

# Zhongtian Construction (Hunan) Group Limited

## 中天建設(湖南)集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 2433

# ANNUAL REPORT

# 2023



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## Corporate Information

### DIRECTORS

#### Executive Directors:

Mr. Yang Zhongjie (*Chairman*)  
Mr. Liu Xiaohong (*Chief Executive Officer*)  
Mr. Min Shixiong  
Mr. Shen Qiang  
Mr. Chen Weiwu

#### Independent Non-Executive Directors:

Dr. Liu Jianlong  
Ms. Deng Jianhua  
Mr. Lau Kwok Fai Patrick

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 913, 9/F,  
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Tsim Sha Tsui  
Kowloon  
Hong Kong

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1197, East Xinhua Road  
Hetang District  
Zhuzhou City  
Hunan Province  
PRC

### COMPANY'S WEBSITE

[www.ztcon.com](http://www.ztcon.com)

### COMPANY SECRETARY

Ms. Chan Kit Ming (*Certified Public Accountant*)

### AUTHORISED REPRESENTATIVES

Ms. Chan Kit Ming (*Certified Public Accountant*)  
Mr. Yang Zhongjie

### AUDIT COMMITTEE

Mr. Lau Kwok Fai Patrick (*Chairperson*)  
Dr. Liu Jianlong  
Ms. Deng Jianhua

### REMUNERATION COMMITTEE

Ms. Deng Jianhua (*Chairperson*)  
Mr. Liu Xiaohong  
Mr. Lau Kwok Fai Patrick

### NOMINATION COMMITTEE

Mr. Yang Zhongjie (*Chairperson*)  
Dr. Liu Jianlong  
Ms. Deng Jianhua

### AUDITORS

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Central  
Hong Kong

### COMPLIANCE ADVISER

Grande Capital Limited  
Room 2701, 27/F  
Tower One, Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

### LEGAL ADVISERS AS TO HONG KONG LAW

ONC Lawyers  
19th Floor  
Three Exchange Square  
8 Connaught Place  
Central  
Hong Kong

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

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

## **HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE**

Boardroom Share Registrars (HK) Limited  
2103B, 21st Floor  
148 Electric Road  
North Point  
Hong Kong

## **PRINCIPAL BANK**

China Construction Bank Corporation Zhuzhou Renmin  
Road Sub-branch  
No.2 Qiyi Road, Zhuzhou City  
Hunan Province  
PRC

## **STOCK CODE**

2433



## Chairman's Statement

Dear Shareholders,

I am pleased to present the Chairman's Report for Zhongtian Construction (Hunan) Group Limited (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2023 ("**FY2023**"), summarizing the performance of our general contracting construction group in Hunan Province. FY2023 marked another year of significant milestones and challenges for our organization, which has been serving the construction industry for over 40 years.

The Company was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 March 2023 (the "**Listing Date**"). The Listing marked a new milestone for the Company and its future development. We believe that the Listing has not only enhanced the Group's corporate profile, but also reinforced the Group's image as a well-established company as well as providing sufficient capital for the Group's expansion. The Listing is expected to provide us with a platform to expand our business further, and we remain committed to delivering long-term value to our shareholders.

### MARKET OUTLOOK

2023 proved to be a challenging year for the construction industry. China's investment in property development cooled in 2023 amid the declining property market in China. According to the National Bureau of Statistics of China, investment in real estate development in mainland China fell throughout the whole year of 2023 and dropped by 9.6% in 2023, with the floor space of projects under construction falling by 7.2% and the floor area of new project starts declining by 20.4%. The market worsened in the second half of 2023, with the revenue from the sales of commodity properties (商品房) recorded 1.1% growth in the first half of 2023 as compared with the corresponding period in 2022, whereas the revenue from the sales of commodity properties (商品房) slipped by 14.1% in the second half of 2023 as compared with the corresponding period in 2022 based on information published by the National Bureau of Statistics of China. The adverse business environment in our upstream market put pressure on our existing and potential customers in generating income and launching new projects, and unavoidably affecting our cashflow and operating results.

### FINANCIAL PERFORMANCE

We maintained our revenue level in FY2023. During FY2023, our revenue amounted to approximately RMB1,952.1 million, representing an increase of approximately RMB61.5 million or 3.3% from approximately RMB1,890.7 million in the year ended 31 December 2022 ("**FY2022**"). We generated net profit of approximately RMB46.0 million, a decline by approximately RMB19.5 million or 29.8% compared to the previous year, FY2022. This decrease can be primarily attributed to several factors. Firstly, there was a significant increment in impairment on financial and contract assets, totaling approximately RMB14.8 million. This impairment reflects the challenging market conditions particularly in the second half of 2023 and specific project-related issues that impacted the recoverability of these assets.

Furthermore, we incurred higher Listing expenses by approximately RMB4.0 million in FY2023 as we were successfully listed on the Stock Exchange in FY2023. These expenses were incurred as we explored avenues for growth and expansion, ensuring our strong positioning in the market. Additionally, administrative expenses rose by approximately RMB11.4 million due to various factors such as inflationary pressures and investment in operational efficiency and infrastructure. Despite these challenges, we were able to partially offset these negative impacts through an increment in gross profits of approximately RMB9.6 million, demonstrating our ability to enhance operational efficiency.

### OPERATIONAL HIGHLIGHTS

Despite the financial challenges faced during FY2023, we achieved significant milestones in our operations. We continued to deliver on our commitment to excellence and quality in the construction industry. Our team successfully completed various projects, contributing to the infrastructure development and economic growth of Hunan Province. We take pride in the fact that our projects have become landmarks, shaping the urban landscape and improving the lives of the communities we serve.

## Chairman's Statement

Throughout the year, we focused on strengthening our project management capabilities, adopting innovative technologies, and enhancing our safety practices. These efforts have resulted in improved project execution, increased client satisfaction, and enhanced operational effectiveness. With our experienced workforce and dedication to delivering projects on time and within budget, we have solidified our reputation as a trusted partner in the construction industry.

### FUTURE PROSPECTS

Looking ahead, we remain cautiously optimistic despite the challenges faced in FY2023. We are closely monitoring market trends and adapting our strategies to navigate the evolving landscape. We recognize the importance of prudent financial management and will continue to assess and manage risks associated with our financial and contract assets.

In terms of expanding our business, we remain committed to exploring growth opportunities while maintaining a disciplined approach. We will continue to focus on operational efficiency, cost optimization, and prudent investment in strategic areas. Our goal is to enhance our competitiveness, strengthen our market position, and drive sustainable long-term growth.

### CONCLUSION

In conclusion, FY2023 presented a mixed bag of financial performance for our general contracting construction group. We faced challenges in the form of impairment on financial and contract assets, increased listing expenses, and higher administrative costs. However, we were able to partially offset these challenges through improved gross profits and operational efficiency.

I would like to express my gratitude to our dedicated employees, valued clients, and esteemed shareholders for their unwavering support throughout this challenging year. Together, we will navigate the path ahead, leveraging our experience, expertise, and commitment to excellence to achieve continued success.

**Yang Zhongjie**

*Chairman*

28 March 2024



# Management Discussion and Analysis

## BUSINESS REVIEW

We are a general contracting construction group in Hunan Province with over 40 years of operating history. In FY2023, we derived all of our revenue from our customers located in the PRC.

