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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of ZONBONG LANDSCAPE Environmental Limited (the “**Company**”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Year**”), together with the comparative figures for the year ended 31 December 2019. The annual results have been audited by the Company’s auditor and the financial information has been reviewed by Audit Committee and approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Revenue	5	1,001,427	897,486
Cost of sales		<u>(762,995)</u>	<u>(664,115)</u>
Gross profit		238,432	233,371
Other net income	6	9,957	13,899
Selling expenses		(13,113)	(14,215)
Administrative expenses		(67,841)	(62,249)
Impairment losses on trade and other receivables and contract assets	7	<u>(40,393)</u>	<u>(64,369)</u>
Profit from operations		127,042	106,437
Finance costs	8(a)	(38,065)	(41,135)
Share of profits of an associate		1,446	4,911
Share of profits of a joint venture		<u>8,929</u>	<u>9,161</u>
Profit before taxation	8	99,352	79,374
Income tax	9	<u>(30,411)</u>	<u>(29,921)</u>
Profit for the year		<u>68,941</u>	<u>49,453</u>
Attributable to:			
Equity shareholders of the Company		68,505	49,496
Non-controlling interests		<u>436</u>	<u>(43)</u>
Profit for the year		<u>68,941</u>	<u>49,453</u>
Basic and diluted earnings per share	10	<u>0.31</u>	<u>0.23</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		9,791	10,716
Intangible assets		1,824	2,192
Right-of-use assets		1,165	8,682
Interest in an associate		75,459	71,321
Interest in a joint venture		188,267	152,424
Other equity investments		14,711	14,148
Deferred tax assets		31,618	35,998
Non-current portion of trade receivables	<i>12</i>	43,402	97,418
		366,237	392,899
Current assets			
Inventories and other contract costs		37,185	21,368
Contract assets	<i>11</i>	813,448	631,139
Trade receivables	<i>12</i>	653,600	488,596
Prepayments, deposits and other receivables		51,071	76,895
Restricted bank deposits		602	15,601
Cash and cash equivalents		143,997	73,615
		1,699,903	1,307,214
Current liabilities			
Trade and bills payables	<i>13</i>	703,415	502,713
Accrued expenses and other payables		182,949	199,955
Contract liabilities		191,274	66,552
Bank and other loans	<i>14</i>	430,000	420,000
Lease liabilities		635	3,945
Income tax payable		15,280	12,663
		1,523,553	1,205,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020 (continued)

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Net current assets		176,350	101,386
Total assets less current liabilities		542,587	494,285
Non-current liabilities			
Bank loans	14	50,000	75,000
Lease liabilities		270	4,172
Deferred tax liabilities		8,507	7,684
		58,777	86,856
NET ASSETS		483,810	407,429
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		474,234	402,295
Total equity attributable to equity shareholders of the Company		474,235	402,296
Non-controlling interests		9,575	5,133
TOTAL EQUITY		483,810	407,429

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 2020.

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“**IASs**”) and related Interpretations issued by the International Accounting Standards Board (the “**IASB**”). The 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 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.

(b) Basis of preparation of the annual results

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

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

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

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

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:

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

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Remaining performance obligations expected to be satisfied	<u>2,565,800</u>	<u>2,702,998</u>

(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 2020 and 2019 is set out below.

	2020			
	Landscaping <i>RMB'000</i>	Ecological restoration <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>621,208</u>	<u>302,737</u>	<u>77,482</u>	<u>1,001,427</u>
Reportable segment gross profit	<u>163,515</u>	<u>38,829</u>	<u>36,088</u>	<u>238,432</u>
	2019			
	Landscaping <i>RMB'000</i>	Ecological restoration <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition				
Point in time	135	2,789	22,343	25,267
Over time	439,649	399,789	32,781	872,219
Revenue from external customers and reportable segment revenue	<u>439,784</u>	<u>402,578</u>	<u>55,124</u>	<u>897,486</u>
Reportable segment gross profit	<u>110,137</u>	<u>102,203</u>	<u>21,031</u>	<u>233,371</u>

(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

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

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

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

8. PROFIT BEFORE TAXATION

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

(a) Finance costs

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

No borrowing costs have been capitalised for the year ended 31 December 2020 (2019: RMB Nil).

