

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

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1855



Interim Report
2024

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This Interim Report (“**Report**”) in both English and Chinese version, is available on the Company’s website of www.zonqing.net (the “**Company Website**”) and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Tsui Hin Chi

AUTHORISED REPRESENTATIVES

Mr. Liu Haitao
Mr. Tsui Hin Chi

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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

LEGAL ADVISER

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

PRINCIPAL BANKS

(In Alphabetical order)

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

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

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

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

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

STOCK CODE

1855

COMPANY WEBSITE

www.zonqing.net

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

Management Discussion and Analysis

In 1H2024, the Group continued to consolidate its existing product lines, expand the construction and upgrading of new urban parks, greening construction of urban roads, and water ecology smart city operation and maintenance. The Group's related qualifications were strengthened continuously and the Group's bidding capacity was enhanced. In addition to firming up its national development strategy, the Group continued to deeply cultivate its outbound markets. In 1H2024, the Group submitted a total of 344 tenders and achieved a successful tender rate of approximately 44.48%, with the contract value of newly awarded projects amounting to approximately RMB1,249.72 million.

During 1H2024, the Group has won the bid for projects such as:

- (i) the Main Contracting for the "Three Roads and Two Streams" urban upgrading project (Phase II) (with a successful bid price of approximately RMB407.76 million);
- (ii) the project operation and maintenance of the New Urbanisation Construction Project (two bidding sections) (with a successful bid price of approximately RMB198.49 million); and
- (iii) the resettlement project of residential properties constructed on the Xiao Kai Yuan land parcel (with a successful bid price of approximately RMB110.16 million).

In 1H2024, Jinghe Design Group Limited* (境和設計集團有限公司) ("**Jinghe Design Group**") passed the 2024 (11th batch) accreditation assessment of Changchun Municipal Enterprise Technology Center; Zonbong Ecology Environmental Construction Limited* (中邦生態環境有限公司) ("**Zonbong Ecology Environmental**") was awarded the national level "Credit Star Certificate (7-Star)" (信用星級證書(7星)) jointly granted by the China Association of Construction Enterprise Management* (中國施工企業管理協會) and the Credit Evaluation Committee* (信用評價工作委員會); and Changchun Chengjianweihu Group Co., Ltd.* (長春市城建維護集團股份有限公司) ("**Changchun Chengjianweihu**") was awarded the national level "Credit Star Certificate (6-Star)" (信用星級證書(6星)) jointly granted by the China Association of Construction Enterprise Management* (中國施工企業管理協會) and the Credit Evaluation Committee* (信用評價工作委員會). In the first half of the year, the Group obtained two invention patents, five utility model patents, one software copyright, six construction methods at provincial level, and 70 innovation achievements.

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, participates in formulating appropriate risk management and internal control measures and to ensure their implementation in daily operational management. There was no material deficiency in the Group's internal control over financial reporting during 1H2024.

Management Discussion and Analysis

PROSPECTS

In 1H2024, the global economy generally became stable, but the overall growth rate has not yet returned to the level before 2020. Unstable factors such as geopolitics, inflation, and monetary tightening were still suppressing economic recovery. Interest rate cuts in developed economies have been postponed, and the high-interest rate environment has tightened global financial conditions, exerting greater pressure on the growth of developing economies. Facing complex challenges in domestic and overseas environment, China's economic growth has slowed down. According to the National Bureau of Statistics, China's GDP increased by 5.0% year-on-year in the first half of the year. In particular, the growth rate of the second quarter was 4.7%, slowing down from the first quarter. Although the growth rate was still in the positive growth range, it was lower than expected and reflected the uncertainty of the global economy and the pressure of domestic structural adjustment.

Despite changes in the external environment, the Group has always regarded high-quality development as its top priority, actively responding to challenges, seizing high-quality development opportunities, vigorously cultivating new development momentum, and building new competitive advantages. From January 2024 to June 2024, the Group has secured new contracts with an aggregate contract sum amounting to approximately RMB1,249.72 million, including a "Three Roads and Two Streams" urban upgrading project of approximately RMB408 million, project operation and maintenance of a new urbanisation construction project (Phase I) (two bidding sections) of approximately RMB198 million, etc. In the face of complex and severe international financial environment and the industry trend of gradually entering into competition for stock, the Group actively consolidated its various quality advantages, secured numerous winning bids and ensured business continuity and stability with steady progress, showcasing the Group's resilience and potential.

In 1H2024, under the guidance of national policies and the drive of technological innovation, the construction industry presented a development trend with both opportunities and challenges. According to the National Bureau of Statistics, the total output value of the construction industry reached RMB13.8312 trillion in the first half of the year, with a year-on-year growth of 4.8%, indicating robust growth in the industry amidst a complex economic environment, while (full-calibre) infrastructure investment from January 2024 to June 2024 increased by 7.7% year-on-year. The breakdown revealed slow investment growth in certain areas such as water conservancy, environment and utilities management, indicating that traditional infrastructure investment was under considerable pressure. At the same time, the financial pressure on local governments gradually emerged, the pace of issuing special bonds slowed down, and infrastructure projects became more focused on quality improvement than quantity growth.

Looking ahead to the second half of 2024, the global economy is still in recovery and needs more growth momentum. Despite facing multiple challenges, China's economy remains stable in general and continues to be an important engine and stabiliser for global economic growth. While active fiscal policies and prudent monetary policies continue to exert their effects, measures such as tax cuts, fee reductions and issuance of special bonds and ultra-long-term special government bonds provide strong support for the economy. At the same time, as China keeps stepping up its policy to expand domestic demand, new consumption scenarios and growth points will continue to emerge. With the further manifestation of policy effects and the gradual improvement of both domestic and international environments, China's economy is expected to continue maintaining stable and healthy development. The Group will continue to utilise the synergistic integrated business of culture, commerce, tourism and industry (文商旅工一體化) with focus on cultural and tourism operations, and firm up its national development strategy. The Group will also continue to consider qualification upgrades to stabilise and enhance its corporate creditworthiness, and apply for national, provincial and municipal awards for outstanding design and engineering, thereby laying a solid foundation for sustained results growth. The Company will continue to uphold the core concept of "customer-centred and endeavour-oriented", fulfil the corporate mission of "Greening China for a Collective Future", and achieve healthy and sustainable development of the Company.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately 14.7% or approximately RMB134.2 million from approximately RMB909.8 million for 1H2023 to approximately RMB775.6 million for 1H2024. The decrease in revenue during 1H2024 was mainly due to the decrease in major contracts newly awarded during 1H2024 and the impact brought by external environment where the construction progress of individual projects slowed down leading to a drop in revenue.

