ZONQING Environmental Limited
中庆环境股份有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1855)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Directors**") of ZONQING Environmental Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2024 (the "**FY2024**"), together with the comparative figures for the year ended 31 December 2023 (the "**FY2023**"). The annual results and the financial information has been reviewed by audit committee of the Company ("**Audit Committee**") and approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**1,743,092**	2,355,497
Cost of sales		**(1,429,058)**	(1,904,649)
Gross profit		**314,034**	450,848
Other net income	*6*	**15,638**	10,552
Selling expenses		**(34,414)**	(18,800)
Administrative expenses		**(82,277)**	(91,667)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	*7*	**(79,847)**	(110,126)
Profit from operations		**133,134**	240,807
Finance costs		**(60,129)**	(65,134)
Share of (losses)/profits of associates		**(2,740)**	1,366
Share of losses of a joint venture		**(24,891)**	(4,387)
Profit before taxation	*8*	**45,374**	172,652
Income tax	*9*	**714**	(19,427)
Profit for the year		**46,088**	153,225
Attributable to:			
Equity shareholders of the Company		**39,972**	135,206
Non-controlling interests		**6,116**	18,019
Profit for the year		**46,088**	153,225
Earnings per share (RMB cents)			
– Basic and Diluted	*10*	**5**	16

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Profit for the year	**46,088**	153,225
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income		
– net movement in fair value reserve	**(1,522)**	(5,029)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas companies of the Group	**704**	707
Other comprehensive income for the year	**(818)**	(4,322)
Total comprehensive income for the year	**45,270**	148,903
Attributable to:		
Equity shareholders of the Company	**39,126**	131,609
Non-controlling interests	**6,144**	17,294
Total comprehensive income for the year	**45,270**	148,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**37,264**	39,309
Intangible assets		**17,040**	1,938
Right-of-use assets		**12,740**	7,871
Interest in associates		**76,138**	78,878
Interest in a joint venture		**166,382**	191,273
Other equity investments		**68,351**	70,141
Deferred tax assets		**105,214**	93,921
Non-current portion of trade receivables	*12*	**545**	602
		483,674	483,933
Current assets			
Inventories and other contract costs		**41,258**	53,924
Contract assets	*11*	**1,132,150**	1,118,463
Trade and bills receivables	*12*	**2,301,133**	1,764,513
Prepayments, deposits and other receivables		**286,935**	194,842
Restricted bank deposits		**15,600**	20,346
Cash and cash equivalents		**122,779**	210,405
		3,899,855	3,362,493
Current liabilities			
Trade and bills payables	*13*	**1,578,145**	1,389,181
Accrued expenses and other payables		**353,986**	211,540
Contract liabilities		**726,695**	602,071
Bank and other loans	*14*	**882,813**	726,263
Lease liabilities		**2,746**	2,018
Income tax payable		**34,111**	54,212
		3,578,496	2,985,285

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Net current assets		**321,359**	377,208
Total assets less current liabilities		**805,033**	861,141
Non-current liabilities			
Bank loans	*14*	**1,848**	79,947
Lease liabilities		**4,340**	1,249
Deferred tax liabilities		**1,930**	10,476
Long-term payables		**1,723**	–
		9,841	91,672
NET ASSETS		**795,192**	769,469
CAPITAL AND RESERVES			
Share capital		**230**	230
Reserves		**668,744**	649,365
Total equity attributable to equity shareholders of the Company		**668,974**	649,595
Non-controlling interests		**126,218**	119,874
TOTAL EQUITY		**795,192**	769,469

NOTES

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 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

The annual results set out in this announcement are extracted from the Group's statutory financial statement for the year ended 31 December 2024.

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new or amended standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other equity investments which is stated at their fair values (see Note 2(g)).

The Company has its functional currency in Hong Kong dollar ("**HKD**"). As majority of the Group's operation are conducted by the subsidiaries of the Group in Chinese Mainland in Renminbi ("**RMB**"), the consolidated financial statements are presented in Renminbi.

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

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

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

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

- the Group has obtained newly drawn-down and refinanced bank loans of RMB90,000,000 after 31 December 2024;
- The Group continues to improve its operating cash flows by accelerating the progress billings and collection of trade receivables, actively participating in bidding, negotiating with suppliers on payment terms, and reduction of operation expenses;
- The Group continues the negotiations with various banks to:

  (i) renew the short-term bank loans upon maturity (see Note 14(a)); and/or

  (ii) provide additional bank facilities to the Group.