(b) Other items

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

9. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for the year	25,208	26,738
Deferred tax		
Origination and reversal of temporary differences	<u>5,203</u>	<u>3,183</u>
	<u>30,411</u>	<u>29,921</u>

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 RMB68,505,000 (2019: RMB49,496,000), and the weighted average of 220,000,000 ordinary shares in issue during the Year (2019: 218,886,000 ordinary shares), after adjusting the capitalisation issue occurred after the end of the reporting period, calculated as follows:

(i) *Weighted average number of ordinary shares*

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

Notes:

- (i) The Company issued 821,028 shares to the existing equity shareholders, among which 780,000 shares were issued to ZONQING International Investment Limited and ZONBONG International Investment Limited and 41,028 shares were issued to Wing Tak Group Holdings Limited.
- (ii) The number of ordinary shares outstanding before the capitalisation issue completed on 6 January 2021 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented. For the purpose of EPS calculation, the impact of capitalisation to the shares issued to ZONQING International Investment Limited and ZONBONG International Investment Limited was also retrospectively adjusted from 1 January 2019.

(b) Diluted earnings per share

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

11. CONTRACT ASSETS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract assets		
— due from Zhongqing Investment Holding Group Limited Liability Company (“ZIHG”) and its subsidiaries, joint ventures and associates	99,848	81,655
— due from a joint venture	51,879	48,683
— due from an associate	31,762	42,996
— due from a company managed by a key management personnel of ZIHG	81,109	—
— due from third parties	655,996	553,554
	<u>920,594</u>	<u>726,888</u>
Less: loss allowance	(107,146)	(95,749)
	<u>813,448</u>	<u>631,139</u>
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in “Trade receivables”	<u>676,300</u>	<u>566,273</u>

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

The amounts of revenue recognised during the year ended 31 December 2020 from performance obligations satisfied (or partially satisfied) in previous periods is RMB2,831,000 (2019: RMB34,038,000), mainly due to the changes in estimate of the stage of completion.

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB311,396,000 (31 December 2019: RMB346,735,000), which are expected to be billed after more than one year.

12. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables		
— due from ZIHG and its subsidiaries, joint ventures and associates	117,262	155,502
— due from a joint venture	2,277	1,933
— due from an associate	—	7,452
— due from a company managed by a key management personnel of ZIHG	13,621	—
— due from third parties	623,051	450,391
	756,211	615,278
Less: loss allowance	(59,209)	(29,264)
	697,002	586,014
Reconciliation to the consolidated statement of financial position:		
Non-current	43,402	97,418
Current	653,600	488,596
	697,002	586,014

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

Ageing analysis

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

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

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

13. TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables		
— due to ZIHG and its subsidiaries, joint ventures and associates	5,565	3,620
— due to third parties	667,850	484,093
Bills payables	30,000	15,000
	<u>703,415</u>	<u>502,713</u>

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

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

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank loans:		
Guaranteed by related parties	40,000	90,000
Guaranteed by third parties (<i>Note 14(d)</i>)	215,000	—
Guaranteed by related parties and third parties (<i>Note 14(d)</i>)	—	105,000
Guaranteed by related parties and secured by trade receivables and contract assets of the Group (<i>Note 14(c)</i>)	90,000	275,000
Secured by trade receivables and contract assets of the Group (<i>Note 14(c)</i>)	115,000	—
Unguaranteed and unsecured	—	5,000
	<u>460,000</u>	<u>475,000</u>
Other loan:		
Unguaranteed and unsecured	20,000	20,000
	<u>480,000</u>	<u>495,000</u>

