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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)

**UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of ZONBONG LANDSCAPE Environmental Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 (the “**1H2021**”), together with the comparative figures for the six months ended 30 June 2020 (the “**1H2020**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi (“RMB”))

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited

(Expressed in RMB)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		9,253	9,791
Intangible assets		1,640	1,824
Right-of-use assets		5,384	1,165
Interest in an associate		75,344	75,459
Interest in a joint venture		193,542	188,267
Other equity investments		14,678	14,711
Deferred tax assets		40,585	31,618
Non-current portion of trade receivables		37,320	43,402
		<u>377,746</u>	<u>366,237</u>
Current assets			
Inventories and other contract costs		32,792	37,185
Contract assets	7(a)	695,854	813,448
Trade and bills receivables	8	830,396	653,600
Prepayments, deposits and other receivables		57,530	51,071
Restricted bank deposits		9,152	602
Cash and cash equivalents		103,681	143,997
		<u>1,729,405</u>	<u>1,699,903</u>
Current liabilities			
Trade and bills payables	9	672,998	703,415
Accrued expenses and other payables		121,714	182,949
Contract liabilities	7(b)	193,276	191,274
Bank and other loans		467,577	430,000
Lease liabilities		2,381	635
Income tax payable		6,076	15,280
		<u>1,464,022</u>	<u>1,523,553</u>
Net current assets		<u>265,383</u>	<u>176,350</u>
Total assets less current liabilities		<u>643,129</u>	<u>542,587</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2021 — unaudited

(Expressed in RMB)

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

NOTES

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial information set out below is derived from the unaudited interim financial report, which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the “IASB”).

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to International Financial Reporting Standards (“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.

3 REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic information is disclosed in Notes 3(b)(i) and 3(b)(iii), respectively.

(b) Segment reporting

(i) Segment results

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

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

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

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

	Six months ended 30 June 2021			
	Landscaping	Ecological	Others	Total
	<i>RMB'000</i>	<i>restoration</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>RMB'000</i>	<i>RMB'000</i>	
Disaggregated by timing of revenue recognition				
Point in time	—	—	1,204	1,204
Over time	<u>265,185</u>	<u>89,971</u>	<u>5,713</u>	<u>360,869</u>
Revenue from external customers and reportable segment revenue	<u>265,185</u>	<u>89,971</u>	<u>6,917</u>	<u>362,073</u>
Reportable segment gross profit	<u>57,989</u>	<u>21,367</u>	<u>1,841</u>	<u>81,197</u>

	Six months ended 30 June 2020			Total RMB'000
	Landscaping RMB'000	Ecological restoration RMB'000	Others RMB'000	
Disaggregated by timing of revenue recognition				
Point in time	947	2,837	18,462	22,246
Over time	185,555	141,954	8,130	335,639
Revenue from external customers and reportable segment revenue	<u>186,502</u>	<u>144,791</u>	<u>26,592</u>	<u>357,885</u>
Reportable segment gross profit	<u>34,999</u>	<u>34,446</u>	<u>18,060</u>	<u>87,505</u>

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

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

(iii) **Geographic information**

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

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

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

(b) Other items

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

5 INCOME TAX

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

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

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

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

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

6 EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares

	Six months ended 30 June	
	2021	2020
	<i>No. of shares</i>	<i>No. of shares</i>
	<i>'000</i>	<i>'000</i>
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>)	53,177	—
	<hr/>	<hr/>
At 30 June	<u>273,177</u>	<u>220,000</u>

Notes:

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

(b) Diluted earnings per share

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

7 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Contract assets		
— due from ZIHG and its subsidiaries, joint ventures and associates	63,260	99,848
— due from a joint venture	47,253	51,879
— due from an associate	20,884	31,762
— due from a company managed by a key management personnel of ZIHG	10,799	81,109
— due from third parties	<u>659,203</u>	<u>655,996</u>
	801,399	920,594
Less: loss allowance	<u>(105,545)</u>	<u>(107,146)</u>
	<u><u>695,854</u></u>	<u><u>813,448</u></u>
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in “Trade receivables” (Note 8)	<u><u>849,361</u></u>	<u><u>676,300</u></u>

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

Notwithstanding the terms of the contracts with customers, the Directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB246,669,000 (31 December 2020: RMB311,396,000), which are expected to be billed after more than one year.

(b) **Contract liabilities**

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

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

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

8 TRADE AND BILLS RECEIVABLES

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

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

Ageing analysis

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

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

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

9 TRADE AND BILLS PAYABLES

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

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

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

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

10 DIVIDENDS

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

RISK MANAGEMENT

The Company believes that risk management is essential to the Group’s efficient and effective operation. The Company’s management assists the Board in evaluating material risk exposure to the Group’s business such as investment risk, interest rate risk and liquidity risk and participates in formulating appropriate risk management and internal control measures, and to ensure its implementation in daily operational management. There was no material deficiency in the Group’s internal control over financial reporting during 1H2021.