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

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

  (ii) continue to provide or add additional guarantees to bank loans of the Group upon maturity (see Note 14(a));

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

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

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

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* ("**2020 amendments**") and amendments to IAS 1, *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 arrangements*

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

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

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

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

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

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

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

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

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The Group has provided the new disclosures in Note 14(e).

4 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Revenue recognition

Revenue from construction contracts and certain service contracts are recognised over time. Such revenue and profit recognition on incomplete projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction and design activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment losses for receivables and contract assets

The management maintains a loss allowance for receivables and contract assets for estimated losses resulting from the inability of the customers and other debtors to make the required payments. The management bases the estimates on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences and unused tax losses are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit or loss in future periods.

5 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in construction and maintenance services for landscaping, ecological restoration and public work projects, provision of environmental hygiene services and other related projects. Further details regarding the Group's principal activities are disclosed in Note 5(b).

(i) Disaggregation of revenue

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

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

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

The following table includes the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing construction, maintenance and design contracts. The transaction price does not include any estimated amounts of variable consideration, unless at the reporting date it is highly probable that the Group will satisfy the conditions of variable consideration. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 19 months (2023: 31 months).

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

(b) Segment reporting

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

– City renewal services: this segment includes construction engineering services in various fields such as landscaping and municipal projects;

– City operation and maintenance services: this segment includes: (1) provision of maintenance services to landscaping, ecological restoration and municipal projects and public infrastructures; (2) provision of environmental hygiene services including cleaning and hygiene services to public infrastructures;

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

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

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

(i) ***Segment results***

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

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

	2023			
	City renewal services *RMB'000*	City operation and maintenance services *RMB'000*	Design and consultancy services *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition				
Point in time	–	–	3,868	3,868
Over time	2,024,246	218,957	108,426	2,351,629
Revenue from external customers and reportable segment revenue	2,024,246	218,957	112,294	2,355,497
Reportable segment gross profit	373,767	57,521	19,560	450,848

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

	2024	2023
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue and consolidated revenue (Note 5(b)(i))	**1,743,092**	2,355,497
Profit		
Total reportable segment gross profit	**314,034**	450,848
Other net income	**15,638**	10,552
Selling expenses	**(34,414)**	(18,800)
Administrative expenses	**(82,277)**	(91,667)
Impairment losses on trade and other receivables, contract assets and financial guarantees issued	**(79,847)**	(110,126)
Finance costs	**(60,129)**	(65,134)
Share of (losses)/profits of associates	**(2,740)**	1,366
Share of losses of a joint venture	**(24,891)**	(4,387)
Consolidated profit before taxation	**45,374**	172,652

(iii) ***Geographic information***

The Group's revenue is generated from the city renewal services, city operation and maintenance services, town planning design services and cultural tourism 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.

6 OTHER NET INCOME

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

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

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

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

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

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

(b) Staff costs

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

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce existing level of contributions. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

(c) **Other items**

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

9 INCOME TAX

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

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

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

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

Notes:

(i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2024 (2023: 16.5%). No provision for Hong Kong Profits Tax has been made as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2024 (2023: RMBNil).

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

(iii) The subsidiaries of the Group established in Chinese Mainland are subject to PRC Corporate Income Tax rate at 25% for the year ended 31 December 2024 (2023: 25%).

(iv) Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2022 to 2024, 2023 to 2025 or from 2024 to 2026, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2024 (2023: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries entitle additional tax-deductible allowance amounted to 100% of qualified research and development costs for the year ended 31 December 2024 (2023: 100%).

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

Weighted average number of ordinary shares

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

Note:

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

(b) Diluted earnings per share

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

11 CONTRACT ASSETS

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

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

The amounts of revenue during the year ended 31 December 2024 from performance obligations satisfied (or partially satisfied) in previous periods is RMB22,679,000 (2023: RMB(31,445,000)), mainly due to the changes in estimate of the stage of completion.

Notwithstanding the terms of the contracts with customers, the directors consider that all of the amounts are expected to be billed within one year as of the end of the reporting period, except for the amounts of RMB471,056,000 (31 December 2023: RMB513,436,000), which are expected to be billed after more than one year.