Currently, we primarily focus on the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consist of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting. We provide comprehensive construction services to customers throughout the construction process from project procurement, management, construction to supervision and to a lesser extent, we also engage in the provision of construction machinery and equipment service.

For FY2023, the Group's revenue amounted to approximately RMB1,952.1 million, representing an increase of approximately RMB61.5 million or 3.3% from approximately RMB1,890.7 million in FY2022. We recorded an increase in our gross profit from approximately RMB206.6 million in FY2022 to approximately RMB216.2 million in FY2023, representing a year-on-year growth of approximately 4.4%. For FY2023, our gross profit margin and our net profit margin was approximately 11.1% and 2.4%, respectively.

## FINANCIAL REVIEW

### Revenue

#### *Construction contracts*

For FY2023, our revenue generated from construction contracts increased by approximately RMB62.8 million or 3.3% from approximately RMB1,881.4 million in FY2022 to approximately RMB1,944.2 million in FY2023. The increment was mainly due to the increase in revenue generated from other specialised construction works, which grew by approximately RMB58.2 million or 896.5% and revenue generated from prefabricated steel structure construction works of approximately RMB7.5 million or 2.9%.

#### *Civil building construction*

For FY2023, our revenue generated from civil building construction increased substantially by approximately RMB116.9 million or 13.6% from approximately RMB857.9 million in FY2022 to RMB974.8 million in FY2023, which was mainly attributable to the increase in revenue generated from Dongfang Xin'an Homeland (Phase II)\* (東方市新安家園(二期)) project by approximately RMB162.6 million from FY2022 to FY2023 as the project has resumed construction upon the completion of clearance of the relevant construction site during late 2022. The increment was partially net-off by the decrement of revenue contributed by the project namely Kairuisi Phase I\* (凱睿思(一期)) project by approximately RMB39.4 million as the project is approaching its final stage of construction.

# Management Discussion and Analysis

## **Municipal works construction**

Our revenue generated from municipal works construction significantly decreased by approximately RMB116.7 million or 15.9% from approximately RMB735.0 million in FY2022 to RMB618.4 million in FY2023, which was mainly due to decrement in revenue contributed by Xupu County Chengbei School Supporting Facilities Construction\* (溱浦縣城北學校配套設施建設工程) project and a road construction project in Haikou by approximately RMB59.1 million and RMB37.6 million, respectively compared to FY2022 due to completion of substantial parts in FY2023.

## **Foundation works**

Our revenue generated from foundation works decreased by approximately RMB3.1 million or 12.8% from approximately RMB24.3 million in FY2022 to approximately RMB21.2 million in FY2023, mainly due to the net-off effects of (i) a new project commenced in late 2022 which contributed approximately RMB13.5 million of revenue in FY2023 while only RMB6.8 million was recognised in FY2022; and (ii) decrement in revenue contributed from foundation works which was mainly contributed by Chaling Pioneering Park\* (茶陵創業園) project by approximately RMB4.1 million compared to FY2022.

## **Prefabricated steel structure construction works**

For FY2023, our revenue generated from prefabricated steel structure construction works slightly increased from approximately RMB257.7 million for FY2022 to approximately RMB265.2 million for FY2023, mainly due to the net-off effects of (i) increment of revenue generated from a new project of approximately RMB43.6 million; and (ii) decrement of revenue generated from Zhongtian Lutai\* (中天•麓台) project by approximately RMB24.1 million compared with FY2022 as the project is approaching its later stage of construction.

## **Other specialised contracting works**

For FY2023, our revenue from other specialised contracting works substantially increased from approximately RMB6.5 million in FY2022 to approximately RMB64.7 million in FY2023 mainly due to commencement of a new refurbishment project and generated revenue of approximately RMB58.5 million.

## **Provision of construction machinery and equipment service**

For FY2023, our revenue from this sub-segment stayed relatively stable at approximately RMB7.9 million compared to approximately RMB9.2 million for FY2022.

## **Cost of sales**

Our cost of sales increased from approximately RMB1,684.1 million in FY2022 to approximately RMB1,736.0 million in FY2023 by approximately 3.1%, which is generally in line with the revenue growth of approximately 3.3%. Among the cost of sales items, raw material costs remains relatively stable and accounted for approximately 42.5% and 41.9% for FY2022 and FY2023 respectively. On the other hand, the aggregate labour costs and labour subcontracting costs increased by approximately 12.3% in FY2023 as compared to FY2022, mainly attributable to the major works of a number of projects required more labour works and less raw materials for the later stage of development.





# Management Discussion and Analysis

## **Gross profit and gross profit margin**

Our overall gross profit margin remained relatively stable at approximately 10.9% for FY2022 and 11.1% for FY2023. Such improvement is mainly attributable to the increment of gross profit margins of civil building construction of approximately 1.0% from approximately 10.8% in FY2022 to approximately 11.8% in FY2023 as a result of we recognised a larger portion of revenue in FY2023 than FY2022 from one of our construction projects which recorded higher gross profit margin.

## **Administrative expenses**

Our administrative expenses mainly consisted of research expenses, salaries and other benefits, depreciation and amortisation, repair and maintenance expenses, office administration expenses and other expenses. For FY2023, our administrative expenses increased from approximately RMB117.5 million to approximately RMB129.0 million mainly due to the increment in research expenses of approximately RMB1.8 million, and other administrative expenses in relation to establishment and operation of know-how centre according to our use of proceeds in the prospectus of the Company dated 20 March 2023 (the “**Prospectus**”).

## **Listing expenses**

Listing expenses represented professional services fees incurred for the purpose of Listing. We incurred Listing expenses of approximately RMB6.2 million and RMB10.2 million for FY2022 and FY2023, respectively.

## **Impairment on financial and contract assets, net**

Our impairment on financial and contract assets (net) represents the expected credit losses (“**ECL**”) on our trade and bills receivables, other receivables and contract assets. We conducted impairment analysis at the end of each year using a provision matrix to measure expected credit losses based on historical observed default rates, adjusted for forward-looking factors specific to the debtors and the economic environment. For FY2022 and FY2023, our impairment on financial and contract assets was RMB2.5 million and RMB17.4 million, respectively.

For FY2023, impairment losses on financial and contract assets substantially increased by approximately RMB14.8 million or 582.3% as compared to FY2022, resulting from our overall ECL rates as at 31 December 2023 for trade and bills receivables and contract assets increased comparing to 2022. For further details of impairment losses on financial and contract assets, please refer to the paragraph headed “Trade, bills and other receivables” and “Contract assets” below.

## **Finance costs**

Our finance cost in FY2023 stayed relatively stable and slightly increased by approximately RMB0.4 million as compared to FY2022, which was due to the repayment of bank borrowing made nearly at year end.

## **Income tax expenses**

Our income tax expenses consist principally of enterprise income tax and movements in deferred tax assets. For FY2022 and FY2023, our income tax was RMB8.2 million and RMB6.9 million, respectively, and our effective tax rates for the corresponding years were 11.2% and 13.0%, respectively. Hunan Zhongtian Construction Group Corporation\* (湖南中天建設集團股份有限公司) (“**Zhongtian Construction**”), our principal operating subsidiary has been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulation and was entitled to a preferential tax treatment of 15% for FY2022 and FY2023, which is lower than the statutory rate of 25.0%.

