this segment includes investigation, survey, design and technical consultancy for municipal construction projects.

(i) Segment results

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

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

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

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 year ended 31 December 2021 and 2020 is set out below.

	2021 (Unaudited)			
	Landscaping RMB'000	Ecological restoration RMB'000	Others RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	–	–	7,070	7,070
Over time	705,368	149,938	34,371	889,677
Revenue from external customers and reportable segment revenue	705,368	149,938	41,441	896,747
Reportable segment gross profit	155,284	19,696	16,818	191,798
2020 (Audited)				
	Landscaping RMB'000	Ecological restoration RMB'000	Others RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	7,825	3,290	25,052	36,167
Over time	613,383	299,447	52,430	965,260
Revenue from external customers and reportable segment revenue	621,208	302,737	77,482	1,001,427
Reportable segment gross profit	163,515	38,829	36,088	238,432

(ii) Geographic information

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

6. OTHER NET INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Interest income on trade and other receivables	4,642	4,407
Interest income on bank deposits	338	378
Interest income on finance lease	158	—
Government grants	13,650	4,713
Net foreign exchange gain/(loss)	369	(2,333)
Net gain/(loss) on disposal of non-current assets	108	(73)
Income from financial guarantees issued	3,502	3,356
Donations for COVID-19 pandemic	—	(881)
Others	(53)	390
	<u>22,714</u>	<u>9,957</u>

7. IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Impairment losses on trade and bills receivables	26,386	29,945
Impairment losses on contract assets	35,633	11,397
Impairment losses/(reversal of impairment losses) on prepayments, deposits and other receivables	<u>213</u>	<u>(949)</u>
	<u>62,232</u>	<u>40,393</u>

8. PROFIT BEFORE TAXATION

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

(a) Finance costs

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Interest on bank and other loans and loans from related parties	37,107	37,998
Net foreign exchange gain of bank loan	(633)	—
Fair value loss of forward exchange contract	1,170	—
Interest on lease liabilities	265	67
	<u>37,909</u>	<u>38,065</u>

No borrowing costs have been capitalised during the years ended 31 December 2021 and 2020.

(b) Other items

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Depreciation of property, plant and equipment	2,248	2,631
Depreciation of right-of-use assets	2,100	2,027
Amortisation of intangible assets	393	368
Leases charges relating to short-term leases and leases of low-value assets	10,223	6,898
COVID-19-related rent concessions received	—	(220)
Listing expenses	—	20,165
Research and development costs	38,946	35,760
Auditor's remuneration	3,387	1,799
Cost of inventories	<u>269,023</u>	<u>256,586</u>

9. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax		
Provision for the year	12,941	25,208
Deferred tax		
Origination and reversal of temporary differences	(9,908)	5,203
	3,033	30,411

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholder of the Company of RMB28,530,000 (unaudited) (2020: RMB68,505,000), and the weighted average of 274,096,000 ordinary shares (unaudited) in issue during FY2021 (2020: 220,000,000 ordinary shares), after adjusting the capitalisation issue calculated as follows:

Weighted average number of ordinary shares

	2021	2020
	No. of shares	No. of shares
	('000)	('000)
	(Unaudited)	
Shares in issue on 1 January	821	821
Effect of capitalisation issue (<i>Note (i)</i>)	219,179	219,179
Effect of issuance of shares (<i>Note (ii)</i>)	54,096	–
At 31 December	274,096	220,000

Notes:

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

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2021 (unaudited) and 2020. Hence, the diluted earnings per share is the same as the basic earnings per share.

11. CONTRACT ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract assets		
– due from Zhongqing Investment Holding Group Limited Liability Company (“ZIHG”) and its subsidiaries, joint ventures and associates	94,259	99,848
– due from a joint venture	51,883	51,879
– due from an associate	33,660	31,762
– due from a company managed by a key management personnel of ZIHG	16,234	81,109
– due from third parties	659,209	655,996
	855,245	920,594
Less: loss allowance	(122,761)	(107,146)
	732,484	813,448
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in “Trade and bills receivables”	996,053	676,300

ZIHG is controlled by Mr. Sun Juqing and Ms. Zhao Hongyu.

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

The amounts of revenue recognised during the year ended 31 December 2021 from performance obligations satisfied (or partially satisfied) in previous periods is RMB1,310,000 (unaudited) (2020: RMB2,831,000), 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 RMB286,576,000 (unaudited) (31 December 2020: RMB311,396,000), which are expected to be billed after more than one year.

12. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
– due from ZIHG and its subsidiaries, joint ventures and associates	102,296	117,262
– due from a joint venture	17,682	2,277
– due from an associate	23,735	–
– due from a company managed by a key management personnel of ZIHG	96,651	13,621
– due from third parties	859,359	623,051
	1,099,723	756,211
Bills receivables	386	–
	1,100,109	756,211
Less: loss allowance	(85,595)	(59,209)
	1,014,514	697,002
Reconciliation to the consolidated statement of financial position:		
Non-current	34,627	43,402
Current	979,887	653,600
	1,014,514	697,002

All of the current trade 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 receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year	631,477	340,653
1 to 2 years	175,554	141,379
2 to 3 years	50,391	76,378
3 to 4 years	61,185	41,554
4 to 5 years	41,292	97,038
Over 5 years	54,615	—
	1,014,514	697,002

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

13. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables		
– due to ZIHG and its subsidiaries, joint ventures and associates	5,756	5,565
– due to third parties	827,192	667,850
Bills payables	5,500	30,000
	838,448	703,415

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	339,953	519,450
1 to 3 years	424,767	141,447
Over 3 years	73,728	42,518
	838,448	703,415

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

14. BANK AND OTHER LOANS

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank loans:		
Guaranteed by related parties	5,000	40,000
Guaranteed by third parties (<i>Note 14(d)</i>)	178,485	215,000
Guaranteed by related parties and third parties (<i>Note 14(d)</i>)	75,383	—
Guaranteed by related parties and secured by trade and bills receivables and contract assets of the Group (<i>Note 14(c)</i>)	—	90,000
Guaranteed by a third party and secured by trade and bills receivables and contract assets of the Group (<i>Notes 14(c) and 14(d)</i>)	47,723	—
Guaranteed by a third party and secured by bank deposits of the Group (<i>Notes 14(c) and 14(d)</i>)	49,974	—
Secured by trade and bills receivables and contract assets of the Group (<i>Note 14(c)</i>)	128,000	115,000
	484,565	460,000
Other loan:		
Unguaranteed and unsecured	20,000	20,000
	504,565	480,000

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

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year or on demand	479,565	430,000
After 1 year but within 2 years	25,000	25,000
After 2 years but within 5 years	—	25,000
	25,000	50,000
	504,565	480,000

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade and bills receivables and contract assets	287,819	239,087
Bank deposits	2,500	—

- (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:**

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Counter-guarantee by related parties	149,297	215,000
Trade and bills receivables and contract assets	43,836	—
Deposits	8,900	9,550

- (e) At 31 December 2021, the Group's banking facilities amounting to RMB128,000,000 (unaudited) (31 December 2020: RMB200,000,000), were utilised to the extent of RMB128,000,000 (unaudited) (31 December 2020: RMB200,000,000).
- (f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2021, none (unaudited) of the covenants relating to the bank loans had been breached (31 December 2020: None).

15. IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. Since the outbreak of COVID-19 pandemic in Jilin Province in March 2022, preventive and control measures such as working from home, travel restrictions and quarantine were adopted by local governments of Jilin Province.

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group's businesses and has put in place various contingency measures. These contingency measures include but not limited to revisiting the progress of ongoing projects, reassessing the adequacy and suitability of the Group's existing raw material suppliers and labour or professional subcontractors, the expanding of the Group's supplier and subcontractor base in a view to procure suitable raw materials and workforce or specialty services, negotiating with customers on possible delay in construction timetables, increase monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers and subcontractors on payment extensions.

As far as the Group's businesses are concerned, the COVID-19 pandemic has caused delays on progress of projects. Such impact has been reduced by the Group's expedition of the projects' progress upon the resumption of work in the past. In addition, the COVID-19 pandemic has also impacted the repayment abilities of the Group's debtors, which in turn has resulted in additional impairment losses on contract assets and trade and bills receivables during the years ended 31 December 2021 and 2020.

The exact progress of the projects and impact of repayment abilities of the Group's debtors in future periods are still uncertain and subject to the development of the COVID-19 pandemic. Nonetheless, the directors of the Company are optimistic that the COVID-19 pandemic will eventually be under control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary, in a view to reduce the impacts from the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During FY2021, revenue of the Group was approximately RMB896.7 million, representing a decrease of approximately 10.5% over FY2020. The revenue was mainly generated from: i) landscaping, ii) ecological restoration and iii) others, and accounted for approximately 78.7%, 16.7% and 4.6%, respectively.

During FY2021, the Group is of the view that the submission of tenders allows us to keep our presence in the market and keep us abreast of latest market requirements, which benefits us in preparing for similar tenders in the future. In FY2021, we submitted 316 tenders, representing an increase of 136 tender submissions and increase of approximately 75.6%, and we recorded tender success rate of 13.6% for FY2021, representing a decrease of 15.1 percentage points on tender success rate when compared with FY2020. The decrease in tender success rate was primarily due to the increase in tender submissions nationally, and in particular to a significant increase in participation in projects outside of Jilin Province, which caused a decrease in tender success rate.