12 TRADE AND BILLS RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables		
– due from ZIHG and its subsidiaries, joint ventures and associates	**204,112**	175,615
– due from a joint venture	**23,166**	22,368
– due from an associate	**37,901**	17,900
– due from companies managed by key management personnel of ZIHG	**11,100**	11,100
– due from third parties	**2,433,812**	1,825,225
	2,710,091	2,052,208
Bills receivable	**–**	316
	2,710,091	2,052,524
Less: loss allowance	**(408,413)**	(287,409)
	2,301,678	1,765,115
Reconciliation to the consolidated statement of financial position:		
Non-current	**545**	602
Current	**2,301,133**	1,764,513
	2,301,678	1,765,115

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

Ageing analysis

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

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

13 TRADE AND BILLS PAYABLES

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

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

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

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

14 BANK AND OTHER LOANS

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

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

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

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

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

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

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

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

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

(e) **Bank loans arising from supplier finance arrangements**

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) the main contracting for the Water Ecological Treatment of Baili Yitong River in Changchun – Service Facilities Enhancement (excluding sludge treatment plant) of the Yitong River Basin (with a successful bid price of approximately RMB335.21 million);

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

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

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

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

RISK MANAGEMENT

The Company believes that risk management is essential to the Group's efficient and effective operation. The Group's management assists the Board in evaluating material risk exposure existing in the Group's business, including investment risk, interest rate risk, liquidity risk, etc., and participates in formulating appropriate risk management and internal control measures and ensuring their implementation in daily operational management. There was no material deficiency in the Group's internal control during FY2024.

PROSPECTS

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

City renewal services

The Group recorded a decrease in revenue from the city renewal services segment, from approximately RMB2,042.2 million for FY2023 to approximately RMB1,392.2 million for FY2024, representing a decrease of approximately 31.8% or approximately RMB650.0 million, which was mainly due to the fact that certain government construction projects were slowed down which resulted in decrease in the Group's revenue as compared to last year.

City operation and maintenance services

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

Town planning design services

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

Cultural tourism

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

Gross profit and gross profit margin

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

Other net income

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

Selling expenses

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

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

Administrative expenses

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

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

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

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

Finance costs

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

Share of (losses)/profits of associates

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

Changchun Xianbang was established in Changchun, the PRC, in 2017 as a project company responsible for financing, developing, operating and maintaining the Group's Public-Private-Partnership ("**PPP**") project of Landscape and Greening Enhancement and Maintenance and Municipal Infrastructure Management and Maintenance for the Economic Development Zone (經開區綠化景觀提升維護及市政設施管理維護PPP項目), which commenced in 2017. The Group has been holding 50.0% equity interest in Changchun Xianbang since its establishment and it was accounted as the Group's associate given that the Group did not have the power to control its financial and operating policies.

The Group has also acquired 20% interest in Tianjin Nangang on 17 February 2022 at a consideration of approximately RMB4.72 million from an independent third party, which represents an investment in an associate of the Group. The acquisition falls within the de minimis criteria and is fully-exempted from the reporting, announcement and shareholders approval requirements in the Main Board Listing Rules. Tianjin Nangang is a comprehensive platform company based in Nangang Industrial Park (the "**Park**") and integrating quality resources from various parties, Tianjin Nangang is positioned as a quality service provider in the Park. It is committed to provide public utility services to the Park Management Committee and consulting, construction, operations, and maintenance services to enterprises in the Park.

During FY2024, results of associates attributable to the Group decreased by approximately RMB4.1 million from share of profit of approximately RMB1.4 million for FY2023 to share of loss of approximately RMB2.7 million for FY2024. Such decrease was mainly due to the increased ECL allowance for trade receivables of Changchun Xianbang.

Share of losses of a joint venture

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

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

Income tax

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

Four subsidiaries of the Group established in the PRC have obtained approval from the tax bureau to be taxed as enterprises with advanced and new technologies for the calendar years from 2022 to 2024, from 2023 to 2025 or from 2024 to 2026, and therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for FY2024 (2023: 15%). In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to additional tax deductible allowance amounted to 100% of qualified research and development costs for FY2024 (2023: 100%).

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

Net current assets

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

Inventories and other contract costs

The following table sets out a breakdown of inventories and other contract costs of the Group as at 31 December 2024 and 2023:

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

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

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

Contract assets

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

Trade and bills receivables

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

Restricted bank deposits

The Group's restricted bank deposits decreased by approximately 23.2% or approximately RMB4.7 million from approximately RMB20.3 million as at 31 December 2023 to approximately RMB15.6 million as at 31 December 2024, which was mainly due to the decrease of restriction on deposits which release after the payment of bills or repayment of loans.