# Management Discussion and Analysis

## Net profit

Our net profit for FY2023 amounted to approximately RMB46.0 million, decreased by approximately RMB19.5 million or 29.8% in FY2023 as compared to FY2022 mainly attributable to the increment in impairment on financial and contract assets of approximately RMB14.8 million, increase in Listing expenses of approximately RMB4.0 million and administrative expenses of approximately RMB11.4 million, while partially offset by the increment in gross profits of approximately RMB9.6 million.

## Analysis of key items of financial position

### *Trade, bills and other receivables*

Our trade, bills and other receivables comprised (i) net trade and bills receivables of approximately RMB367.8 million as at 31 December 2023 (2022: RMB354.7 million); and (ii) net other receivables, prepayment and deposits of approximately RMB85.7 million as at 31 December 2023 (2022: RMB79.4 million). Due to the delayed repayment of certain debtors as a result of the deterioration of market environment of the China real estate and construction industry in 2023, in 2023, our trade receivable aging position worsened, with the trade receivables (net of impairment losses) that aged over one year (based on due dates) increased significantly from approximately RMB36.4 million as at 31 December 2022 to approximately RMB94.8 million as at 31 December 2023. The overall ECL rate for trade and bills receivables and contract assets increased from 1.28% as at 31 December 2022 to 1.86% as at 31 December 2023. The increase in ECL rates was mainly due to (i) the increase in the historical observed default rates as reflected by the longer aging of trade receivables as at 31 December 2023 in general; and the (ii) forward-looking adjustment that may impact the customer's ability to repay the outstanding balances. Higher ECL rates for each aging category were applied as at 31 December 2023 as compared with the ECL rates as at 31 December 2022 to reflect the higher market credit risk in the China construction industry in 2023 and the historical settlement pattern of the Group's receivables. Due to the above, our impairment provision for trade and bills receivables increased considerably from approximately RMB8.7 million as at 31 December 2022 to approximately RMB17.9 million as at 31 December 2023.

### *Contract assets*

Our contract assets grew from approximately RMB1,127.2 million as at 31 December 2022 to approximately RMB1,476.0 million as at 31 December 2023. The change in contract asset between 31 December 2022 and 31 December 2023 was primarily because of (i) the increase in our business volume from the year ended 31 December 2022 to the year ended 31 December 2023; and (ii) the difference between the amounts of work performed and the amounts billed to customers during the performance of the construction works, which is to be recognised as contract assets, and we experienced a longer settlement period for certain projects in the year.

As some of our major construction projects lasted for many years, our contract assets accumulated. In particular, as the work of our largest on-going project in terms of revenue recognised during the year ended 31 December 2023, i.e. Dongfang Xin' an Homeland (Phase II)\* (東方市新安家園 (二期)) project, commenced more than seven years ago in 2016 and continued throughout the year ended 31 December 2023, the contract assets accumulated and increased from approximately RMB88.8 million as at 31 December 2022 to RMB130.6 million as at 31 December 2023. The anticipated completion date of this project is updated to be completed on December 2024. Our another major project, Zhongtian Lutai\* (中天 • 麓台), a residential complex construction in Zhuzhou, commenced in 2020 and continued throughout the year ended 31 December 2023, the contract assets accumulated and increased from approximately RMB78.9 million as at 31 December 2022 to RMB121.6 million as at 31 December 2023. The anticipated completion date of this project is updated to be completed on December 2026. Such accumulated balances (other than the retention money which normally represents 5% of the final settlement value) will only become unconditional for billing after completion of the project and upon the completion of the settlement audit.

Due to (i) the growing contract assets balance; and (ii) the higher ECL rate for contract assets as explained in the paragraph headed "Trade, bills and other receivables" above, our loss allowance provision for contract assets has also increased from approximately RMB10.5 million as at 31 December 2022 to approximately RMB17.1 million as at 31 December 2023.



# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. Our sources of funds are a combination of internal generated funds, bank and other borrowings as well as net proceeds from the Listing. There has been no change in the capital structure of the Company since the Listing Date up to 31 December 2023. As at 31 December 2023, the capital structure of the Company comprised mainly issued share capital and reserves.

As at 31 December 2023, the Group had net current assets of approximately RMB491.8 million (31 December 2022: RMB339.4 million). The Group's current ratio improved from approximately 1.24 as at 31 December 2022 to approximately 1.32 as at 31 December 2023 due to the increase in contract assets by approximately RMB348.9 million, partially offset by the increase in accruals and other payables by approximately RMB136.6 million. Our increase in contract assets was mainly due to accumulated for some major sizable projects with long project duration remained on-going as at 31 December 2023.

We had lower cash and cash equivalents of approximately RMB59.6 million as at 31 December 2023 as compared with cash and cash equivalents of RMB151.7 million as at 31 December 2022. Cash and cash equivalents are mainly denominated in Renminbi. Our cash and cash equivalents dropped mainly because the increase in contract assets by approximately RMB348.9 million due to reasons stated above.

Our aggregate indebtedness (total interest-bearing borrowings and lease liabilities) dropped slightly from approximately RMB140.1 million as at 31 December 2022 to approximately RMB116.2 million as at 31 December 2023. As at 31 December 2023, the Group's total bank and other borrowings amounted to RMB114.4 million comprising RMB108.4 million repayable within one year, RMB3.2 million repayable within one to two years and RMB2.8 million repayable within two to five years. Among the Group's borrowing of approximately RMB114.4 million, borrowings of approximately RMB84.4 million carried fixed interest rate as at 31 December 2023. The Group's bank borrowings carried interest rates ranging from 3.7% to 18% per annum. All the bank borrowings were denominated in Renminbi. Our gearing ratio, which is calculated as total interest-bearing debt divided by total equity, dropped from approximately 39.0% as at 31 December 2022 to approximately 22.7% as at 31 December 2023, mainly because our equity grew significantly by approximately 42.5% between 31 December 2022 and 31 December 2023 due to the Listing while we lowered our indebtedness.

## FOREIGN EXCHANGE RISK

The assets, liabilities and transactions of the Group are principally denominated in Renminbi. As at 31 December 2023, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" of the Company's Prospectus, as at the date of this report, the Group does not have other plans for material investments and capital assets.

## CONTINGENT LIABILITIES

A number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as at the end of the reporting period. Based on the legal opinion of PRC lawyers, in the opinion of the Directors, the related construction payables may arise for these lawsuits and claims have been made and recognised on the consolidated financial statements of the Group.

# Management Discussion and Analysis

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company has been listed on the Stock Exchange since the Listing Date following the completion of the global offering (the “**Global Offering**”) of 120,000,000 new ordinary shares of the Company. The amount of net proceeds from the Global Offering amounted to approximately RMB76.6 million (equivalent to approximately HK\$84.1 million), after deduction of the underwriting commission and other expenses. The Company applied the proceeds from the Global Offering in accordance with the purposes as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the Prospectus which is also set out below. During FY2023, net proceeds of approximately RMB58.4 million (equivalent to approximately HK\$64.1 million) were used.