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year or on demand	430,000	420,000
After 1 year but within 2 years	25,000	25,000
After 2 years but within 5 years	25,000	50,000
After 5 years	—	—
	50,000	75,000
	480,000	495,000

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables and contract assets	239,087	246,557

- (d) At 31 December 2020, the short-term bank loans amounting to RMB215,000,000 are guaranteed by third parties, where Mr. Liu Haitao provides counter-guarantee to these third parties. At 31 December 2019, the short-term bank loans amounting to RMB105,000,000 are guaranteed by third parties, where Mr. Sun Juqing and Ms. Zhao Hongyu provides counter-guarantee to these parties. The Group placed deposits amounting to RMB9,550,000 to these third parties as of 31 December 2020 (31 December 2019: RMB6,250,000).
- (e) At 31 December 2020, the Group's banking facilities amounting to RMB200,000,000 (31 December 2019: RMB140,000,000), were utilised to the extent of RMB200,000,000 (31 December 2019: RMB135,000,000).
- (f) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. At 31 December 2020, none of the covenants relating to the bank loans had been breached (31 December 2019: None).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the annual revenue of the Group was approximately RMB1,001.4 million, representing an increase of approximately 11.6% over last year. The revenue was mainly generated from: i) landscaping, ii) ecological restoration and iii) others, and accounted for 62.0%, 30.2% and 7.7%, respectively.

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

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

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

During the Year, the Group's Main Contracting Project of Nanxi Water Culture Ecological Park as part of the Ecological Treatment Project of Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 南溪水文化園生態園工程總承包) has won the National Quality Engineering Award (國家優質工程獎); the Engineering Design Project of Nanxi Water Culture Ecological Park in Changchun City (長春市南溪水文化生態園工程設計項目) has won the National Award of Landscape Engineering of the Science and Technology Awards by the Chinese Society of Landscape Architecture (國家級中國風景園林學會科學技術獎); and the Main Contracting Project of Dongxinkai River Range

(Hekou Park and Yangpu Park) as part of the Ecological Management and Restoration Project for Yitu Ula River Range in Changchun City (長春市百里伊通河水系生態治理工程 — 東新開河流域項目工程總承包 (河口公園、洋浦公園)專案) has won the Provincial Outstanding Project Prize of Construction Engineering in Jilin Province (吉林省建築工程省優質工程獎).

RISK MANAGEMENT

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

PROSPECTS

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

- (i) the increase in projects under construction during the Year was attributable to the increase of newly awarded projects; and
- (ii) the number of completed projects in 2020 are higher as compared with 2019 since the Group acquired more new projects in 2020 and some of them have a short-completion cycle.

Landscaping

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

Ecological restoration

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

Others

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

Gross profit and gross profit margin

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

Other income and gains

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

Selling expenses

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

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

Administrative expenses

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

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

Finance costs

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

Share of profits of an associate

The Group's share of profits of an associate represented profits shared from our associate, namely Changchun Xianbang Municipal and Landscape Limited (長春現邦市政園林有限責任公司) (“**Changchun Xianbang**”), which was 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 the Year, profits of an associate attributable to the Group decreased by 70.6% or RMB3.5 million from RMB4.9 million for last year to RMB1.4 million for the Year. The fluctuation was mainly because the operation of Changchun Xianbang required incremental scale of borrowings as compared with 2019 leading to the increase in finance costs.

Share of profits of a joint venture

The Group's share of profits of a joint venture represents profits shared from our jointly controlled project company, namely Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) (“**Tianjun Tourism**”), which was registered in Inner Mongolia, the PRC, as a 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 the Year, profits of Tianjun Tourism attributable to the Group maintained at similar level as compared with 2019.

