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中邦环境
ZONBONG ENVIRONMENT

**ZONBONG LANDSCAPE Environmental Limited**
**中邦园林环境股份有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 1855)**

# CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus issued by ZONBONG LANDSCAPE Environmental Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 22 December 2020 (the "**Prospectus**") in relation to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, which sets out the intended use of the net proceeds from the offer of shares of the Company (the "**Net Proceeds**") at the time of preparing the Prospectus, and (ii) the interim report of the Company for the six months ended 30 June 2021 (the "**Interim Report**"), in which the utilisation of the Net Proceeds up to 30 June 2021 was disclosed. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

The board of directors of the Company (the "**Board**") hereby announces that it has resolved to change the use of the Net Proceeds.

## USE OF PROCEEDS

As disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Net Proceeds were intended to be used for the following purposes:

- Approximately 14.8%, or HKD9.3 million, for the establishment of regional design offices in Beijing, Shanghai and Chongqing, including expenses for renting office premises, purchasing office supplies and equipment, and recruiting personnel in line with the Company's business expansion in these regions;

- Approximately 23.7% or HKD15.0 million, for the upfront costs in connection with the upcoming construction work of the Changchun Zoo Project. The Company was awarded a total contract sum of approximately RMB78.0 million for providing landscaping construction works at the new site for the Changchun Zoo;

- Approximately 26.1% or HKD16.4 million, for investment into 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 is a project company under the PPP model set up by the Group and the local government of Ulanhot City for financing, developing, operating and maintaining the Shenjunshan Project. The Shenjunshan Project is a large-scale ecological restoration project comprising Zones A to D. During the Track Record Period, the Company undertook and completed construction works for Zone A. For more details on the Shenjunshan Project, please refer to the paragraph headed "Business – the Company's business model and operational workflow – Business segments – Ecological restoration" in the Prospectus and the discussion in the below section headed "Reasons for and Benefits of the Change in Use of proceeds – Investment in the Construction Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I)";

- Approximately 7.4%, or HKD4.7 million, for acquiring a centralised ERP system to enhance the Company's information technology capability and project implementation efficiency;

- Approximately 18.0%, or HKD11.3 million, for the repayment of the Company's bank loan of RMB30 million with a contractual interest rate equal to the one-year loan prime rate published by the National Interbank Loan Centre on the day before drawdown, which has matured in August 2021. The purpose of the bank loan to be repaid was primarily to finance the Company's working capital; and

- Approximately 10.0%, or HKD6.3 million, as general working capital of the Group.

The Net Proceeds received by the Company after deducting related underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering were approximately HKD54.7 million. The Company had utilised approximately HKD36.9 million of the Net Proceeds up to 31 December 2021.

## CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HKD17.8 million. An analysis of the utilisation of the Net Proceeds as at the date of this announcement and the proposed change in the use of the unutilised Net Proceeds is set out as below:

| Business objectives | Original planned use of the net proceeds as disclosed in the Prospectus<br>*HKD million (approximately)* | Utilised Net Proceeds as disclosed in the Interim Report (as at 30 June 2021)<br>*HKD million (approximately)* | Unutilised Net Proceeds as disclosed in the Interim Report (as at 30 June 2021)<br>*HKD million (approximately)* | Utilised Net Proceeds as the date of this announcement<br>*HKD million (approximately)* | Unutilised Net Proceeds as the date of this announcement<br>*HKD million (approximately)* | Revised allocation of Unutilised Net Proceeds<br>*HKD million (approximately)* | Expected date of full utilisation of the unutilised Net Proceeds |
|---|---|---|---|---|---|---|---|
| Establishment of regional design offices in Beijing, Shanghai and Chongqing | | | | | | | |
| – Beijing | 4.1 | | | 4.1 | – | 2.0 | End of 2022 |
| – Shanghai | 2.0 | 3.5 | 4.6 | – | 2.0 | – | – |
| – Chongqing | 2.0 | | | 1.5 | 0.5 | 0.5 | End of 2022 |
| Upfront costs of the construction work of the Changchun Zoo Project | 13.0 | 1.8 | 11.2 | 13.0 | – | – | – |
| Investment in Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) | 14.3 | – | 14.3 | – | 14.3 | – | – |
| Acquisition of a centralised ERP system | 4.0 | 0.1 | 3.9 | 4.0 | – | – | – |
| Repayment of bank loan | 9.8 | 9.8 | – | 9.8 | – | – | – |
| General working capital of the Group | 5.5 | 2.6 | 2.9 | 4.5 | 1.0 | 1.0 | End of 2022 |
| Investment in Construction Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I) (長春新區北湖文旅產業融合提升一期工程建設項目) | – | – | – | – | – | 14.3 | End of 2022 |
| Total | 54.7 | 17.8 | 36.9 | 36.9 | 17.8 | 17.8 | |