The following table sets out the breakdown of the use of proceeds from the Global Offering:

Purpose	Intended use of proceeds RMB' million	Net proceeds utilised during	Utilised amount as at 31	Unutilised amount as at 31	Estimated timeline for utilising the unutilised net proceeds (Note 1)
		FY2023 RMB' million	December 2023 RMB' million	December 2023 RMB' million	
To fund our upfront expenditure of three projects on hand (Note 2)	38.3	38.3	38.3	—	N/A
To acquire and/or replace our construction machinery and equipment	15.3	—	—	15.3	Before December 2024 (Note 3)
To fund the establishment and operation of our know-how centre	15.3	12.4	12.4	2.9	Before December 2024
Working capital and general corporate purposes	7.7	7.7	7.7	—	N/A
<b>Total</b>	<b>76.6</b>	<b>58.4</b>	<b>58.4</b>	<b>18.2</b>	

### Notes:

1. The expected timeline for utilizing the unutilised amount is based on the best estimation of the future market condition made by the Group. It is subject to change based on the current and future development of the market condition.
2. As the commencement of the Sharing Lease Housing\* (共享租賃住房) project has been delayed from April 2023 to December 2023 because the site preparation work is not ready for commencement of the construction works, part of the proceeds of approximately RMB8.9 million utilised was used for Old Village Revampment\* (花垣縣移動公司宿舍片區老舊社區配套基礎設施改造項目) project.
3. The use of proceeds for acquiring and/or replacing our construction machinery and equipment is expected to be behind the original schedule of December 2023, which is mainly because of a delay in the time required for ordering the construction machinery and equipment due to changes in schedules of some projects.



# Management Discussion and Analysis

## AUDIT COMMITTEE

The Company has established the audit committee (“**Audit Committee**”) on 10 March 2023 with written terms of reference. The composition of the Audit Committee meets the requirement of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of the Company and perform other duties and responsibilities assigned by the Board. The Audit Committee, comprising the three independent non-executive Directors, namely Mr. Lau Kwok Fai Patrick (Chairperson), Dr. Liu Jianlong and Ms. Deng Jianhua.

## PURCHASE, SALES OR REDEMPTION OF OUR SHARES

There has been no purchase, sale or redemption of the Company’s shares by the Company or any of its subsidiaries during the year.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained a sufficient amount of public float for its shares as required under the Listing Rules during FY2023 since the Listing Date.

## DIVIDENDS

The Board proposed not to declare any final dividend for the year ended 31 December 2023.

## SIGNIFICANT EVENT AFTER REPORTING PERIOD

Save as disclosed in note 40 to the consolidated financial statements, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors subsequent to 31 December 2023.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on 28 May 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 May 2024 to 28 May 2024 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s share registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on 22 May 2024.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.ztcon.com](http://www.ztcon.com). The annual report of the Company for the year ended 31 December 2023 containing all information required by the Listing Rules will be despatched to the Shareholders (if requested) and will be published on the websites of both the Stock Exchange and the Company in due course.

# Corporate Governance Report

The Board hereby presents this corporate governance report of the Company for FY2023.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our shareholders.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Since we were listed on the Stock Exchange during FY2023 on the Listing Date, the Corporate Governance Code (“CG Code”) as set out in Appendix C1 to the Listing Rules was applicable to us since the Listing Date. Since the Listing Date and up to 31 December 2023, our Group has adopted and complied with the CG Code as its own code of corporate governance.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code since the Listing Date.

The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company’s securities for relevant employees (as defined in the Listing Rules).

## BOARD COMPOSITION

The Board currently comprises five executive Directors and three independent non-executive Directors.

### Executive Directors:

Mr. Yang Zhongjie (*Chairman*)  
Mr. Liu Xiaohong (*Chief Executive Officer*)  
Mr. Min Shixiong  
Mr. Shen Qiang  
Mr. Chen Weiwu

### Independent Non-executive Directors:

Dr. Liu Jianlong  
Ms. Deng Jianhua  
Mr. Lau Kwok Fai Patrick

The biographical information of the Directors is set out in the section headed “Biography of Directors and Senior Management” on pages 42 to 49 of this annual report. The relationships between the members of the Board are also disclosed under the same section.

## CHARGES ON GROUP’S ASSETS

As at 31 December 2023, the following assets were pledged to secure the Group’s borrowings:

	2023 RMB’000	2022 RMB’000
Property, plant and equipment	8,966	7,539
Trade and bills receivables	—	1,910
Bank deposit	5,000	2,000
Intangible assets	41	—



## Corporate Governance Report

Since the Listing Date, the proportion of independent non-executive Director satisfied the requirements under Rule 3.10A, 3.10(1) and (2) of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the Board. The three independent non-executive Directors represent more than one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and the independent non-executive Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considered that the independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules. Upon the recommendation of the nomination committee of the Company ("**Nomination Committee**"), the Board considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the said Listing Rules. None of the Independent non-executive Directors have served more than nine years as at the date of this annual report.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least three months' written notice of non-renewal before the expiry of the then existing term. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least one month's written notice of non-renewal before the expiry of the then existing term.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation and re-election at an annual general meeting ("**AGM**") at least once every three years. Any director of our Company ("**Director**") appointed by the Board to fill a casual vacancy and any Director appointed by the Board as an addition to the Board shall hold office until the first general meeting of the Company after his appointment and they will be subject to re-election at such meeting.

The procedures and process of appointment, re-election and removal of Directors are set out in the amended and restated articles of association of the Company, adopted on 10 March 2023, as amended supplemented or otherwise modified from time to time ("**Articles of Association**"). The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

### RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performance and is responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

## **Mechanism ensuring sufficient independence views to the Board**

The Board recognises Board independence is critical to good corporate governance. The Company has put in place mechanisms to ensure a strong independence element on the Board, which are summarised below:

### ***Board Composition***

The Board endeavours to ensure the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time).

Apart from complying with the requirements prescribed by the Listing Rules as to the composition of certain Board committees, independent non-executive Directors will be appointed to other Board committees as far as practicable to ensure independent views are available.

### ***Independence Assessment***

The Nomination Committee shall strictly adhere to the nomination policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his own personal particulars that may materially affect his/her independence.

The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the Listing Rules to ensure that they can continually exercise independent judgement.

### ***Decision Making***

All Directors (including independent non-executive Directors) are entitled to seek further information and documentation from the management on the matters to be discussed at board meetings. They can also seek assistance from the Company's company secretary (the "**Company Secretary**") and, where necessary, independent advice from external professional advisers at the Company's expense.

All Directors (including independent non-executive Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his close associates has a material interest.

The Board had made an annual review on the implementation of the abovementioned mechanisms and was of the view that the abovementioned mechanisms had been satisfactorily implemented.





# Corporate Governance Report

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code C.1.4 of the Corporate Governance Code, the Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills. Before the Listing, all Directors attended an in-house training on the Listing Rules in the form of a seminar conducted by the legal advisers of the Company and relevant training material has been distributed to all the Directors. The training covered topics which include, the disclosure obligations in Hong Kong, the requirements of disclosable transactions and connected transactions etc. under the Listing Rules.

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors.