City renewal construction services

The Group recorded a decrease in revenue from the city renewal construction services segment, from approximately RMB783.6 million for 1H2023 to approximately RMB613.0 million for 1H2024, representing a decrease of approximately 21.8% or approximately RMB170.6 million, which was mainly due to the decrease in major contracts newly awarded and the decline in average revenue recognised from contracts during 1H2024.

City operation and maintenance services

The Group recorded an increase in revenue from the city operation and maintenance services segment, from approximately RMB61.7 million for 1H2023 to approximately RMB123.6 million for 1H2024, representing an increase of approximately 100.3% or approximately RMB61.9 million, which was mainly due to the transformation of the Group's business operations achieved initial results and the business operations structure was further optimised.

Design and consultancy services

The Group recorded a decrease in revenue from the design and consultancy services segment, from approximately RMB64.6 million for 1H2023 to approximately RMB39.0 million for 1H2024, representing a decrease of approximately 39.6% or approximately RMB25.6 million, which was mainly attributable to the decrease in major contracts newly awarded, the decline in average revenue recognised from contracts and tight local financial funds and hence the Group prudently undertook projects and carefully promoted project implementation during 1H2024.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 20.1% or approximately RMB29.5 million from approximately RMB145.9 million for 1H2023 to approximately RMB175.4 million for 1H2024. The increase in gross profit was primarily due to the increase in gross profit margin of completed and ongoing projects during 1H2024 as compared with the corresponding period of last year, and the fact that the Company continued to implement lean management and optimise supply chain, thereby reducing costs per unit.

Other net income

The Group's other net income increased by approximately 67.4% or approximately RMB2.9 million from approximately RMB4.3 million for 1H2023 to approximately RMB7.2 million for 1H2024. The increase was mainly attributable to the increase in interest income, and dividends received by Jinghe Design, a subsidiary of the Group.

Management Discussion and Analysis

Selling expenses

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

The selling expenses increased by approximately 66.7% or approximately RMB5.0 million from approximately RMB7.5 million for 1H2023 to approximately RMB12.5 million for 1H2024. The increase was mainly attributable to the increase in related labour, rental and other expenses brought by newly established markets in other regions of the PRC.

Administrative expenses

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

The administrative expenses decreased by approximately 10.2% or approximately RMB4.3 million from approximately RMB42.3 million for 1H2023 to approximately RMB38.0 million for 1H2024, which was mainly due to the Group improved management efficiency and saved expenses this period, and that no special agency fees were incurred in the first half of this year.

Impairment losses under the expected credit loss (“ECL”) model

The impairment losses on trade and other receivables and contract assets under the ECL model for 1H2024 was approximately RMB60.0 million (1H2023: approximately RMB24.4 million). The increase was mainly due to the slow turnover of trade and other receivables and contract assets during 1H2024.

Finance costs

The Group's finance costs mainly represented interest expenses on bank and other loans, and decreased by approximately 22.6% or approximately RMB7.3 million from approximately RMB32.3 million for 1H2023 to approximately RMB25.0 million for 1H2024, which was mainly due to the Group replaced high-interest debts in a timely manner when market interest rates fell which effectively reduced finance costs.

Share of profits of associates

The Group's share of profits of associates represented profits/(losses) shared from two associates, namely Changchun Xianbang Municipal and Landscape Limited* (長春現邦市政園林有限責任公司) (“**Changchun Xianbang**”) and Tianjin Nangang Municipal Garden Engineering Limited* (天津南港市政園林工程有限公司) (“**Tianjin Nangang**”).

Changchun Xianbang 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 associate of the Group given that the Group did not have the power to control its financial and operating policies.

Management Discussion and Analysis

The Group has also acquired 20% interest in Tianjin Nangang on 17 February 2022 at a consideration of approximately RMB4.72 million from an independent third party, which represents an investment in an associate of the Group. Tianjin Nangang is a comprehensive platform company based in Nangang Industrial Park (the “**Park**”) and integrating quality resources from various parties, Tianjin Nangang is positioned as a quality service provider in the Park. It is committed to provide public utility services to the Park Management Committee and consulting, construction, operations, and maintenance services to enterprises in the Park.

During 1H2024, results of associates attributable to the Group decreased by approximately 55.5% or RMB0.5 million from share of profit of approximately RMB0.9 million for 1H2023 to approximately RMB0.4 million for 1H2024.

Share of (losses)/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 1H2024, profits of a joint venture attributable to the Group decreased by approximately 119.7% or approximately RMB1.8 million from share of profits of approximately RMB1.5 million for 1H2023 to share of losses of approximately RMB0.3 million for 1H2024. The fluctuation was mainly due to the increase in ECL of the joint venture.

Income tax

The Group’s income tax increased by approximately RMB1.1 million from approximately RMB2.6 million for 1H2023 to approximately RMB3.7 million for 1H2024, which was mainly due to the Group’s increased profit before taxation for 1H2024 than 1H2023.

Net current assets

The Group’s net current assets increased by approximately 2.6% or approximately RMB9.6 million from approximately RMB377.2 million as at 31 December 2023 to approximately RMB386.8 million as at 30 June 2024, the increase was primarily due to the increased contract assets.

Liquidity and financial resources

As at 30 June 2024, the cash and cash equivalents of the Group amounted to approximately RMB61.2 million (31 December 2023: approximately RMB210.4 million). As at 30 June 2024, the Group had borrowings of approximately RMB856.3 million (31 December 2023: approximately RMB806.3 million), which are denominated in Renminbi. Based on the scheduled repayment terms set out in the loan agreements, approximately RMB775.7 million (31 December 2023: approximately RMB726.3 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 2024, there had been no breach of loan covenants relating to bank and other loans of the Group.

Management Discussion and Analysis

Gearing ratio

The gearing ratio (calculated by bank and other loans divided by total equity) increased from 1.05 times as at 31 December 2023 to 1.08 times as at 30 June 2024, the increase was primarily due to the increase in bank and other loans and the decrease in total equity after dividend distribution.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures in 1H2024.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2024, except for the associates and the joint venture of the Group as mentioned in this Report, the Group did not hold any significant investments.

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

CONTINGENT LIABILITIES

As at 30 June 2024, the Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2024, the balance of the bank loan is RMB300,000,000 (31 December 2023: RMB315,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 30 June 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB23,275,000 (31 December 2023: RMB24,500,000).