Income tax

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

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

Net current assets

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

Inventories and other contract costs

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Construction materials	20,693	11,006
Other contract costs	16,492	10,362
	<u>37,185</u>	<u>21,368</u>

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

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

Contract assets

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

Trade receivables

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

Restricted bank deposits

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

Trade and bills payables

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

Capital commitments

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contracted for	—	24,500
Authorised but not contracted for	<u>15,425</u>	<u>24</u>

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

Indebtedness

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

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

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

KEY FINANCIAL RATIOS

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

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Gross profit margin (%) ⁽¹⁾	23.8	26.0
Net profit margin (%) ⁽²⁾	6.9	5.5
Return on equity (%) ⁽³⁾	15.6	13.4
Return on total assets (%) ⁽⁴⁾	3.7	3.1
	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current ratio ⁽⁵⁾	1.1	1.1
Gearing ratio ⁽⁶⁾	1.0	1.2
Net debt to equity ratio ⁽⁷⁾	0.7	1.0

Notes:

- (1) Gross profit margin for the year was calculated based on gross profit divided by total revenue for the respective year and multiplied by 100%.
- (2) Net profit margin for the year was calculated based on profit for the year divided by total revenue for the respective year and multiplied by 100%.
- (3) Return on equity for the year was calculated based on the profit for the year attributable to equity shareholders of the Company for the respective year divided by 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 increased from 13.4% for last year to 15.6% for the Year, primarily due to increase in profit for the Year.

Return on total assets

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

Current ratio

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

Gearing ratio

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

Net debt to equity ratio

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

SIGNIFICANT INVESTMENTS HELD

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

CONTINGENT LIABILITIES

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

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

FINANCIAL GUARANTEES ISSUED

The Group's financial guarantees issued amounted to approximately RMB38.8 million and RMB39.5 million as at 31 December 2020 and 31 December 2019, respectively, which was provided for the guarantees provided by 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 and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Given the Group's operation is mainly 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 and other receivables, cash and cash equivalents and contract assets.

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

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

Liquidity risk

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

Interest rate risk

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

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 payable 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 HKD42.8 million. Set out below are details of the allocation of the net proceeds, the utilised and unutilised amount of the net proceeds as at the date of this announcement:

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

As at the date of this announcement, the Directors do not anticipate any change to the plan as to the use of proceeds and the unutilised net proceeds will be applied and utilised in the manner consistent with the proposed allocations and the proposed timeline as set out in the prospectus of the Company dated 22 December 2020.

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

Scope of work of the auditors

The figures in respect of the annual results announcement of the Group for the year ended 31 December 2020 (the “**Annual Results Announcement**”) have been agreed by the auditors of the Company, KPMG, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on the Annual Results Announcement.

Dividend

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

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 2020, the Group has 468 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 the Year.

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 2020 are as follow.

- (a) Pursuant to the resolutions of the shareholders of the Company passed on 14 December 2020, the Company allotted and issued a total of 219,178,972 shares credited as fully paid at par to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 14 December 2020 by way of capitalisation of the sum of HKD219,000 (equivalent to approximately RMB183,000) standing to the credit of the share premium account of the Company, and these shares rank pari passu in all respects with the shares in issue.
- (b) On 6 January 2021, 55,000,000 new ordinary shares of HKD0.001 each were issued at a price of HKD2.00 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HKD55,000 (equivalent to approximately RMB46,000), representing the par value, were credited to the Company’s share capital. The remaining proceeds of HKD109,945,000 (equivalent to approximately RMB91,616,000) net of share issuance expenses of RMB11,930,000 were credited to the share premium account.
- (c) All guarantees and counter-guarantees provided by ZIHG and its subsidiaries, joint ventures and associates and controlling shareholders have been released upon Listing Date, and were replaced by assets pledge to secure the loans or the relevant loans have been repaid by the Group.
- (d) All of amounts due to the related parties that are non-trade in nature as at 31 December 2020 have been settled subsequent to the end of the reporting period.

Corporate governance practices

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

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

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

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

Audit Committee

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

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

Annual general meeting

The date of the annual general meeting of the Company (the “AGM”) will be announced in due course. Shareholders 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.

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.

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

Hong Kong, 26 March 2021

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 Zhanhuang 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.