PROSPECTS

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

Landscaping

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

Ecological restoration

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

Others

The Group's revenue from the others segment was mainly derived from investigation, survey, design and technical consultancy for municipal construction projects, and it recorded a decrease of approximately 74.1% or approximately RMB19.7 million from approximately RMB26.6 million for 1H2020 to approximately RMB6.9 million for 1H2021, which was mainly due to our focus on the expansion to market outside of the northeast area of the PRC and therefore fewer projects in this segment were awarded in 1H2021.

Gross profit and gross profit margin

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

Other net income

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

Selling expenses

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

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

Administrative expenses

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

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

Finance costs

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

Share of profits of an associate

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

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

Share of profits of a joint venture

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

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

Income tax

The Group's income tax decreased by approximately 54.3% or approximately RMB3.8 million from approximately RMB7.0 million for 1H2020 to approximately RMB3.2 million for 1H2021, which was mainly due to Zonbong Huize Landscape Environmental Construction Limited (中邦滙澤園林環境建設有限公司), a subsidiary of the Group, obtained the certification of high and new tech enterprise and enjoyed a preferential corporate income tax rate of 15% since then, but the statutory tax rate of 25% was still applicable for the Company during the six months ended 30 June 2020.

Net current assets

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

Liquidity and financial resources

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

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

Gearing ratio

The gearing ratio decreased from 1.0 as at 31 December 2020 to 0.9 as at 30 June 2021, primarily due to increase of the Group's total equity gained from the proceeds raised from the listing of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

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

SIGNIFICANT INVESTMENTS HELD

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

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had issued a guarantee in respect of a loan made by a bank to Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract amounting to RMB410.0 million, among which RMB310.0 million (including principal and interests) was guaranteed by the Group. As at 30 June 2021 and 31 December 2020, the balances of the bank loan borrowed by Tianjun Tourism were approximately RMB375.0 million and RMB390.0 million, respectively.

As at 30 June 2021, the Group had issued a guarantee in respect of a loan made by a bank to Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang obtained a long-term bank loan with the principal amount of RMB300.0 million, among which RMB330.0 million (including principal and interests) was guaranteed by the Group. As at 30 June 2021 and 31 December 2020, the balances of the bank loan were RMB224.1 million and RMB232.7 million, respectively.

FINANCIAL GUARANTEES ISSUED

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

FOREIGN EXCHANGE RISK

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

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except for the loan in June 2021 which was denominated in 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 USD against RMB. The Group will continue to monitor foreign exchange changes to best preserve cash value.

USE OF PROCEEDS FROM THE LISTING

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

Up to the date of this announcement, the amount of net proceeds remained unutilised amounted to approximately HKD36.9 million. Set out below are details of the allocation of the net proceeds, the utilised and unutilised amounts of the net proceeds as at the date of this 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	3.5	4.6
Upfront costs of the construction work of the Changchun Zoo Project	23.7%	13.0	1.8	11.2
Investment in Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司)	26.1%	14.3	—	14.3
Acquisition of a centralised ERP system	7.4%	4.0	0.1	3.9
Repayment of bank loan	18.0%	9.8	9.8	—
General working capital of the Group	10.0%	5.5	2.6	2.9
	100%	<u>54.7</u>	<u>17.8</u>	<u>36.9</u>

As at the date of this 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 (the “**Prospectus**”).

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

OTHER INFORMATION

Dividend

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

Employees and remuneration policies

As at 30 June 2021, the Group has 504 employees. The Group’s Remuneration Management Policy and Fringe Benefits System has been formulated to establish a systematic remuneration system, which enabling the employees to have full vision and understanding of the Group’s human resources management function, human resources management policies and system, composition and accounting of remuneration and fringe benefits etc., so as to ensure and enhance the transparency and fairness. The remuneration committee of the Company (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, and 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 1H2021.

Securities transactions by the Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms in accordance to the required standard of dealings as set out in the Model Code 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 (as defined in the Prospectus).

Events after the reporting period

Discloseable transaction — Foreign exchange forward contract

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

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

Change of Company Secretary and Authorized Representative

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

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

Corporate governance practices

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

The Company has adopted the code provisions as set out in 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 have been held by the same individual, namely, Mr. Liu Haitao. Although the positions of the Chairman and the chief executive officer are not separately held, the Board is of the view that this is the most appropriate arrangement in the

interest of the shareholders of the Company as a whole at present. All major decisions will, in accordance with current practice, be continued to be made in consultation with members of the Board and relevant board committees and key personnel of the Group after thorough discussions. The Board comprises of three independent non-executive Directors who will continue to provide their views and comments to Mr. Liu Haitao as the Chairman and the chief executive officer of the Company.

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

Review of interim financial information

The interim financial report for the six months ended 30 June 2021 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The interim results have also been reviewed and approved by the audit committee of the Company, comprising all the three independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Gao Xiangnong and Mr. Yin Jun.

Publication of interim results announcement and interim report

This interim results announcement is published on the website of the Company at www.zonbong.com and the website of the Stock Exchange at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2021 will be dispatched to the shareholders of the Company and will be 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, 30 August 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.