## BOARD MEETINGS AND COMMITTEE MEETINGS

The Company intends to hold Board meetings regularly and at least four times a year. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

During FY2023, three Board meetings and one general meeting were held and the attendance record of each Director is set out in the table below:

	<b>Attendance/ Number of Committee Meetings</b>
<b>Directors</b>	
Mr. Yang Zhongjie ( <i>Chairman</i> )	4/4
Mr. Liu Xiaohong ( <i>Chief Executive Officer</i> )	4/4
Mr. Min Shixiong	4/4
Mr. Shen Qiang	4/4
Mr. Chen Weiwu	4/4
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>	
Dr. Liu Jianlong	4/4
Ms. Deng Jianhua	4/4
Mr. Lau Kwok Fai Patrick	4/4

Every Director is entitled to have access to Board papers and related materials, and the advice and services of the Company Secretary, and has the liberty to seek independent professional advice at the Company's expense if so reasonably required. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to attend any relevant programme to further enhance their knowledge so as to enable them to discharge their duties and responsibilities more effectively. During FY2023, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest. Such induction materials and briefing will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary. All Directors have provided record of their training attendance and the Company will continue to arrange and fund the training in accordance with the CG Code provisions.

## BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**"). All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, there are procedures in place for the Directors to seek independent professional advice in appropriate circumstance, at the Company's expense, if required.

## AUDIT COMMITTEE

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the CG Code. The Audit Committee consists of three members, namely Dr. Liu Jianlong, Ms. Deng Jianhua together with Mr. Lau Kwok Fai Patrick, our independent non-executive Director who possesses the appropriate accounting or related financial management expertise, being the chairperson of the committee.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and re-appointment of the external auditor, approve the remuneration and terms of engagement of the external auditors, review and monitor the external auditors' independence and objectivity and effectiveness of the audit process in accordance with the application standards, monitor the integrity of the Company's financial statements, review the Company's financial controls, and risks management and internal control systems, and perform other duties and responsibilities as assigned by our Board from time to time.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.



## Corporate Governance Report

During FY2023, the Audit Committee has held two meetings to (i) review the accounting principles and practices adopted by the Group and effectiveness of the internal audit function; (ii) review the financial results for the six months ended 30 June 2023 and the year ended 31 December 2023; (iii) assess if there are any significant issues on financial reporting, internal control and risk management systems; and (iv) the re-appointment and remuneration of external auditor. The individual attendance record of each member at the meeting of Audit Committee is set out below:

<b>Name of member of the Audit Committee</b>	<b>Attendance/ Number of Committee Meetings</b>
Mr. Lau Kwok Fai Patrick ( <i>Chairperson</i> )	2/2
Dr. Liu Jianlong	2/2
Ms. Deng Jianhua	2/2

### REMUNERATION COMMITTEE

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of the CG Code. The Remuneration Committee consists of three members, namely Mr. Lau Kwok Fai Patrick, Mr. Liu Xiaohong together with Ms. Deng Jianhua, our independent non-executive Director, being the chairperson of the committee.

The primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policies and structure of the remuneration for our Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages of individual executive Directors and senior management; and (iii) evaluate and make recommendations on employee benefit arrangements.

Details of the Director's remuneration in the Group and the five highest paid individuals are set out in note 14 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2023 is set out below:

<b>Remuneration band (RMB)</b>	<b>Number of person(s)</b>
Nil to 1,000,000	1

## The Remuneration Policy of Directors

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Group's remuneration policy of Directors is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Group's remuneration policy of Directors is, therefore, aiming at providing competitive but not excessive remuneration package to the Directors.

The Directors' remuneration comprises fixed salary or service fee and variable components (such as bonus and share options), which is benchmarked against companies of comparable business or scale with reference to a mix of factors such as the prevailing market condition, the Company's performance and the qualifications, skills, experience and educational background of the Directors.

The Directors' remuneration is reviewed annually and are subject to shareholders' approval.

During FY2023, one Remuneration Committee meeting was held for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management of the Company. No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Reporting Period. The individual attendance record of each member at the meeting of remuneration committee is set out below:

Name of member of the Remuneration Committee	Attendance/ Number of Committee Meetings
Ms. Deng Jianhua ( <i>Chairperson</i> )	1/1
Mr. Liu Xiaohong	1/1
Mr. Lau Kwok Fai Patrick	1/1

No Director takes part in any discussion about his own remuneration. Full details of remuneration of the Directors and the five highest paid employees are provided in Note 14 to the consolidated financial statements of this annual report.

## NOMINATION COMMITTEE

We have established the Nomination Committee with written terms of reference in compliance with paragraph B.3.1 of the CG Code. The nomination committee consists of three members, namely Ms. Deng Jianhua, Dr. Liu Jianlong, together with Mr. Yang Zhongjie, our chairman of the board, being the chairperson of the committee.

The primary functions of the Nomination Committee are to make recommendations to our Board in relation to the appointment and removal of Directors, and on matters of succession planning.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy adopted by the Company on 10 March 2023 (the "**Board Diversity Policy**"), including but not limited to gender, age, length of service, cultural and education background and professional experience.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity. The Nomination Committee should also ensure that independent views and input are available to the board.



## Corporate Governance Report

During FY2023, one Nomination Committee meeting was held to (i) review the structure, size and composition of the Board; (ii) assess the independence of independent non-executive Directors; and (iii) make recommendation to the Board on the appointment or re-appointment of Directors. The individual attendance record of each member at the meeting of Nomination Committee is set out below:

<b>Name of member of the Nomination Committee</b>	<b>Attendance/ Number of Committee Meetings</b>
Mr. Yang Zhongjie ( <i>Chairperson</i> )	1/1
Dr. Liu Jianlong	1/1
Ms. Deng Jianhua	1/1

### DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy, pursuant to which in evaluating and selecting any candidate for directorship, the following criteria should be considered:

- **Attributes Complementary to the Board:** The candidate should possess attributes that complement and expand the skill set, experience and expertise of the Board as a whole, having regard to the current structure, size, diversity profile and skills matrix of the Board and the needs of the Board.
- **Business Experience & Board Expertise and Skills:** The candidate should have the ability to exercise sound business judgment and also possess proven achievement and experience in directorship including effective oversight of and guidance to management.
- **Availability:** The candidate should be able to devote sufficient time and make contributions to the Company that are commensurate with his/her role and board responsibilities, including devoting adequate time for the preparation and participation in meetings, training and other Board or Company associated activities.
- **Motivation:** The candidate should be self-motivated and have a strong interest in the Company's businesses.
- **Integrity:** The candidate should be a person of integrity, honesty, good repute and high professional standing.
- **Independence:** INED candidates must satisfy the independence requirements under the Listing Rules. The INED candidate shall be independent in character and judgement and be able to represent and act in the best interests of all shareholders of the Company.