As at 30 June 2024, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2024, the balance of the bank loan is RMB126,500,000 (31 December 2023: RMB136,150,000). The fair value of the financial guarantee provided by the Group was initially estimated RMB12,685,000 and RMB2,692,000 was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 30 June 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB11,413,000 (31 December 2023: RMB12,500,000).

Management Discussion and Analysis

FINANCIAL GUARANTEES ISSUED

The Group's financial guarantees issued amounted to approximately RMB34.7 million and approximately RMB37.0 million as at 30 June 2024 and 31 December 2023, respectively. The financial guarantees issued as at 30 June 2024 represented the guarantees provided by the Group for the borrowings of Changchun Xianbang and Tianjun Tourism, for the purpose of supporting the financing for their projects, and were initially recognised with reference to fees charged in an arm's length transaction for similar services and are 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 Changchun Xianbang and Tianjun Tourism in 2029 and 2033, respectively.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group does not have any concrete plans for material investments or capital assets as at the date of this Report.

Currency risk

The Group did not enter into any hedging arrangement or foreign currency forward contract during the 1H2024. Given the Group's operation is mainly in the PRC in RMB, the currency risk is insignificant.

OTHER INFORMATION

Dividend

The Directors do not recommend the payment of an interim dividend for 1H2024 (1H2023: nil).

Employees and remuneration policies

As at 30 June 2024, the Group had 849 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.

Other Information

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

As at 30 June 2024, the interests or short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) which will be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix C3 to the Listing Rules, are set out as follows:

(i) Long positions in our shares

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

Notes:

1. Mr. Sun Juqing is the spouse of Ms. Zhao Hongyu. Ms. Zhao Hongyu is the beneficial owner of 35% shareholding in Zonqing International and is therefore deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO. Accordingly, Mr. Sun is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.
2. Given that Mr. Liu Haitao is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.

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

Name of Director	Name of associated corporations	Capacity	Long position/Short position	Number of shares held in the associated corporation	Percentage of shareholding
Mr. Sun Juqing	Zonqing International	Beneficial owner	Long position	62	62%
Mr. Liu Haitao	Zonqing International	Beneficial owner	Long position	5	5%
Mr. Liu Haitao	Zonbong International	Beneficial owner	Long position	6,011	60.11%
Mr. Shao Zhanguang	Zonqing International	Beneficial owner	Long position	5	5%

Other Information

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

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during 1H2024 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and minor children) to hold any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

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

As at 30 June 2024, the register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following Shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

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

Notes:

1. Ms. Zhao Hongyu is the beneficial owner of 35% shareholding in Zonqing International and is therefore deemed to be interested in the Shares held by Zonqing International for the purposes of the SFO.
2. Mr. Sun Juqing is the spouse of Ms. Zhao Hongyu. Accordingly, Mr. Sun Juqing is deemed to be interested in the Shares in which Ms. Zhao Hongyu is interested for the purpose of the SFO.
3. Given that Mr. Liu Haitao is the beneficial owner of 60.11% shareholding in Zonbong International, Mr. Liu Haitao is deemed to be interested in the Shares held by Zonbong International for the purposes of the SFO.
4. Ms. Wang Tiannv is the spouse of Mr. Liu Haitao. Accordingly, Ms. Wang Tiannv is deemed to be interested in the Shares in which Mr. Liu Haitao is interested for the purposes of the SFO.

Saved as disclosed above, as at 30 June 2024, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float as required under the Listing Rules during 1H2024.

COMPETING BUSINESS

During the first half of 2023, the Group acquired 87.5% equity interest in Jilin Modern Zhongqing (the "**Acquisition**"), which together with its subsidiaries are primarily engaged in the provision of environmental hygiene services and construction and maintenance services for public work projects. Following the Acquisition, the Group's business operations now cover the municipal construction sector, on top of the existing landscaping and ecological restoration sector. On the other hand, ZIHG Group, which is controlled by the Ultimate Controlling Shareholders, is primarily engaged in the infrastructure and municipal construction works business and other businesses. Nevertheless, the respective municipal construction business of the Group and the ZIHG Group can be delineated from each other in terms of both geographical locations and the nature of services provided. For more details, please refer to the circular of the Company in relation to the Acquisition dated 9 June 2023.

Furthermore, pursuant to (i) the Deed of Non-competition given by the Ultimate Controlling Shareholders in favor of the Company as disclosed in the Prospectus, and (ii) the non-competition undertaking given by the ZIHG Group in the equity transfer agreement for the Acquisition, ZIHG Group shall not, whether directly or indirectly, engage in business activity that competes or may compete with the existing business of Group (including Jilin Modern Zhongqing and its subsidiaries).

Taking into consideration of the above, the Directors are of the view that the respective businesses of the Group and the ZIHG Group can be delineated and there is no material conflict of interests between the Group on one hand and the ZIHG Group on the other hand.

Save as disclosed in this Report, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during 1H2024.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the voting rights at general meetings of the Company (on a one vote per share basis) in the share capital of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and/or add resolutions to the agenda of a meeting. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board shall fail to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Other Information

Nomination of Directors for Election

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

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

Contact Details

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

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

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

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme ("**Share Option Scheme**") pursuant to the written resolutions of the Shareholders and Directors passed on 14 December 2020 which took effect upon Listing. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus.

The purpose of the Share Option Scheme is to provide an incentive or reward for any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries, and any suppliers, clients, consultants, agents and advisers, for their contribution or potential contribution to the Company and/or any of its subsidiaries.

Other than the Share Option Scheme, the Group has no share schemes under Chapter 17 of the Listing Rules. No share option has been granted by the Company under the Share Option Scheme since Listing and up to 30 June 2024, hence there are no share option vested, exercised, expired, cancelled or lapsed under the Share Option Scheme since Listing, nor any outstanding share option as at 30 June 2024. There were 27,500,000 shares option available for grant as at both 1 January 2024 and 30 June 2024, as no share options had been granted in the six months ended 30 June 2024.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During 1H2024, there are no treasury Shares held by the Company.

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during 1H2024.

Other Information

RELATED PARTIES TRANSACTIONS

The material related party transactions entered into by the Group during 1H2024 are set out in Note 19, including transactions that constitute connected/continuing connected transactions for which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

Save for the contracts described in Notes 8, 9, 11, 12 and 13 in this Report, (a) no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its holding company or subsidiaries or fellow subsidiaries was a party and in which a Director and his/her connected party had a material interest, whether directly or indirectly, subsisted at the end of 1H2024 or at any time during 1H2024; and (b) there is no contract of significance (i) between the Company or its subsidiaries and Company's Controlling Shareholders or its subsidiaries; and (ii) for the provision of services to the Company or any of its subsidiaries by Company's Controlling Shareholders or its subsidiaries.