The Group won tenders for several large-scale projects, such as the first section of the Landscape Greening Project for Changchun Beihu Technology Development Zone (長春北湖科技開發區景觀綠化工程施工一標段) with a bid price of approximately RMB107.6 million. However, the number of winning bids decreased from 53 in FY2020 to 43 in FY2021 and the total value of winning bids has decreased from RMB1,539.2 million in FY2020 to RMB443.9 million in FY2021. The decrease in total value of winning bids was mainly due to the overall reduction in tender amounts for landscaping and ecological restoration projects in Changchun and the fierce competition in the market for projects outside Jilin Province, which resulted in fewer successful bids.

During FY2021, the Group has continued to implement and advance its national business layout and expansion and has successively won the Fuchun River Changchuan Greenway (Zhongbu Bridge - Dongwu Bridge Section) Project (EPC) (Main Contracting Project) in Zhejiang Province (浙江富春江長川綠道(中埠大橋 – 東吳大橋段)工程 (EPC) 總承包項目) with a bid price of approximately RMB24.8 million, the Huangjinfan Ecological Landscape Project (EPC) (Main Contracting Project) (浙江黃金畝生態景觀工程 (EPC) 總承包項目) in Zhejiang Province with a bid price of approximately RMB36.1 million, the Beiling Infrastructure Landscape Improvement (Mid-lake Island and Surroundings) – Construction Project (遼寧北陵基礎設施景觀改造(湖心島及周邊) – 施工項目) in Liaoning Province with a bid price of approximately RMB8.5 million, Green Park Project in Jiangbeizui Central Business District, Chongqing – Landscape Engineering (重慶市江北嘴中央商務區綠園項目 – 景觀工程) with a bid price of approximately RMB7.3 million, Green Environment Project for Construction of Jingshuang Hospital Area of Shapingba District People's Hospital, Chongqing (重慶市沙坪壩區人民醫院井雙院區建設工程綠化環境工程) with a bid price of approximately RMB19.7 million, Greening Project for the Road Network in Guangyinshan Area and Supporting Branch Road Network in Guangyinshan Area, Yuegang North Road (K0+840~K1+550) Project (重慶市觀音山片區路網及觀音山片區配套支路路網、悅港北路 (K0+840~K1+550) 項目綠化工程) in Chongqing with a bid price of approximately RMB9.0 million, and has been awarded the section of the Construction Area Landscape Works of the Erjiang Temple Station Comprehensive Development Project in Chengdu, Sichuan Province (四川省成都市二江寺站綜合開發項目施工大區景觀工程標段) with a bid price of approximately RMB12.0 million, which showed an expanded bidding area.

During FY2021, the Group has had a few major projects which received positive recognition from various institutions and government authorities. For example, (i) the Dongxinkai River Range (Changchun Chengtou Sports Park) Project as part of the Ecological Treatment Project of Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 – 東新開河流域項目工程(長春城投體育公園)項目) has won the Provincial Quality Engineering Award for Construction Works in Jilin Province (吉林省建設工程“省優質工程獎”), the Jilin Province “Landscape Cup” Quality Engineering Award (吉林省“園林杯”優質工程獎), Changchun City “Clivia Miniata Cup” Award for Quality Engineering (長春市優質工程“君子蘭”杯獎); (ii) the West Lake Regional Ecological Environment Treatment Project (Phase II) (Main Contracting Project) (西湖區域生態環境治理工程(二期)(工程總承包)) has won the accolades of 2021 Provincial Construction Standardisation and Management Demonstration Site (2021年度省級施工標準化管理示範工地) and 2021 Municipal Standardisation and Management Demonstration Site (2021年度市級標準化管理示範工地); (iii) the Main Contracting Project of Dongxinkai River Range (Yangpu Park Phase II) as part of the Ecological Management and Restoration Project for Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 – 東新開河流域項目工程總承包(洋浦公園二期)) has won the accolades of 2021 Provincial Construction Standardisation and Management Demonstration Site (2021年度省級施工標準化管理示範工地) and 2021 Municipal Standardisation and Management Demonstration Site (2021年度市級標準化管理示範工地); and (iv) the Supplementary Works for Comprehensive Improvement of Black and Smelly Water Bodies in Urban Areas of Liaoyuan City (遼源市城區黑臭水體綜合整治補充工程) has won the accolade of 2021 Demonstration Site for Construction Standardisation and Management of Municipal Housing Construction and Municipal Works (2021年度市級房屋建築和市政工程施工標準化管理示範工地).