## Nomination Procedures

The Company has put in place the following director nomination procedures:

### **Appointment of New and Replacement Directors**

- If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

### **Re-election of Directors and Nomination from Shareholders**

- Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
- Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

## BOARD DIVERSITY POLICY

The Board recognises and embraces the benefits of having a diverse board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. Therefore, the Company has adopted the Board Diversity Policy to ensure that candidates to the Board will be selected based on a range of diverse perspectives, including but not limited to gender, age, length of service, cultural and education background and professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Company is conscious of maintaining Board diversity with an appropriate level of female members on the Board, which shall not be less than one member with immediate effect and may further increase in the next five years. Since the Listing Date and as at the date of this annual report, the Board comprised one female Board member, in which case the Board considered gender diversity has been achieved. While conscious efforts are being taken by the Company to fulfil its Board Diversity Policy, all appointments are ultimately made on a merit basis taking into account available and suitable candidates.

The Nominations Committee will review the implementation of the Board Diversity Policy at least annually and make recommendation on any proposed changes to the Board for the Board's review and approval to ensure its continued appropriateness and effectiveness. The Board and the Nomination Committee had reviewed the implementation and effectiveness of the board diversity policy and was of the view that the board diversity policy and its implementation was sufficient and effective.



## Corporate Governance Report

For recruiting potential successors to the Board to achieve Board diversity including gender diversity, the Board would prepare a list of desirable skills, experience, qualifications, gender or perspectives which the candidate should have. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

### Workforce Diversity

As at 31 December 2023, the gender ratio (male to female) in the workforce (including senior management) of the Company is 237:52. The Company recognises the importance of gender diversity and endeavours to take steps to promote gender diversity at all levels of the Company (including the Board).

The Group strictly adheres to fair and appropriate employment practices and labour standards. The Group provides job applicants and employees with equal opportunities of employment and promotion, and prohibits all forms of discrimination on gender, religion, race, disability or age. The Board considered that gender diversity of the workforce of the Group has been well maintained during FY2023. As such, the plan for the Group in terms of gender diversity in workforce is to maintain the current balance of gender diversity in the foreseeable future.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 75 to 79 of this annual report.

## AUDITOR'S REMUNERATION

The remuneration paid/payable to BDO Limited, the external auditor of the Company in respect of the services related to the Listing amounted to RMB1,632,000.

During FY2023, the total fee paid/payable in respect of services (excluding listing relating services) provided by BDO Limited is set out below:

<b>Service category</b>	<b>Fees paid/ payable RMB'000</b>
Audit services	1,000
Non-audit services	300
	<hr/>
	1,300

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for evaluating and determining the nature and extent of the risks to take in achieving the Group's strategic objectives. The Group has not established a separate internal audit department; however, procedures are in place to provide adequate resources and qualified personnel to carry out the duties of the internal audit function, including annual review of the effectiveness of risk management and internal control. The Group has engaged an external independent internal control consultant to conduct a review on the internal control and risk management systems of the Group for the Listing and to report their findings to the Audit Committee and the Board annually. The scope of review covered overall management control, risk assessment and management, control procedures for revenue, purchasing, property, plant and equipment and human resource management.

Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

## COMPANY SECRETARY

The Company Secretary is Ms. Chan Kit Ming whose biographical details are set out in the section headed "Biography of Directors and Senior Management" in this annual report.

Mr. Yang Zhongjie, the Chairman and executive Director, is the primary corporate contact person of the Company with the Company secretary. Ms. Chan Kit Ming has confirmed that she had attained no less than 15 hours of relevant professional training during FY2023 as required by Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

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

## CONVENING AN EXTRAORDINARY GENERAL MEETING

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

## PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary. The Company will not normally deal with verbal or anonymous enquiries.

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

Shareholders may also make enquiries with the Board at the general meetings of the Company.





# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through AGMs and other extraordinary general meetings.

At the annual general meeting ("**AGM**"), Directors (or their delegates as appropriate) are available to meet the shareholders and answer their enquiries. The Company maintains a website at [www.ztcon.com](http://www.ztcon.com) as a communication platform with the Shareholders and investors, where the financial information and other relevant information of the Company are available for public access.

### The Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy, details of which is summarised below:

#### **Shareholders' Meetings**

- The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and its shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.
- Notices of the general meetings, related circulars and forms of proxy are provided within a prescribed time prior to the general meetings on Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.ztcon.com](http://www.ztcon.com)) and by post to the shareholders.
- The Directors, in particular, the chairman of the Board committees or their delegates, appropriate senior executives and external auditor will attend the general meetings to answer the shareholders' questions.
- The chairman of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the Articles of Association. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.ztcon.com](http://www.ztcon.com)) subsequent to the close of the general meetings.

#### **Corporate Communications**

- The Company will send (by post or by electronic means as permitted by the Articles of Association or the Listing Rules) corporate communications of the Company, which include annual reports, interim reports, notices of shareholders' meeting, listing documents, circulars, and proxy forms, to the shareholders.
- Shareholders are encouraged to provide their up-to-date contact details to the Hong Kong branch share registrar of the Company ("**Hong Kong Share Registrar**"), Boardroom Share Registrars (HK) Limited, in order to facilitate timely and effective communications.

## **Company's Website**

- The Company's website ([www.ztcon.com](http://www.ztcon.com)) provides the shareholders with corporate information on the Group. It also provides information on corporate governance of the Group and the compositions and functions of the Board and the committees of the Board.
- In addition to the "Investor Relations" section in which corporate communications of the Company are posted as soon as practicable following their release on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)), press releases and newsletters issued by the Company from time to time are also available on the Company's website to facilitate communication between the Company, shareholders and investment community.
- Information on the Company's website is updated on a regular basis.

## **Communication with the Company**

Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to Suite 913, 9/F, Chinachem Golden Plaza, No. 77 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The Company highly values the views and comments of shareholders' and relevant stakeholders to the Company and would invite the shareholders' and relevant stakeholders to communicate with the Company by employing the abovementioned means.

The Board is of the view that the shareholders' communication policy implemented since the Listing Date and up to 31 December 2023 was sufficient and effective.

## **CONSTITUTIONAL DOCUMENTS**

The amended and restated memorandum and articles of association of the Company for the purpose of the Listing was adopted by the Company on 10 March 2023. There was no change in the constitutional documents of the Company since the Listing Date and up to 31 December 2023.

The amended and restated memorandum and articles of association of the Company are available on the respective websites of the Stock Exchange and the Company.



# Directors' Report

## DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in general contracting construction in the PRC. There was no significant change in the Group's principal activities during FY2023.

## PRINCIPAL PLACE OF BUSINESS

The Company is an exempted company incorporated in the Cayman Islands on 27 March 2020 with limited liability. The registered office of the Company is located at 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit E, 17th Floor, 8 Hart Avenue, Tsim Sha Tsui, Kowloon, Hong Kong and the headquarters and principal place of business of the Company in the PRC is located at No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC.

## CORPORATE REORGANISATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 27 March 2020.

In preparation for the Listing, the Group underwent a reorganisation (the **"Reorganisation"**), details of which are set out in the paragraph headed "History, Development and Reorganisation — Reorganisation" in the Prospectus.

The Company's shares were listed on the Main Board of the Stock Exchange on 30 March 2023.

## SEGMENT INFORMATION

An analysis of the Group's performance for FY2023 by operating segment is set out in note 6 to the consolidated financial statements.

## RESULTS AND DIVIDEND

The results of the Group for FY2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80.