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. 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

The Board implemented a share subdivision with effect from 1 August 2024, on the basis that each of the existing issued and unissued Shares of nominal value of HK\$0.001 each in the share capital of the Company be subdivided into three (3) subdivided Shares of nominal value of HK\$0.0003 each in the share capital of the Company ("**Share Subdivision**"). The ordinary resolution in relation to the Share Subdivision was duly passed by the shareholders of the Company at the annual general meeting on 14 June 2024.

Upon the Share Subdivision becoming effective, the authorised share capital of the Company has become HK\$10,000,000 divided into 30,000,000,000 subdivided shares, of which 825,000,000 subdivided shares are in issue and fully paid or credited as fully paid, whereas the board lot size of the subdivided shares for trading on the Stock Exchange will remain as 2,000 subdivided shares.

For details of the subdivision, please refer to the Company's announcement dated 10 April 2024 and circular dated 16 April 2024.

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 C1 to the Listing Rules as its own code of corporate governance. The Company will continue to review and enhance its corporate governance to ensure compliance with the CG Code.

Other Information

REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Company (“**Audit Committee**”) comprises three independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis (Chairman), Mr. Gao Xiangnong and Mr. Yin Jun. The unaudited interim results of the Group for the six months ended 30 June 2024 and the interim financial statements have been reviewed by the Audit Committee.

On behalf of the Board

Mr. Sun Juqing

Chairman

Hong Kong, 23 August 2024



Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	4	775,648	909,819
Cost of sales		(600,287)	(763,885)
Gross profit		175,361	145,934
Other net income		7,155	4,273
Selling expenses		(12,458)	(7,520)
Administrative expenses		(38,017)	(42,299)
Impairment losses on trade and other receivables and contract assets		(60,005)	(24,402)
Profit from operations		72,036	75,986
Finance costs	5(a)	(24,960)	(32,329)
Share of profits of associates		363	908
Share of (losses)/profits of a joint venture		(298)	1,512
Profit before taxation	5	47,141	46,077
Income tax	6	(3,729)	(2,586)
Profit for the period		43,412	43,491
Attributable to:			
Equity shareholders of the Company		34,259	37,102
Non-controlling interests		9,153	6,389
Profit for the period		43,412	43,491
Earnings per share (RMB cents)			
Basic and diluted	7	12	13

The notes on pages 24 to 49 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 15(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 — unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit for the period	43,412	43,491
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 reserve	66	(4,272)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	438	1,090
Other comprehensive income for the period	504	(3,182)
Total comprehensive income for the period	43,916	40,309
Attributable to:		
Equity shareholders of the Company	34,763	33,920
Non-controlling interests	9,153	6,389
Total comprehensive income for the period	43,916	40,309

The notes on pages 24 to 49 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2024 — unaudited

(Expressed in RMB)

		At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment		36,998	39,309
Intangible assets		7,703	1,938
Right-of-use assets		15,324	7,871
Interest in associates		79,241	78,878
Interest in a joint venture		190,975	191,273
Other equity investments		70,219	70,141
Deferred tax assets	14(b)	103,671	93,921
Non-current portion of trade receivables	9	614	602
		<u>504,745</u>	<u>483,933</u>
Current assets			
Inventories and other contract costs		20,823	53,924
Contract assets	8(a)	1,376,653	1,118,463
Trade and bills receivables	9	1,643,436	1,764,513
Prepayments, deposits and other receivables		235,269	194,842
Restricted bank deposits	10	14,846	20,346
Cash and cash equivalents	10	61,190	210,405
		<u>3,352,217</u>	<u>3,362,493</u>
Current liabilities			
Trade and bills payables	11	1,354,125	1,389,181
Accrued expenses and other payables	12	243,790	211,540
Contract liabilities	8(b)	555,845	602,071
Bank and other loans	13	775,700	726,263
Lease liabilities		2,611	2,018
Income tax payable		33,317	54,212
		<u>2,965,388</u>	<u>2,985,285</u>
Net current assets		<u>386,829</u>	<u>377,208</u>
Total assets less current liabilities		<u>891,574</u>	<u>861,141</u>

Consolidated Statement of Financial Position

At 30 June 2024 — unaudited
(Expressed in RMB)

		At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Bank loans	13	80,556	79,947
Accrued expenses and other payables	12	1,736	—
Lease liabilities		5,579	1,249
Deferred tax liabilities	14(b)	9,865	10,476
		<u>97,736</u>	<u>91,672</u>
NET ASSETS		<u>793,838</u>	<u>769,469</u>
CAPITAL AND RESERVES			
	15		
Share capital		230	230
Reserves		664,381	649,365
Total equity attributable to equity shareholders of the Company		664,611	649,595
Non-controlling interests		129,227	119,874
TOTAL EQUITY		<u>793,838</u>	<u>769,469</u>

Approved and authorised for issue by the board of directors on 23 August 2024.

Liu Haitao
Director

Wang Yan
Director

The notes on pages 24 to 49 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Special reserve	Retained profits			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	230	90,063	611,358	63,241	6,894	4,960	11,772	79,235	867,753	50,262	918,015
Changes in equity for the six months ended 30 June 2023:											
Profit for the period	—	—	—	—	—	—	—	37,102	37,102	6,389	43,491
Other comprehensive income	—	—	—	—	(4,272)	1,090	—	—	(3,182)	—	(3,182)
Total comprehensive income	—	—	—	—	(4,272)	1,090	—	37,102	33,920	6,389	40,309
Contributions from non-controlling shareholders (Note 2)	—	—	(1,851)	—	—	—	—	—	(1,851)	10,587	8,736
Disposal of interest to non-controlling shareholders in a subsidiary (Note 2)	—	—	(31,642)	(1,754)	(102)	—	(1,220)	(7,442)	(42,160)	42,160	—
Distributions of a subsidiary	—	—	—	—	—	—	—	—	—	(429)	(429)
Business combination under common control (Note 2)	—	—	(305,756)	—	—	—	—	—	(305,756)	—	(305,756)
Appropriation to reserves	—	—	—	—	—	—	2,415	(2,415)	—	—	—
	—	—	(339,249)	(1,754)	(102)	—	1,195	(9,857)	(349,767)	52,318	(297,449)
At 30 June 2023	230	90,063	272,109	61,487	2,520	6,050	12,967	106,480	551,906	108,969	660,875