RISK MANAGEMENT

The Group believes that risk management is essential to the Group’s efficient and effective operation. The Group’s management assists the Board in evaluating material risk exposure existing in the Group’s business, including investment risk, interest rate risk, liquidity risk etc., and participates in formulating appropriate risk management and internal control measures, and to ensure its implementation in daily operational management. There was no material deficiency in the Group’s internal control during FY2021.

PROSPECTS

Currently, international economies are adversely affected by the coronavirus (“COVID-19”) pandemic, there are uncertainties in business and economic development, and the global economies are still facing downside risk.

The Company has been committed to provide the whole industry chain services of landscape design, ecological and landscape construction, landscape maintenance and cultural and tourism project operation, focusing on urban municipal road greening, park landscape greening, beautiful village ecological construction, as well as design, construction, operation, maintenance, and ecological treatment and restoration of cultural and tourism scenic area. In recent years, the Central Government and relevant departments have issued a series of favourable policies, which have created ample room for the development of the ecological treatment and landscaping industry.

In addition, from the perspective of the Central Government's strategic deployment, the Central Economic Work Conference in December 2021 has laid out planning for the economic work in 2022, and the most important policy direction this year is to stabilise growth and this is also the first priority for both macro and structural policies, therefore it is expected that infrastructure investment would become the focus to stabilise growth in the short-term. From the perspective of the investment direction of special purpose bonds, municipalities, industrial parks and transport infrastructure will remain the focus, and there will be an increase in the number of affordable housing projects and key national strategic projects; meanwhile, the Ministry of Finance of the PRC has granted advanced approval for the new issuance of RMB1.46 trillion of special purpose bonds for 2022, with a distinct focus on digital transformation and green transformation. From the 14th Five-Year Plan, it is stated that 102 major construction projects will be implemented by the PRC government, with “two new and one important (兩新一重)” as the focus. Combining our business characteristics with other policy directions, huge market opportunities is expected in the following three areas: firstly, new infrastructure (focusing on smart urban construction, smart cultural and tourism, smart water and charging infrastructure construction projects); secondly, new urbanisation (focusing on affordable housing projects); and thirdly, major infrastructure (focusing on transportation, water conservancy and rural habitat treatment projects).

Furthermore, pilot Ecology-Oriented Development projects (生態環境導向發展模式項目) will be launched by the PRC government in the ecology sector to encourage and support the participation of social capital in the area of ecological protection and restoration, and it is expected that new opportunities will arise for ecology projects in 2022.

Meanwhile, with the continued implementation of large-scale greening of national land space, the issue of the “Beautiful China Construction Evaluation Index System and Implementation Plan” (《美麗中國建設評估指標體系及實施方案》) and the promotion of the “Dual-Carbon” strategy (「雙碳」戰略), it is expected that the landscaping sector will continue its favourable development.

In 2022, the Group will continue to adhere to its corporate mission of “Greening China to share the future (綠美中國、共享未來)” and its corporate values of “Integrity, Responsibility, Efficiency, Innovation, Openness and Win-win (誠信、責任、高效、創新、開放、共贏)” to keep up with the latest market trend, so as to strive for a steady increase in tender success rate and the value of winning bids. The Group will continue to adhere to the two-pronged development strategies of full consultation and main contracting for projects, focusing on planning and design while ensuring quality and safety, continue to promote technological innovation and strengthen its core competitiveness, further expand the Group’s technological development in the field of environmental protection and ecological governance through technological innovation, and lay a good foundation for continued expansion of the business in the field of ecological governance in the future; adhere to the go-global strategy to improve the strategic placement in the national market and thus enhance the corporate profitability. The Group will also strengthen the safety awareness and requirement and continue to provide training to personnel for the enterprises. In the coming year, the Group will strive for better operating performance and continue to enhance the Group’s corporate value.

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 10.5% or approximately RMB104.7 million from approximately RMB1,001.4 million for FY2020 to approximately RMB896.7 million for FY2021. The decrease in revenue was mainly due to the drop in revenue recognised from newly awarded projects during FY2021.

The revenue; the number of projects completed during FY2021; and the number of projects in progress as at 31 December 2021 as compared with that of FY2020 are tabulated as follows:

Business segments	Revenue <i>RMB'000</i> (Unaudited)	FY2021		Revenue <i>RMB'000</i> (Audited)	FY2020	
		No. of projects completed during the year	No. of projects in progress as at the year end		No. of projects completed during the year	No. of projects in progress as at the year end
Landscaping	705,368	21	72	621,208	15	67
Ecological restoration	149,938	11	31	302,737	4	37
Others	41,441	43	92	77,482	55	79
Total	896,747	75	195	1,001,427	74	183

Compared with FY2020, the increase in the overall number of projects for FY2021, including projects completed during FY2021 and projects in progress as at 31 December 2021, was mainly due to an increase in the numbers of relevant smaller size contract amount projects.