The Board did not recommend the payment of a final dividend for FY2023. There is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

## DIVIDEND AND DIVIDEND POLICY

In considering the payment of dividends, the Board endeavours to strike a balance between the Shareholders' interests and prudent capital management. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:-

- a) results of operations of the Group;
- b) financial condition of the Group;
- c) profitability of the Group;
- d) business development of the Group;
- e) prospects of the Group;
- f) capital and debt level of the Group;
- g) working capital of the Group;
- h) capital requirements of the Group;
- i) future cash requirements and availability for business operations, business strategies and future development needs;
- j) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- k) the general market conditions and economic outlook; and
- l) any other factors that the Board considers appropriate.

## CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled to be held on 28 May 2024 (the "2024 AGM"). For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from 23 May 2024 to 28 May 2024, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Hong Kong Share Registrar at Room 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on 18 May 2023.

## BUSINESS REVIEW

The review of the Group's business for FY2023 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 12 of this annual report.



## Directors' Report

### COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2023, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

### RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During FY2023, there were no material and significant disputes between the Group and its suppliers, customers and/or stakeholders.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during FY2023 are set out in note 15 to the consolidated financial statements.

### BANK BORROWINGS

Details of movements in the bank borrowings of the Group during FY2023 are set out in note 27 to the consolidated financial statements.

### SHARE CAPITAL

Details of movement in the Company's share capital during FY2023 are set out in note 28 to the consolidated financial statements.

### RESERVES

Details of movements in the reserves of the Company and the Group during FY2023 are set out on page 83 and in the consolidated statement of changes in equity respectively.

As of 31 December 2023, the Company had distribution reserves amounted to approximately RMB76,983,000 (2022: Nil).

## DIRECTORS

The Directors of the Company during FY2023 and up to the date of this annual report were as follow:

### Executive Directors:

Mr. Yang Zhongjie (*Chairman*)  
Mr. Liu Xiaohong (*Chief Executive Officer*)  
Mr. Min Shixiong  
Mr. Shen Qiang  
Mr. Chen Weiwu

### Independent Non-executive Directors:

Dr. Liu Jianlong  
Ms. Deng Jianhua  
Mr. Lau Kwok Fai Patrick

The Directors' biographical details are set out in the section headed "Biography of Directors and Senior Management" in this annual report. Information regarding Directors' emoluments are set out in note 14 to the consolidated financial statements.

## SERVICE CONTRACTS OF THE DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least three months' written notice of non-renewal before the expiry of the then existing term. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least one month's written notice of non-renewal before the expiry of the then existing term.

## DIRECTORS' RETIREMENT AND RE-ELECTION

In accordance with Article 112 of the Articles of Association, each of the Directors will hold office until the forthcoming AGM and will then be eligible for re-election. None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).



# Directors' Report

## EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualification, position, seniority and experience) and various in-house training courses. Share options may also be granted to eligible employees. The remuneration packages are subject to review on a regular basis.

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration, having regard to market competitiveness, individual performance and achievement. The Company has conditionally adopted a share option scheme on 10 March 2023 (the **"Share Option Scheme"**), details of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix V to the Prospectus, as an incentive to Directors and the relevant eligible participants.

## DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or an entity connected the Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 December 2023.

## COMPETING INTERESTS

During FY2023, none of the Directors, controlling shareholder of the Company, Hunan Zhongtian Holdings Group Company Limited\* (湖南中天控股集團股份有限公司) (**"Zhongtian Holdings"**) and their respective close associates had any business or interest that competes or may compete with the business of the Group nor had any other conflicts of interest with the Group.

A deed of non-competition dated 17 March 2023 has been entered into by ZT (A) Limited (**"ZT (A)"**), the controlling shareholder of the Company within the meaning of the Listing Rules, and Zhongtian Holdings (collectively the **"Covenantors"**) in favour of the Company regarding certain non-competition undertakings given by the Covenantors in favour of the Company. The details of this deed of non-competition have been disclosed in the section headed "Relationship with our Controlling Shareholder" in the Prospectus.

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business for the year ended 31 December 2023, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

## CONNECTED TRANSACTIONS

Zhongtian Holdings is a company established in the PRC with limited liability and is an investment holding company. Zhongtian Holdings was the holding company which held approximately 74.97% of the share capital of Zhongtian Construction immediately before the Reorganisation in preparation for the Listing. The shareholding of the shareholders of ZT (A) is proportional to their respective shareholding in Zhongtian Holdings immediately before the Reorganisation. In order to ensure the interests of our shareholders as a whole are taken into account when we enter into transactions with Zhongtian Holdings and its associates after the Listing, we voluntarily deemed Zhongtian Holdings and its associates as our connected persons which include the following entities and comply with Chapter 14A of the Listing Rules since the Listing:

- Hunan Hengji Real Estate Development Company Limited\* (湖南中天恒基房地產開發有限公司) (**"Hengji Real Estate"**) is a company established in the PRC with limited liability and principally engages in property development, which was owned by Zhongtian Holdings as to approximately 85.82%.

- Zhuzhou Wuguang New Milestone Investment Development Company Limited\* (株洲武廣新里程投資發展有限責任公司) (“**Wuguang Investment**”) is a company established in the PRC with limited liability and principally engages in property development, which was wholly-owned by Hengji Real Estate.
- Hunan Fangge Intelligence Technology Company Limited\* (湖南方格智能節能科技股份有限公司) (“**Fangge Intelligence**”) is a company limited by shares established in the PRC and principally engages in the provision of ancillary building services and computer software, which was owned by Zhongtian Holdings as to 70.00%.
- Hunan Zhongtian Hangxiao Structural Technology Company Limited\* (湖南中天杭蕭鋼構科技股份有限公司) (“**Hangxiao Technology**”) is a company limited by shares established in the PRC and principally engages in the design and manufacture of steel structure, which was owned by Zhongtian Holdings as to 68.29%.
- Zhuzhou Puhui Commercial Management Company Limited\* (株洲普惠商業管理股份有限公司) (“**Puhui Commercial**”) is a company limited by shares established in the PRC and principally engages in property leasing, which was owned by Zhongtian Holdings as to approximately 74.97%.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions constituted continuing connected transactions of the Group since the Listing Date, which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

#### 1. Provision of construction services under the Construction Services Framework Agreements

On 10 March 2023, Zhongtian Construction entered into a construction services framework agreement (collectively the “**Construction Services Framework Agreements**”) with each of Hengji Real Estate, Wuguang Investment and Hangxiao Technology, respectively, pursuant to which Zhongtian Construction agreed to provide general building construction services and renovation and decoration building services to Hengji Real Estate, Wuguang Investment and Hangxiao Technology. The term of the Construction Services Framework Agreements commenced on the Listing Date and shall end on 31 December 2025. Zhongtian Construction will enter into separate construction contracts with Hengji Real Estate, Wuguang Investment or Hangxiao Technology (as the case may be) which specify and record the terms and provisions of the specific project to be carried out in accordance with the principles and terms of the Construction Services Framework Agreements in all material aspects.