Trade and bills payables

The Group's trade and bills payables increased by approximately 13.6% or approximately RMB188.9 million from approximately RMB1,389.2 million as at 31 December 2023 to approximately RMB1,578.1 million as at 31 December 2024, which was due to the extended payment cycle negotiated by the Group with its suppliers in response to the weakening repayments from customers.

Capital commitments

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

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

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

Indebtedness

As at 31 December 2024, the Group had borrowings of approximately RMB884.6 million (31 December 2023: approximately RMB806.2 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB882.8 million (31 December 2023: approximately RMB726.3 million) of the borrowings are payable within 1 year. Some of the borrowings were secured and guaranteed by trade and bills receivables and contract assets and bank deposits of the Group, related parties or third-party guarantee companies.

As at 31 December 2024, the Group had utilised all of the banking facilities.

During FY2024, none of the covenants relating to the bank loans of the Group had been breached.

KEY FINANCIAL RATIOS

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

	Year ended 31 December	
	2024	2023
Gross profit margin (%) [(1)]	**18.0**	19.1
Net profit margin (%) [(2)]	**2.6**	6.5
Return on equity (%) [(3)]	**6.0**	18.1
Return on total assets (%) [(4)]	**1.1**	3.8

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

Notes:

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

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

(3) Return on equity for the year was calculated based on the profit for the year attributable to equity shareholders of the Company for the respective year divided by the average of the beginning and ending balance of total equity attributable to equity shareholders of the Company as at the respective year end and multiplied by 100%.

(4) Return on total assets for the year was calculated based on the net profit for the year divided by the average of the beginning and ending balance of total assets as at the respective year end and multiplied by 100%.

(5) Current ratio was calculated based on the total current assets as at the respective year end divided by the total current liabilities as at the respective year end.

(6) Gearing ratio was calculated based on the total borrowings as at the respective year end divided by total equity as at the respective year end.

(7) Net debt to equity ratio was calculated based on net borrowings (being total borrowings net of cash and cash equivalents) as at the respective year end divided by total equity as at the respective year end.

Return on equity

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

Return on total assets

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

Current ratio

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

Gearing ratio

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

Net debt to equity ratio

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

MATERIAL ACQUISITIONS AND DISPOSALS

With a view to enhance the Group's overall strength, the Group has been exploring opportunities to expand and diversify its business portfolios by acquisition if any appropriate acquisition target is identified. In determining the appropriate acquisition target, the Group would consider various factors, such as the target company's operating history, development potential of the target company, the qualifications possessed by the target company, etc. Save as aforesaid, the Group has no specific plan for any major investment or acquisition for major capital assets or other businesses.

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

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2024 and 31 December 2023, except for the associate and joint venture of the Group as disclosed in this announcement, the Group did not hold any significant investments.

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

CONTINGENT LIABILITIES AND FINANCIAL GUARANTEES ISSUED

As at 31 December 2024, the Group had issued a guarantee in respect of a bank loan of Tianjun Tourism, a joint venture of the Group. In May 2019, Tianjun Tourism signed a long-term bank loan contract with the principal amounting to RMB410,000,000, among which RMB310,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2024, the balance of the bank loan was RMB285,000,000 (31 December 2023: RMB315,000,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB28,015,000 and was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in a joint venture and recognised as part of the cost of investment in a joint venture during the year ended 31 December 2019. For the year ended 31 December 2023 and 2024, the ECLs of financial guarantee issued amounted to RMB5,289,000 and RMB1,950,000, respectively, which were recognised as "accrued expenses and other payables – financial guarantees issued". The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB24,000,000 (31 December 2023: RMB24,500,000).