Landscaping

The Group recorded an increase in revenue from the landscaping segment, from approximately RMB621.2 million for FY2020 to approximately RMB705.4 million for FY2021, representing an increase of approximately 13.6% or approximately RMB84.2 million. The increase was mainly due to the increase in the amount of landscaping construction works undertaken and revenue recognised in FY2021.

Ecological restoration

The Group recorded a decrease in revenue from the ecological restoration segment, from approximately RMB302.7 million for FY2020 to approximately RMB149.9 million for FY2021, representing a decrease of approximately 50.5% or approximately RMB152.8 million. The decrease was mainly due to the decrease in the value of winning bids of ecological restoration projects in FY2021.

Others

The Group's revenue from the others segment was mainly derived from investigation, survey, design and technical consultancy for municipal construction projects, and it recorded a decrease of approximately 46.6% or approximately RMB36.1 million from approximately RMB77.5 million for FY2020 to approximately RMB41.4 million for FY2021. The decrease was mainly due to the newly awarded projects on others segment were relatively smaller as compared with FY2020 and also a decrease in the value of winning bids of projects under the others segment.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately 19.6% or approximately RMB46.6 million from approximately RMB238.4 million for FY2020 to approximately RMB191.8 million for FY2021. The decrease in gross profit was mainly due to the decrease in overall revenue. Gross profit margin of the Group decreased from approximately 23.8% for FY2020 to approximately 21.4% for FY2021. The decrease in gross profit margin was mainly due to: (i) the decrease in gross profit contribution from projects outside of the Jilin Province, Liaoning Province and Heilongjiang Province in the PRC; (ii) the increase in the wage level of workers in 2021, subcontracting cost increased; and (iii) the increase in cost of transportation of raw materials due to the continuing epidemic preventive measures and prolonged transportation cycles due to the travel restrictions, while national policy restrictions on electricity resulted in lower production capacity, resulting in a higher production costs and rise in material prices, especially for projects in areas outside of the Jilin Province, Liaoning Province and Heilongjiang Province in FY2021.

Other income and gains

The Group's other income and gains increased by approximately 127% or approximately RMB12.7 million from approximately RMB10.0 million for FY2020 to approximately RMB22.7 million for FY2021, which was mainly due to the grants by local government in Jilin to support enterprises which have entered into capital market by listing in Hong Kong in 2021.

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 RMB13.1 million for FY2020 to approximately RMB23.8 million for FY2021, representing an increase of approximately 81.7% or approximately RMB10.7 million. The increase in expenses was due to the Group's expansion into external markets, the increase in marketing and bidding efforts for projects outside of the Northeast China region, the increase in market development talents and the opening of local offices.

Administrative expenses

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

The administrative expenses decreased from approximately RMB67.8 million for FY2020 to approximately RMB66.9 million for FY2021, representing a slight decrease of approximately 1.3% or approximately RMB0.9 million.

Finance costs

The Group's finance costs mainly represented interest expenses on bank loans, and it decreased by approximately 0.5% or approximately RMB0.2 million from approximately RMB38.1 million for FY2020 to approximately RMB37.9 million for FY2021, which was mainly due to the decrease in average loan balances as compared with FY2020.

Share of profits of an associate

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

During FY2021, profits of an associate attributable to the Group decreased by approximately 7.1% or approximately RMB0.1 million from approximately RMB1.4 million for FY2020 to approximately RMB1.3 million for FY2021.

Share of profits of a joint venture

The Group's share of profits of a joint venture represents profits shared from our jointly controlled project company, namely Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) ("**Tianjun Tourism**"), which was registered in Inner Mongolia, the PRC, as a project company responsible for financing, developing, operating and maintaining our PPP project, the Shenjunshan Ecological Restoration and Landscaping Project (神駿山生態修復及景觀項目) ("**Shenjunshan Project**"), which commenced in 2017. The Group has been holding 75.0% equity interest in Tianjun Tourism since its incorporation and it was accounted as our joint venture given that the power to control its financial and operating policies was jointly held by the Group and another shareholder. During FY2021, profits of Tianjun Tourism attributable to the Group decreased by approximately 27.0% or approximately RMB2.4 million from approximately RMB8.9 million for FY2020 to approximately RMB6.5 million for FY2021. The fluctuation is due to the impact of the reduction in scale of the Shenjunshan Phase II Project.