In accordance with the Company's operational and development needs, the unutilised Net Proceeds are expected to be utilised by the end of 2022.

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS – ESTABLISHMENT OF REGIONAL DESIGN OFFICE FROM SHANGHAI TO BEIJING

The Board considers that it is advisable to postpone the establishment of a regional design office in Shanghai as the market development in Shanghai has not yet reached the expected target and no new projects were entered into, while both the regional design offices in Beijing and Chongqing are progressing more smoothly. As the regional design office in Beijing has received new projects in 2021, and given that Beijing is the capital of China, the regional design office in Beijing is expected to have a positive impact on the Company's development and is of great strategic importance, the Board is of the view that the Group shall focus on its development of the regional design office in Beijing; therefore, the Board is of the view that the Net Proceeds originally intended for the establishment of the regional design office in Shanghai shall be reallocated to the full scale development of the regional design office in Beijing. The usage of Net Proceeds would include but not limited to the payment of rental of premises and staff costs, etc.

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS – INVESTMENT IN THE CONSTRUCTION PROJECT FOR CHANGCHUN NEW DISTRICT BEIHU CULTURAL AND TOURISM INDUSTRY INTEGRATION AND UPGRADE (PHASE I)

In 2021, the commencement of the construction work for Zone C of the Shenjunshan Project under the investment in Ulanhot Tianjiao Tianjun Tourism Development Limited (烏蘭浩特市天驕天駿旅遊開發有限公司) has been postponed and the government authorities in Ulanhot would reconsider the timeline and the commencement time of Zone C of such cultural tourism project. If the construction works for Zone C of the Shenjunshan Project commences, based on management experience of the Group, the relevant government authorities in Ulanhot will notify the Group in writing six months prior to the commencement date. As at the date of this announcement, no such written notice was received and hence the Directors are of the view that the construction work may not commence in near term. With a view to efficiently allocate financial resources, the Board is of the view that it is necessary to adjust the investment plan to enhance the efficiency of the use of the Net Proceeds. If the Group receives notification of the commencement of Zone C of the Shenjunshan Project in the future, the construction works for Zone C of the Shenjunshan Project will be funded by the Company's internal funds or by way of bank loans, etc.

The Construction Project for Changchun New District Beihu Cultural and Tourism Industry Integration and Upgrade (Phase I) (長春新區北湖文旅產業融合提升一期工程建設項目) is a public sector project centred on the development of cultural and tourism industry and also a landmark project in Changchun with an aim to promote the regional economic development. The Board is of the view that the utilisation of the Net Proceeds towards the direct costs arising from the construction of this project will facilitate the Group's further development in Changchun and enhance the influence of the Company with an aim to maintain the Company's position in the Three Northeast Provinces in the landscaping and ecological restoration industries and enhance cooperation with the local governments.

The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The Board confirms that, save as disclosed herein, there are no other changes to the use of Net Proceeds as at the date of this announcement. The Board will continuously assess the plan for the use of the unutilised Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

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

Hong Kong, 24 January 2022

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