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 — unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory reserve	Fair value reserve	Exchange reserve	Special reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	230	90,063	272,109	79,322	2,483	5,672	16,644	183,072	649,595	119,874	769,469
Changes in equity for the six months ended 30 June 2024:											
Profit for the period	—	—	—	—	—	—	—	34,259	34,259	9,153	43,412
Other comprehensive income	—	—	—	—	66	438	—	—	504	—	504
Total comprehensive income	—	—	—	—	66	438	—	34,259	34,763	9,153	43,916
Contributions from non-controlling shareholders	—	—	—	—	—	—	—	—	—	200	200
Dividends to shareholders (Note 15(b))	—	(19,747)	—	—	—	—	—	—	(19,747)	—	(19,747)
Appropriation to reserves	—	—	—	—	—	—	77	(77)	—	—	—
	—	(19,747)	—	—	—	—	77	(77)	(19,747)	200	(19,547)
At 30 June 2024	230	70,316	272,109	79,322	2,549	6,110	16,721	217,254	664,611	129,227	793,838

The notes on pages 24 to 49 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024 — unaudited

(Expressed in RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Operating activities			
Cash used in operations		(147,797)	(23,113)
Income tax paid		(34,994)	(6,489)
Net cash used in operating activities		(182,791)	(29,602)
Cash flows from investing activities			
Payments for purchase of non-current assets		(4,137)	(5,237)
Net proceeds from disposal of non-current assets		324	1,367
Payments for advances to related parties		(154,842)	(375,950)
Payments for advances to third parties		(15,009)	(630)
Payments for loans granted to a joint venture		(23,493)	—
Payments for loans granted to an associate		(5,840)	(6,630)
Proceeds from repayment of advances by related parties		158,919	579,556
Proceeds from repayment of advances granted to third parties		7,009	7,270
Interest received		703	480
Net cash (used in)/generated from investing activities		(36,366)	200,226
Cash flows from financing activities			
Proceeds from bank and other loans		1,051,220	1,053,660
Proceeds from advances from related parties		39,502	234,599
Proceeds from advances from third parties		—	27,272
Repayment of bank and other loans		(1,001,174)	(1,287,953)
Repayment of advances from related parties		(5,736)	(239,637)
Repayment of advances from third parties		—	(25,994)
Capital element of lease rentals paid		(2,065)	(2,118)
Interest element of lease rentals paid		(113)	(104)
Decrease in restricted deposits		8,800	6,920
Decrease in deposits paid to secure guarantees granted by third parties		2,695	890
Interest paid		(23,391)	(33,647)
Contributions from non-controlling shareholders		200	8,736
Distributions of a subsidiary		—	(2,429)
Net cash generated from/(used in) financing activities		69,938	(259,805)
Net decrease in cash and cash equivalents		(149,219)	(89,181)
Cash and cash equivalents at 1 January	10	210,405	220,233
Effect of foreign exchange rate changes		4	5
Cash and cash equivalents at 30 June	10	61,190	131,057

The notes on pages 24 to 49 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

The 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**”). It was authorised for issue on 23 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRS Accounting Standards.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2024.

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

2 BASIS OF PREPARATION (CONTINUED)

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

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

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangement*

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in this interim financial report.

4 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.

- City renewal construction services: this segment includes construction services for landscaping, ecological restoration and municipal projects;
- City operation and maintenance services: this segment includes: (1) provision of maintenance services to landscaping, ecological restoration and municipal projects and public infrastructures; (2) provision of environmental hygiene services including cleaning and hygiene services to public infrastructures; and
- Design and consultancy services: this segment includes investigation, survey, design and consultancy for construction project.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by major products or service lines is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Disaggregated by major products or service lines		
– Revenue from city renewal construction services	613,016	783,582
– Revenue from city operation and maintenance services	123,617	61,674
– Revenue from design and consultancy services	39,015	64,563
	<u>775,648</u>	<u>909,819</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4(b)(i).

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results (Continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2024 and 2023 is set out below.

	Six months ended 30 June 2024			Total RMB'000
	City renewal construction services RMB'000	City operation and maintenance services RMB'000	Design and consultancy services RMB'000	
Disaggregated by timing of revenue recognition				
Point in time	–	8,031	164	8,195
Over time	613,016	115,586	38,851	767,453
Revenue from external customers and reportable segment revenue	<u>613,016</u>	<u>123,617</u>	<u>39,015</u>	<u>775,648</u>
Reportable segment gross profit	<u>143,449</u>	<u>28,045</u>	<u>3,867</u>	<u>175,361</u>
	Six months ended 30 June 2023			
	City renewal construction services RMB'000	City operation and maintenance services RMB'000	Design and consultancy services RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	–	–	2,730	2,730
Over time	783,582	61,674	61,833	907,089
Revenue from external customers and reportable segment revenue	<u>783,582</u>	<u>61,674</u>	<u>64,563</u>	<u>909,819</u>
Reportable segment gross profit	<u>115,975</u>	<u>9,977</u>	<u>19,982</u>	<u>145,934</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue		
Reportable segment revenue and consolidated revenue (Note 4(b)(i))	775,648	909,819
Profit		
Total reportable segment gross profit	175,361	145,934
Other net income	7,155	4,273
Selling expenses	(12,458)	(7,520)
Administrative expenses	(38,017)	(42,299)
Impairment losses on trade and other receivables and contract assets	(60,005)	(24,402)
Finance costs	(24,960)	(32,329)
Share of profits of associates	363	908
Share of (losses)/profits of a joint venture	(298)	1,512
Consolidated profit before taxation	47,141	46,077

(iii) Geographic information

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on bank and other loans and loans from related parties	24,847	32,224
Interest on lease liabilities	113	105
	<u>24,960</u>	<u>32,329</u>

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation of property, plant and equipment	4,773	4,367
Depreciation of right-of-use assets	2,687	1,882
Amortisation of intangible assets	381	240
Leases charges relating to short-term leases and leases of low-value assets	8,131	5,515
Research and development costs	36,677	54,418
Cost of inventories	242,873	267,851
	<u>242,873</u>	<u>267,851</u>

6 INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax		
Provision for the period	14,102	8,871
Deferred tax (Note 14(a))		
Origination and reversal of temporary differences	(10,373)	(6,285)
	<u>3,729</u>	<u>2,586</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX (CONTINUED)

The Company and 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 2024 (six months ended 30 June 2023: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB Nil).

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 established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate at 25% for the six months ended 30 June 2024 (six months ended 30 June 2023: 25%).

Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the six months ended 30 June 2024 (six months ended 30 June 2023: PRC Corporate Income Tax rate of 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries entitle additional tax deductible allowance amounted to 100% of qualified research and development costs for the six months ended 30 June 2024 (six months ended 30 June 2023: 100%).

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profits attributable to equity shareholders of the Company of RMB34,259,000 (six months ended 30 June 2023: earnings of RMB37,102,000), and 275,000,000 ordinary shares in issue during the interim period (six months ended 30 June 2023: 275,000,000 ordinary shares).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2024 and 2023. Hence, the diluted earnings per share is the same as basic earnings per share.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contract assets		
– due from ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	88,055	62,398
– due from a joint venture (Note 19(c))	44,842	45,011
– due from an associate (Note 19(c))	28,750	22,299
– due from a company managed by a key management personnel of ZIHG (Note 19(c))	7,791	8,678
– due from third parties	1,455,722	1,201,777
	1,625,160	1,340,163
Less: loss allowance	(248,507)	(221,700)
	1,376,653	1,118,463
Trade receivables from contracts with customers within the scope of IFRS 15, which are included in “Trade receivables”	1,620,894	1,742,401

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 RMB611,927,000 (31 December 2023: RMB513,436,000), which are expected to be billed after more than one year.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

8 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contract liabilities		
– due to ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	23,132	24,607
– due to a joint venture (Note 19(c))	19,281	19,281
– due to a company managed by a key management personnel of ZIHG (Note 19(c))	8,711	8,442
– due to third parties	504,721	549,741
	555,845	602,071

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9 TRADE AND BILLS RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables		
– due from ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	170,130	175,615
– due from a joint venture (Note 19(c))	22,368	22,368
– due from an associate (Note 19(c))	37,901	17,900
– due from a company managed by a key management personnel of ZIHG (Note 19(c))	18,850	11,100
– due from third parties	1,707,113	1,825,225
	1,956,362	2,052,208
Bills receivable	–	316
	1,956,362	2,052,524
Less: loss allowance	(312,312)	(287,409)
	1,644,050	1,765,115
Reconciliation to the consolidated statement of financial position:		
Non-current	614	602
Current	1,643,436	1,764,513
	1,644,050	1,765,115

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

9 TRADE AND BILLS RECEIVABLES (CONTINUED)

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 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	707,380	927,684
1 to 2 years	333,151	265,083
2 to 3 years	326,344	346,694
3 to 4 years	123,423	102,359
4 to 5 years	56,365	31,098
Over 5 years	97,387	92,197
	<u>1,644,050</u>	<u>1,765,115</u>

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

10 CASH AND CASH EQUIVALENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash at bank and on hand	76,036	230,751
Less: restricted bank deposits	(14,846)	(20,346)
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	<u>61,190</u>	<u>210,405</u>

The Group's business operations in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

Restricted bank deposits mainly represent deposits placed to secure the issuance of bills and bank loans by the Group. The restriction on deposits would release after the payment of bills or repayment of loans.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

11 TRADE AND BILLS PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables		
– due to ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	25,390	24,445
– due to companies managed by key management personnel of ZIHG (Note 19(c))	42,465	28,299
– due to third parties	1,282,880	1,336,437
Bills payables	3,390	–
	<u>1,354,125</u>	<u>1,389,181</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 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	718,606	1,078,377
1 to 3 years	454,224	190,745
Over 3 years	181,295	120,059
	<u>1,354,125</u>	<u>1,389,181</u>

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

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

12 ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Amounts due to ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	44,139	8,426
Amount due to companies managed by key management personnel of ZIHG (Note 19(c))	4,202	4,210
Amounts due to third parties (Note (i))	28,083	28,083
Payables for staff related costs	56,819	66,230
Dividends payable	19,884	307
Interest payable	3,502	4,021
Payables for purchase of property, plant and equipment	2,896	3,717
Others	16,301	8,209
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	175,826	123,203
Financial guarantees issued (Note 18)	34,688	37,000
Payables for miscellaneous taxes	35,012	51,337
	<hr/>	<hr/>
	245,526	211,540
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation to the consolidated statement of financial position:		
Non-current	1,736	—
Current	243,790	211,540
	<hr/>	<hr/>
	245,526	211,540
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) As at 30 June 2024, the amount of financial guarantees issued expected to be recognised as income after more than one year is RMB30,064,000 (31 December 2023: RMB32,376,000). All of the other accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 BANK AND OTHER LOANS

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bank loans:		
Guaranteed by related parties	45,000	14,990
Guaranteed by third parties (Note 13(d))	173,818	283,755
Guaranteed by related parties and third parties (Note 13(d))	393,742	238,274
Guaranteed by related parties and secured by trade receivables and contract assets of the Group (Note 13(c))	34,470	40,433
Guaranteed by related parties and a third party and secured by trade receivables and contract assets of the Group (Notes 13(c) and 13(d))	98,552	99,310
Guaranteed by a third party and secured by bank deposits of the Group (Notes 13(c) and 13(d))	—	35,584
Secured by bank deposits of the Group (Note 13(c))	40,000	47,000
Unguaranteed and unsecured	52,700	28,300
	838,282	787,646
Other loans:		
Unguaranteed and unsecured loans from third parties	12,052	14,052
Unguaranteed and unsecured loans from ZIHG and its subsidiaries, joint ventures and associates (Note 19(c))	4,100	2,700
Unguaranteed and unsecured loans from ZONBONG International Investment Limited ("Zonbong International") (Note 19(c))	1,822	1,812
	856,256	806,210

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 BANK AND OTHER LOANS (CONTINUED)

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

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year or on demand	775,700	726,263
After 1 year but within 2 years	78,734	78,135
After 2 year but within 5 years	1,822	1,812
	80,556	79,947
	856,256	806,210

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables and contract assets	65,416	36,069
Bank deposits	10,000	18,800

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

13 BANK AND OTHER LOANS (CONTINUED)

- (d) Certain of the Group's bank loans are guaranteed by third parties, where related parties provide counter-guarantee and/or secured by assets of the Group to these third parties:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Counter-guarantee by related parties	666,112	656,923
Trade and bills receivables and contract assets	453,403	252,961
Guarantee deposits	13,705	16,400
	<u>666,112</u>	<u>656,923</u>

- (e) All of the Group's banking facilities were utilised as of 30 June 2024 and 31 December 2023.
- (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 30 June 2024, none of the covenants relating to the bank loans had been breached (31 December 2023: None).