Income tax

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

Two subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2019 to 2021 and from 2020 to 2022, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for FY2021 (2020: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to additional tax deductible allowance amounted to 75% of qualified research and development costs for FY2021 (2020: 75%).

The Group's income tax expense decreased by approximately 90.1% or approximately RMB27.4 million from approximately RMB30.4 million for FY2020 to approximately RMB3.0 million for FY2021, which was mainly due to the decrease in taxable profit as well as increase in research and development costs.

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 FY2021 was approximately RMB62.2 million (FY2020: approximately RMB40.4 million). The increase was mainly driven by the slow turnaround of trade and other receivables and contract assets at the end of FY2021.

Net current assets

The Group's net current assets increased by approximately 40.8% or approximately RMB71.9 million from approximately RMB176.4 million as at 31 December 2020 to approximately RMB248.3 million as at 31 December 2021. The increase was mainly attributable to the proceeds raised from the listing of the Group which leads to an increased net current assets during FY2021.

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 2021 and 2020:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Construction materials	25,585	20,693
Other contract costs	4,461	16,492
	30,046	37,185

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 lower balance of inventories and contract costs as at 31 December 2021 as compared with 31 December 2020 was mainly due to the decrease of the expense incurred for projects without formal project contracts after winning the tenders.

Contract assets

The Group's contract assets decreased by approximately 9.95% or approximately RMB80.9 million from approximately RMB813.4 million as at 31 December 2020 to approximately RMB732.5 million as at 31 December 2021. The decrease in contract assets is mainly due to the carrying forward to trade receivables upon obtaining settlement and other documents for individual projects.

Trade and bills receivables

The Group's trade and bills receivables increased by approximately 45.6% or approximately RMB317.5 million from approximately RMB697.0 million as at 31 December 2020 to approximately RMB1,014.5 million as at 31 December 2021. The increase was primarily due to contract assets transferred to trade receivables upon obtaining settlement and other documents for certain projects, and the decrease in payment collection.

Restricted bank deposits

The Group's restricted bank deposits increased by approximately 1,916.7% or approximately RMB11.5 million from approximately RMB0.6 million as at 31 December 2020 to approximately RMB12.1 million as at 31 December 2021, which was mainly due to the increase in deposits arising from the issuance of bank acceptance draft and the bank deposit secured by the loan by the Group.

Trade and bills payables

The Group's trade and bills payables increased by approximately 19.2% or approximately RMB135.0 million from approximately RMB703.4 million as at 31 December 2020 to approximately RMB838.4 million as at 31 December 2021, which was due to the extended time of payment by the Group.

Capital commitments

The table below sets out the amount of the capital commitments of the Group as at 31 December 2021 and 2020:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Authorised but not contracted for	<u>4,504</u>	<u>15,425</u>

As at 31 December 2021, the capital commitments authorised but not contracted for are mainly used for information technology systems and construction equipment and office equipment.

Indebtedness

As at 31 December 2021, the Group had borrowings of approximately RMB504.6 million (31 December 2020: approximately RMB480.0 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB479.6 million (31 December 2020: approximately RMB430.0 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 2021, the Group had utilised all of the banking facilities of RMB128.0 million.

As at 31 December 2021, none of the covenants relating to the bank loans had been breached.

KEY FINANCIAL RATIOS

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

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Gross profit margin (%) ⁽¹⁾	21.4	23.8
Net profit margin (%) ⁽²⁾	3.1	6.9
Return on equity (%) ⁽³⁾	5.4	15.6
Return on total assets (%) ⁽⁴⁾	1.3	3.7

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Current ratio ⁽⁵⁾	1.2	1.1
Gearing ratio ⁽⁶⁾	0.9	1.0
Net debt to equity ratio ⁽⁷⁾	0.8	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.

Return on equity

The return on equity decreased from 15.6% for FY2020 to 5.4% for FY2021, primarily due to decrease in profit for FY2021.

Return on total assets

The return on total assets decreased from 3.7% for FY2020 to 1.3% for FY2021, primarily due to decrease in profit for FY2021.

Current ratio

The current ratio increased from 1.1 for FY2020 to 1.2 for FY2021.

Gearing ratio

The gearing ratio decreased from 1.0 as at 31 December 2020 to 0.9 as at 31 December 2021 due to the increase in net current assets mainly attributable to the proceeds raised from listing of the Company.

Net debt to equity ratio

The net debt to equity ratio increased from 0.7 as at 31 December 2020 to 0.8 as at 31 December 2021 due to the decrease in cash balance.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures for FY2021.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2021 and 31 December 2020, except for the associate and joint venture of the Group as disclosed in this announcement, the Group did not hold any significant investments.