As at 31 December 2024, the Group had issued a guarantee in respect of a bank loan of Changchun Xianbang, an associate of the Group. In November 2019, Changchun Xianbang signed a long-term bank loan contract with the principal amounting to RMB300,000,000, among which RMB330,000,000 (including principal and interest) is to be guaranteed by the Group. As at 31 December 2024, the balance of the bank loan was RMB116,500,000 (31 December 2023: RMB136,150,000). The fair value of the financial guarantee provided by the Group was initially estimated as RMB12,685,000 and RMB2,692,000 and was recognised as "accrued expenses and other payables – financial guarantees issued". While no consideration was received for the financial guarantee granted, the fair value of the guarantee granted was accounted for as contributions to the investment in an associate and recognised as part of the cost of investment in an associate during the year ended 31 December 2019 and 2020. For the year ended 31 December 2023 and 2024, the ECLs of financial guarantee issued amounted to RMB3,412,000 and RMB274,000, respectively, which were recognised as "accrued expenses and other payables – financial guarantees issued". The amounts of financial guarantee issued in "accrued expenses and other payables" will be amortised in profit or loss as "other net income" over the guarantee period. As at 31 December 2024, the unamortised balance of financial guarantee issued by the Group included in "accrued expenses and other payables" amounted to RMB10,600,000 (31 December 2023: RMB12,500,000). The Directors do not believe it probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, such that the Group will have to make specified payments to reimburse the beneficiary of the guarantee for losses that the bank incurs.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of financial risks including credit risk, liquidity risk, interest rate risk and foreign exchange risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Given the Group's operation is mainly conducted in the PRC with most of the Group's transactions denominated and settled in RMB, the currency risk is insignificant.

Credit risk

The Group's credit risk is primarily attributable to the carrying amounts of trade receivables and contract assets, and financial guarantees issued by the Group.

At 31 December 2024, 22.1% (31 December 2023: 16.7%) of the total trade receivables and contract assets, were due from the Group's largest debtor, and 54.2% (31 December 2023: 54.1%) of the total trade receivables were due from the Group's five largest debtors. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group has limited credit risk on cash and cash equivalents because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

The Group has issued a guarantee in respect of a bank loan of Tianjun Tourism, i.e. a joint venture of the Group, and Changchun Xianbang i.e. an associate of the Group, respectively. The Directors do not believe it to be probable that Tianjun Tourism and Changchun Xianbang will default on the contract and fail to make payment when due, such that the Group will have to make specified payments to reimburse the beneficiary of the guarantee for losses that the bank incurs.

Liquidity risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2024, fixed rate borrowings accounted for 100.0% of total borrowings of the Group whereas variable rate borrowings accounted for 0.0% of total borrowings of the Group.

OTHER INFORMATION

Dividend

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

Employees and remuneration policies

The Group's Remuneration Management Policy and Fringe Benefits System has been formulated to establish a systematic remuneration system, which enabling the employees to have full vision and understanding of the Group's human resources management function, human resources management policies and system, composition and accounting of remuneration and fringe benefits etc., so as to ensure and enhance the transparency and fairness. The Group has established a systematic and effective talent training mechanism to enhance employees' sense of belonging through diversified employee activities and provide competitive remuneration and fringe benefits to its employees. The Group would ensure its employees are awarded on a performance related basis within the general framework of the Group's Remuneration Management System.

As at 31 December 2024, the Group had 899 employees. The Remuneration Committee was set up for reviewing the Group's remuneration policy and structure of the Directors, senior management and employees of the Group. The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Mr. Yin Jun, Mr. Lee Kwok Tung Louis and Mr. Gao Xiangnong, Mr. Yin Jun is the chairman of the Remuneration Committee.

Purchase, sale and redemption of listed securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during FY2024.

Securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms in accordance to the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). The Company, having made specific enquiry with 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 for FY2024.

Events after the reporting period

On 17 January 2025, the Board resolved that the Company entered into the Construction Works Subcontracting Framework Agreement with ZIHG, a connected person of the Company, pursuant to which the Group agreed to engage the ZIHG Connected Persons to provide construction works services for a term commencing from 17 January 2025 to 31 December 2025.

For details, please refer to the Company's announcement dated 17 January 2025.

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.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis (chairman of the Audit Committee), Mr. Gao Xiangnong and Mr. Yin Jun. The Audit Committee has reviewed and discussed with management the accounting standards and practices adopted by the Group, risk and internal controls and financial reporting matters and has reviewed the unaudited consolidated financial statements for FY2024 as set out in this announcement.

Scope of work of the auditors

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

Annual general meeting

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

Publication of results announcement and annual report

This announcement will be published on the website of the Company at www.zonqing.net and the website of the Stock Exchange at www.hkexnews.hk. The annual report will be dispatched to the Shareholders upon their request, and be available on the above websites in due course.

By order of the Board
ZONQING Environmental Limited
Sun Juqing
Chairman and non-executive Director

Hong Kong, 31 March 2025

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

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

* *For identification purpose only*