14 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

Deferred tax arising from:	Accrued payables	Credit loss allowance	Fair value adjustments in connection with the acquisition of subsidiaries	Equity method investment income	Credit loss allowance on financial guarantees issued	Unused tax losses	Unrealised gains and losses	Withholding tax on distributable profits	Depreciation allowances in excess of the related depreciation	Fair value adjustments in connection with other equity investments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	14,098	63,088	(255)	(10,983)	—	2,570	466	(1,800)	(2,337)	(187)	64,660
(Charged)/credited to profit or loss	(25)	15,530	87	152	1,305	176	144	—	964	—	18,333
Charged to reserve	—	—	—	—	—	—	—	—	—	452	452
At 31 December 2023 and 1 January 2024	14,073	78,618	(168)	(10,831)	1,305	2,746	610	(1,800)	(1,373)	265	83,445
Credited/(charged) to profit or loss	—	9,123	44	9	(81)	971	(175)	—	482	—	10,373
Charged to reserve	—	—	—	—	—	—	—	—	—	(12)	(12)
At 30 June 2024	<u>14,073</u>	<u>87,741</u>	<u>(124)</u>	<u>(10,822)</u>	<u>1,224</u>	<u>3,717</u>	<u>435</u>	<u>(1,800)</u>	<u>(891)</u>	<u>253</u>	<u>93,806</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

14 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Reconciliation of deferred tax assets and liabilities recognised in the consolidated statement of financial position:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Net deferred tax assets	103,671	93,921
Net deferred tax liabilities	<u>(9,865)</u>	<u>(10,476)</u>
	<u>93,806</u>	<u>83,445</u>

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2024 and 31 December 2023	
	Number of shares	HKD'000
Authorised: Ordinary shares of HKD0.001 each	<u>10,000,000,000</u>	<u>10,000</u>
Issued and fully paid ordinary shares: At 31 December 2023 and at 30 June 2024	<u>275,000,000</u>	<u>230</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) 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 a dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: HKDNil).

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

During the six months ended 30 June 2024, a final dividend of RMB0.071 (equivalent to HKD0.078) per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: HKDNil per share in respect of the year ended 31 December 2022) was declared. The aggregate amount of the final dividend declared during the six months ended 30 June 2024 amounted to RMB19,747,000 (equivalent to HKD21,450,000) (six months ended 30 June 2023: RMBNil).

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

(i) Fair value hierarchy (Continued)

	Fair value measurements categorised into Level 3	
	At 30 June 2024	At 31 December 2023
	RMB'000	RMB'000
Recurring fair value measurements		
Assets:		
Other equity investments	<u>70,219</u>	<u>70,141</u>

During the six months ended 30 June 2024 there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2023: None). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Other equity investments	Market comparable companies (aa)	Discount for lack of marketability: 20.5% (2023: 20.5%)
	Discounted cashflow approach (bb)	Discount rate: 7% and 9.3% (2023: 7% and 9.3%)

(aa) The fair value of the non-listed shares is determined by using enterprise value per book value or value per earnings before interest, taxes, depreciation and amortisation of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2024, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB801,000 (2023: RMB736,000).

(bb) The fair value of the non-listed shares is determined by discounting projected cash flow. The valuation takes into account the expected cash flow according to the Public-Private-Partnership agreement. The discount rate used has been adjusted to reflect specific risks relating to respective investees. The fair value measurement is negatively correlated to the discount rate. As at 30 June 2024, it is estimated that with all other variables held constant, a decrease in discount rate by 1% would have increased the Group's other comprehensive income by RMB121,000 (2023: RMB79,000), and an increase in discount rate by 1% would have decreased the Group's other comprehensive income by RMB114,000 (2023: RMB80,000).

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

(i) Fair value hierarchy (Continued)

Information about Level 3 fair value measurements (Continued)

(bb) (Continued)

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Unlisted equity securities:		
At 1 January	70,141	75,622
Net unrealised gain/(losses) recognised in other comprehensive income during the period	78	(4,186)
At 30 June	<u>70,219</u>	<u>71,436</u>

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2024 and 31 December 2023.

17 COMMITMENTS

Capital commitments outstanding at 30 June 2024 and 31 December 2023 not provided for in the interim financial report were as follows:

	At 30 June 2024	At 31 December 2023
	RMB'000	RMB'000
Authorised but not contracted for	<u>12,304</u>	<u>14,448</u>

18 CONTINGENT LIABILITIES

As at 30 June 2024, the Group has issued a guarantee in respect of a bank loan of Ulanhot Tianjiao Tianjun Tourism Development Limited ("Tianjun Tourism"), a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2024, the balance of the bank loan is RMB300,000,000 (31 December 2023: RMB315,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables — financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 30 June 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB23,275,000 (31 December 2023: RMB24,500,000).

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(Expressed in RMB unless otherwise indicated)

18 CONTINGENT LIABILITIES (CONTINUED)

As at 30 June 2024, the Group has issued a guarantee in respect of a bank loan of Changchun Xianbang Municipal and Landscape Limited (“**Changchun Xianbang**”), an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 30 June 2024, the balance of the bank loan is RMB126,500,000 (31 December 2023: RMB136,150,000). The fair value of the financial guarantee provided by the Group was initially estimated RMB12,685,000 and RMB2,692,000 was recognised as “accrued expenses and other payables — financial guarantees issued”. While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. The amounts of financial guarantee issued in “accrued expenses and other payables” will be amortised in profit or loss as “other net income” over the guarantee period. As at 30 June 2024, the unamortised balance of financial guarantee issued by the Group included in “accrued expenses and other payables” amounted to RMB11,413,000 (31 December 2023: RMB12,500,000).

Financial guarantees provided by the Group for long-term bank loans of Tianjun Tourism and Changchun Xianbang will be released upon the maturity and repayment of the bank loans in 2029 and 2033, respectively.

The directors do not believe it probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, and the Group will make specified payments to reimburse the beneficiary of the guarantee for a loss the bank incurs.