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

CONTINGENT LIABILITIES

As at 31 December 2021, 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 2021, the balance of the bank loan is RMB360,000,000 (31 December 2020: RMB390,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2021, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB23,051,000 (31 December 2020: RMB24,971,000).

As at 31 December 2021, 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 2021, the balance of the bank loan is RMB193,850,000 (31 December 2020: RMB232,700,000). The fair value of the financial guarantee provided by the Group was initially estimated RMB12,685,000 and RMB2,692,000 was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2021, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB12,252,000 (31 December 2020: RMB13,834,000).

FINANCIAL GUARANTEES ISSUED

The Group's financial guarantees issued amounted to approximately RMB35.3 million and RMB38.8 million as at 31 December 2021 and 31 December 2020, respectively, which was provided for the guarantees provided by the Group for the bank loans borrowed by an associate of the Group and the project company of the EDZ Project, namely Changchun Xianbang, and a joint venture of the Group and the project company of the Shenjunshan Project, namely Tianjun Tourism, for the purpose of supporting the financing for the two projects, and initially recognised with reference to fees charged in an arm's length transaction for similar services and amortised in profit or loss over the term of the guarantees subsequent to initial recognition. Such financial guarantees issued by the Group are expected to be released upon the maturity and full repayment of the bank loans borrowed by the associate and the joint venture in 2029 and 2033, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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 in the PRC 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 2021, approximately 10.8% of the total trade receivables and contract assets, respectively, were due from the Group's largest debtor, and approximately 43.8% of the total trade receivables and contract assets, respectively, were due from the Group's five largest debtors. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has limited credit risk on cash and cash equivalents because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

The Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, i.e. a joint venture of the Group, and Changchun Xianbang i.e. an associate of the Group, respectively. The directors do not believe it 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.

Liquidity risk

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to our interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates exposed the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2021, fixed rate borrowings accounted for 82.3% of total borrowings of the Group whereas variable rate borrowings accounted for 17.7% of total borrowings of the Group.

Foreign Exchange Risk

Foreign exchange risk arises when business transaction or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except for the loan in June 2021 which was denominated in United States Dollar ("USD"). The Group is therefore exposed to foreign currency translation risk. The Group has entered into forward foreign exchange contracts of RMB against USD in an aggregate value of approximately USD7.59 million in July 2021 to mitigate foreign exchange risk, including the potential exchange loss as a result of the depreciation of RMB against USD. The Group will continue to monitor foreign exchange changes to best preserve cash value.

USE OF PROCEEDS FROM THE LISTING

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

Up to the date of this announcement, the amount of net proceeds has remaining unutilised amounted to approximately HKD17.8 million. Set out below are details of the allocation of the net proceeds, the utilised and unutilised amount of the net proceeds as at the date of this announcement:

	Allocation of the net proceeds <i>HKD million</i>	Utilised amount (as at the date of this announcement) <i>HKD million</i>	Unutilised amount (as at the date of this announcement) <i>HKD million</i>
Establishment of regional design offices in Beijing and Chongqing	8.1	5.6	2.5
Upfront costs of the construction work of the Changchun Zoo Project	13.0	13.0	–
Investment in Construction Project for Changchun New District Beihu Cultural and Tourism Industry Intergration and Upgrade (Phase I) (長春新區北湖文旅產 業融合提升一期工程建設項目)	14.3	–	14.3
Acquisition of a centralised ERP system	4.0	4.0	–
Repayment of bank loan	9.8	9.8	–
General working capital of the Group	5.5	4.5	1.0
	<u>54.7</u>	<u>36.9</u>	<u>17.8</u>

On 24 January 2022, the Board announced that it has resolved to change the use of the net proceeds. The Board resolved that i) the change in use of proceeds to reallocate the net proceeds originally intended for the establishment of the regional design office in Shanghai to the regional office in Beijing; and ii) the change in use of proceeds – from investment in Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) to investment in the Construction Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I).

For details, please refer to the Company's announcement dated 24 January 2022.

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

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of a dividend for FY2021.

Employees and remuneration policies

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.

As at 31 December 2021, the Group has 469 employees. The Remuneration Committee was set up for reviewing the Group's remuneration policy and structure of the Directors, senior management and employees of the Group. The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Mr. Yin Jun, Mr. Lee Kwok Tung Louis and Mr. Gao Xiangnong, Mr. Yin Jun is the chairman of the Remuneration Committee.

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 FY2021.

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 for Securities Transactions by Directors of Listed Issuers (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.

Events after the reporting period

Events occurred subsequent to the end of 31 December 2021 are as follow.

- (a) On 24 January 2022, the Board resolved to change the use of the net proceeds. The Board resolved that i) the change in use of proceeds – establishment of regional design office from Shanghai to Beijing; and ii) the change in use of proceeds – from Investment in Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) to investment in the Construction Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I).

For details, please refer to the Company’s announcement dated 24 January 2022.

- (b) On 18 February 2022, Zonbong Shanshui Planning and Design Limited (中邦山水規劃設計有限公司) (“**Zonbong Shanshui**”), a wholly-owned subsidiary of the Company, entered into the acquisition agreement dated 18 February 2022 with Zonbong Shanshui and Zhongqing Investment Holding Group Limited Liability Company (中慶投資控股(集團) 有限責任公司) (“**ZIHG**”) and Jilin Province Jinghe Design Engineering Co., Ltd.* (吉林省境和設計工程有限公司) (“**Jilin Jinghe Design**”), in relation to the acquisition of 100% of the entire equity interest in Jilin Jinghe Design (the “**Sale Interest**”), pursuant to which Zonbong Shanshui has conditionally agreed to acquire the Sale Interest.

For details, please refer to the Company’s announcement dated 18 February 2022.

- (c) In March 2022, Blue Bird Advisory Limited (“**Blue Bird**”), an independent third party of the Company, expressed its interest in a capital injection in Jilin Jinghe Design, representing 3% equity interest in Jilin Jinghe Design prior to the acquisition of the Sale Interest in Jilin Jinghe Design (the “**Acquisition**”), with a view to conduct future business cooperation with the Company. After commercial negotiation among the parties to the Acquisition Agreement, the parties mutually agreed to enter into an amended and restated agreement relating to the original acquisition agreement for the acquisition of the Sale Interest on 10 March 2022, pursuant to which, Zonbong Shanshui would acquire 97% equity interest in Jilin Jinghe Design from ZIHG following completion of the Capital Injection in Jilin Jinghe Design by Blue Bird.

For details, please refer to the Company’s announcement dated 10 March 2022.

Corporate governance practices

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

The Company has adopted the code provisions as set out in Corporate Governance Code in force during FY2021 (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Under Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be segregated and performed by different individuals. As at the date of this announcement, the positions of the Chairman of the Board (“**Chairman**”) and the chief executive officer have been held by the same individual, namely, Mr. Liu Haitao. Although the positions of the Chairman and the chief executive officer are not separately held, the Board is of the view that this is the most appropriate arrangement in the interest of the shareholders of the Company as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises of three independent non-executive Directors who will continue to provide their views and comments to Mr. Liu Haitao as the Chairman and the chief executive officer of the Company.

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

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis (chairman of the Audit Committee), Mr. Gao Xiangnong and Mr. Yin Jun. The Audit Committee has reviewed and discussed with management the accounting standards and practices adopted by the Group, risk and internal controls and financial reporting matters and has reviewed the unaudited consolidated financial statements for FY2021 as set out in this announcement.

Annual general meeting

The date of the annual general meeting of the Company (the “**AGM**”) will be announced in due course. Shareholders of the Company should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

Review of unaudited annual results

The Company has been advised by the Company’s auditors, KPMG, that the auditing process for the annual results for FY2021 has not been completed due to the preventive and control measures such as working from home, travel restriction and quarantine adopted by the local authority of the PRC government to prevent and to combat the COVID-19 outbreak. The unaudited annual results contained herein have not yet been agreed with the Company’s auditors but have been duly reviewed by the Audit Committee. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The Company expects that the publication of the FY2021 audited annual results that have been agreed with the Company's auditor will be postponed to on or before 30 April 2022.

Further announcement(s)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for FY2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. The Company expects that the auditing process will be completed by the end of April 2022, subject to the release of travel restrictions and resumption of work and normal business operations in the PRC in or around April 2022. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process.

Publication of results announcement and annual report

This announcement will be published on the website of the Company at www.zonbong.com and the website of the Stock Exchange at www.hkexnews.hk. The annual report will be dispatched to the shareholders of the Company and available on the above websites in due course.

The financial information contained in this announcement in respect of the annual results of the Group have not been audited nor agreed with the Company's auditors. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
ZONBONG LANDSCAPE Environmental Limited
Liu Haitao
Chairman and executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the Board of the Company comprises Mr. Liu Haitao as Chairman and executive Director, Mr. Wang Xudong and Ms. Wang Yan as executive Directors, Mr. Sun Juqing, Ms. Lyu Hongyan and Mr. Shao Zhanguang as non-executive Directors, and Mr. Gao Xiangnong, Mr. Yin Jun and Mr. Lee Kwok Tung Louis as independent non-executive Directors.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.