19 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Salaries and other emoluments	6,045	3,762
Contributions to defined contribution retirement schemes	509	282
	<u>6,554</u>	<u>4,044</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS

(b) Other transactions with related parties

(i) Transactions with ZIHG and its subsidiaries, joint ventures and associates

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Rendering of construction, survey, design, technical consultancy and other services	27,675	40,148
Receiving services	433	1,516
Purchase of goods	1,712	5,937
Lease charges relating to short-term leases and leases of low-value assets	1,306	1,272
Loan received from related parties	405,020	644,060
Loan repaid to related parties	403,620	762,240
Proceeds from advances from related parties	39,497	232,755
Repayment of advances from related parties	5,736	239,637
Payment for advances granted to related parties	154,842	375,950
Proceeds from repayment of advances granted to related parties	158,919	579,556
Acquisition of equity interests of Jilin Modern	—	305,756
	<u> </u>	<u> </u>

(ii) Transactions with a joint venture

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Rendering of construction services	—	13
Income from financial guarantee issued (Note 18)	1,225	960
Loans granted to a related party	23,493	—
	<u> </u>	<u> </u>

(iii) Transactions with an associate

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Rendering of construction services	9,271	6,559
Loans granted to a related party	5,840	6,630
Income from financial guarantee issued (Note 18)	1,087	791
	<u> </u>	<u> </u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties (Continued)

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Rendering of other services	8,120	—
Services received	2,093	60
Purchase of goods	17,365	—
Proceeds from advances from related parties	5	—
	<u>27,583</u>	<u>60</u>

(v) Transactions with an equity shareholder of the Company

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Proceeds from advances from related parties	—	1,844
	<u>—</u>	<u>1,844</u>

(c) Balances with related parties as at the end of the reporting period

(i) Due from or due to ZIHG and its subsidiaries, joint ventures and associates

	At 30 June	At 31 December
	2024	2023
	RMB'000	RMB'000
Trade in nature:		
Contract assets (Note 8(a))	88,055	62,398
Trade and bills receivables (Note 9)	170,130	175,615
Trade and bills payables (Note 11)	25,390	24,445
Contract liabilities (Note 8(b))	23,132	24,607
Accrued expenses and other payables (Note 12)	3,118	1,167
Non-trade in nature:		
Prepayments, deposits and other receivables	5,970	10,047
Accrued expenses and other payables (Note 12)		
— Advances from related parties	41,021	7,259
Bank and other loans (Note 13(a))	4,100	2,700
Guarantees provided by related parties for the bank loans at the end of the reporting period	621,130	393,007
Guarantees provided to related parties for the bank loans at the end of the reporting period	170,000	300,000
	<u>1,031,716</u>	<u>1,005,476</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties as at the end of the reporting period (Continued)

(ii) Due from or due to a joint venture

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade in nature:		
Contract assets (Note 8(a))	44,842	45,011
Trade and bills receivables (Note 9)	22,368	22,368
Contract liabilities (Note 8(b))	19,281	19,281
Non-trade in nature:		
Prepayments, deposits and other receivables	43,333	19,840
Guarantee provided by the Group for the joint venture's bank loan outstanding at the end of the reporting period (Note 18)	<u>300,000</u>	<u>315,000</u>

(iii) Due from or due to an associate

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade in nature:		
Contract assets (Note 8(a))	28,750	22,299
Trade and bills receivables (Note 9)	37,901	17,900
Non-trade in nature:		
Prepayments, deposits and other receivables	66,099	60,259
Guarantee provided by the Group for the joint venture's bank loan outstanding at the end of the reporting period (Note 18)	<u>126,500</u>	<u>136,150</u>

Notes to the Unaudited Interim Financial Report

(Expressed in RMB unless otherwise indicated)

19 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties as at the end of the reporting period (Continued)

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade in nature:		
Contract assets (Note 8(a))	7,791	8,678
Trade and bills receivables (Note 9)	18,850	11,100
Contract liabilities (Note 8(b))	8,711	8,442
Trade and bills payables (Note 11)	42,465	28,299
Prepayments, deposits and other receivables	5	—
Non-trade in nature:		
Accrued expenses and other payables (Note 12)	<u>4,202</u>	<u>4,210</u>

(v) Due to Zonbong International

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-trade in nature:		
Bank and other loans (Note 13(a))	<u>1,822</u>	<u>1,812</u>

All of the advances granted to related parties and advances received from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. All of the loans from related parties and loans to related parties are unsecured and have fixed terms of repayment.

20 NON ADJUSTED EVENTS AFTER THE REPORTING PERIOD

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

Definitions and Glossary of Technical Terms

"1H2023"	the six months ended 30 June 2023
"1H2024"	the six months ended 30 June 2024
"Articles of Association" or "Articles"	the second amended and restated memorandum and articles of association of the Company adopted on 17 November 2022 and effective on 18 November 2022
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chief Executive Officer"	the chief executive office of the Company
"China", "Mainland China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Interim Report, Hong Kong, Macau Special Administration Region and Taiwan
"Company", "the Company" or "We"	ZONQING Environmental Limited (中庆环境股份有限公司) (formerly known as ZONBONG LANDSCAPE Environmental Limited (中邦园林环境股份有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 8 March 2019
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this Report, means the controlling shareholders of the Company, being Zonqing International, Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
"Director(s)"	the director(s) of the Company
"Executive Director(s)"	the executive director(s) of the Company
"Group" or "the Group"	the Company and its subsidiaries

Definitions and Glossary of Technical Terms

“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Non-executive Director(s)”	the independent non-executive director(s) of the Company
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 6 January 2021
“Listing Date”	6 January 2021, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Non-executive Director(s)”	the non-executive director(s) of the Company
“Prospectus”	the prospectus issued by the Company dated 22 December 2020
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	As of the date of this Report, ordinary shares with a nominal value of HKD0.0003 each in the capital of the Company (formerly prior to the share subdivision, ordinary shares with a nominal value of HKD0.001 each in the capital of the Company)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S. dollar(s)”, “USD” or “US\$”	United States dollars, the lawful currency of the United States of America

Definitions and Glossary of Technical Terms

“Ultimate Controlling Shareholder(s)”	refers to Ms. Zhao Hongyu, Mr. Sun Juqing, Ms. Li Ping, Mr. Hou Baoshan, Mr. Liu Haitao, Mr. Shao Zhanguang, Mr. Sun Juzhi, Mr. Shan Dejiang, Mr. Li Peng, Mr. Liu Changli, Mr. Wei Xiaoguang and Mr. Weng Hongzhao
“ZIHG”	Zhongqing Investment Holding Group Limited Liability Company* (中慶投資控股(集團)有限責任公司), formerly known as Changchun Mingju Commerce Limited* (長春市銘聚商貿有限責任公司), a company established under the laws of the PRC on 16 May 2014 and a connected person of the Company
“ZIHG Group”	ZIHG together with its subsidiaries and associates as defined under the Listing Rules

In this Report, capitalised terms used shall have the same meanings as those defined in the Prospectus, unless the context otherwise requires.

* For identification purpose only