## Directors' Report

The annual caps for construction services fee to be paid by Hengji Real Estate, Wuguang Investment and Hangxiao Technology in relation to the construction services under the Construction Services Framework Agreements for each of the years ended/ending 31 December 2023 (“FY2023”), 2024 (“FY2024”) and 2025 (“FY2025”) are set out as follows:

	<b>FY2023</b> <b>RMB'000</b>	<b>FY2024</b> <b>RMB'000</b>	<b>FY2025</b> <b>RMB'000</b>
Hengji Real Estate	50,000	30,000	50,000
Wuguang Investment	330,000	330,000	330,000
Hangxiao Technology	10,500	6,000	6,000
Total	390,500	366,000	386,000

Since certain applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Construction Services Framework Agreements, on an annual basis, expected to be more than 25% and the annual consideration is more than HK\$10 million, the transactions contemplated under the Construction Services Framework Agreements constitute non-exempt continuing connected transactions and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the year ended 31 December 2023, the construction services fee paid by Hengji Real Estate, Wuguang Investment and Hangxiao Technology in relation to the construction services under the Construction Services Framework Agreements amounted to approximately RMB5,820,000 (2022: approximately RMB51,653,000), approximately RMB188,085,000 (2022: approximately RMB212,372,000) and approximately RMB917,000 (2022: approximately RMB1,482,000), respectively.

## 2. Procurement of raw materials and services under the Procurement Framework Agreements

On 10 March 2023, Zhongtian Construction entered into a procurement framework agreement (collectively the “**Procurement Framework Agreements**”) with each of Fangge Intelligence and Hangxiao Technology, respectively, pursuant to which (i) Fangge Intelligence agreed to provide ancillary building services in relation to insulation, installation of surveillance system and intelligent system etc. to Zhongtian Construction; and (ii) Hangxiao Technology agreed to provide prefabricated steel structure products and processing services for prefabricated steel structure products to Zhongtian Construction. The term of the Procurement Framework Agreements commenced on the Listing Date and shall end on 31 December 2025. Zhongtian Construction will enter into separate contracts with Fangge Intelligence or Hangxiao Technology (as the case may be) which specify and record the terms and provisions of the specific procurement transaction to be carried out in accordance with the principles and terms of the Procurement Framework Agreements in all material aspects.

The annual caps for procurement of raw materials and services from Fangge Intelligence and Hangxiao Technology under the Procurement Framework Agreements for each of FY2023, FY2024 and FY2025 are set out as follows:

	<b>FY2023</b> <b>RMB'000</b>	<b>FY2024</b> <b>RMB'000</b>	<b>FY2025</b> <b>RMB'000</b>
Fangge Intelligence	10,000	10,000	10,000
Hangxiao Technology	150,000	150,000	150,000
Total	160,000	160,000	160,000

Since certain applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Procurement Framework Agreements, on an annual basis, expected to be more than 25% and the annual consideration is more than HK\$10 million, the transactions contemplated under the Procurement Framework Agreements constitute non-exempt continuing connected transactions and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the year ended 31 December 2023, the fee paid to Fangge Intelligence and Hangxiao Technology under the Procurement Framework Agreements amounted to approximately RMBNil (2022: approximately RMB6,571,000) and approximately RMB111,410,000 (2022: approximately RMB70,687,000), respectively.

For details of the above continuing connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

### Annual review

Pursuant to Rule 14A.55 of the Listing Rules, the non-exempt continuing connected transactions mentioned above have been reviewed by the independent non-executive Directors who have confirmed that the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Directors, including the Independent Non-executive Directors, are also of the view that the annual caps are fair and reasonable as far as our shareholders taken as a whole are concerned.

The Directors confirm that they have received a confirmation from its auditor, that nothing has come to draw their attention regarding the matters as stated in Chapter 14A.56 of the Listing Rules for the continuing connected transactions.

The Directors confirm that the disclosure requirement in accordance with Chapter 14A of the Listing Rules has been complied with by the Company.



# Directors' Report

## RELATED PARTY TRANSACTIONS

Related party transactions during FY2023 which are disclosed in note 36 to the consolidated financial statements in this annual report constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of the aforesaid transactions.

## MANAGEMENT CONTRACTS

The Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during FY2023.

## SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the written resolutions of the Company's shareholders passed on 10 March 2023 (the "**Adoption Date**"). Since the Listing Date and up to 31 December 2023, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme. In line with the amended Chapter 17 of the Listing Rules, which was effective from 1 January 2023, a summary of the terms of the Share Option Scheme is set out below:

### 1) Purpose

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentive or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

### 2) Qualifying participants

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time and from time to time within the period of ten years after the date of adoption of the Scheme to make an offer to any of the following classes of persons:

- (i) any Directors and employees of our Group (including persons who are granted options under the Share Option Scheme as an inducement to enter into employment contracts with any member of our Group) ("**Employee Participants**");
- (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company; and
- (iii) persons who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group, which may include persons who work for the member of our Group as independent contractors where the continuity and frequency of his/her service is akin to those of employees ("**Service Providers**"), but excluding any (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

### 3) Maximum number of the Shares

The total number of Shares which may be allotted and issued in respect of all options to be granted under the Share Option Scheme and any other share option schemes and share award schemes of our Group shall not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in our Shares first commence on the Stock Exchange, being 48,000,000 Shares ("**Scheme Mandate Limit**") unless our Company obtains an approval from our Shareholders pursuant to the terms of the Share Option Scheme. The options which are cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme(s) or share award scheme(s) of our Company shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

Subject to the Scheme Mandate Limit, the total number of Shares which may be allotted and issued in respect of all Options to be granted under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Group to Service Providers shall be within the Scheme Mandate Limit and must not in aggregate exceed one (1) per cent of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being 4,800,000 Shares ("**Service Provider Sublimit**") unless our Company obtains an approval from our Shareholders pursuant to the terms of the Share Option Scheme.

As at the Listing Date and 31 December 2023, no Share options has been granted by the Company and the outstanding number of Share options available for grant under the Share Option Scheme is 48,000,000 Share options to subscribe for the Shares, representing approximately 10% of the issued share capital of the Company, out of which the outstanding number of Share options available for grant under the Service Provider Sublimit is 4,800,000 Shares options to subscribe for the Shares, representing approximately 1% of the issued share capital of the Company.

### 4) Limit for each participant

The total number of Shares issued and which may fall to be issued upon exercise of any option which may be granted under the Share Option Scheme and any option or awards which may be granted under any other share option scheme and share award scheme of our Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) to each grantee in any 12-month period up to and including the date of such grant shall not exceed 1% of the issued share capital of our Company for the time being ("**1% Individual Limit**"). Where any further grant of options under the Share Option Scheme to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options and awards granted and proposed to be granted to such person (including exercised, cancelled and outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) under the Share Option Scheme and any other share option schemes and share award scheme of our Group in the 12-month period up to and including the date of such further grant exceeding the 1% Individual Limit, such further grant must be separately approved by our Shareholders in a general meeting with such grantee and their close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms of the options to be further granted to such Grantee must be fixed before shareholders' approval. In respect of any options to be further granted, the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

### 5) Exercise of an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee but in any event shall not be more than ten (10) years from the offer date of that option.



## Directors' Report

### 6) Vesting Period and performance targets

The vesting period for Options shall be determined by the Board and in any case, shall not be less than twelve (12) months. A shorter vesting period may be granted to an Employee Participant at the discretion of the Board in the following circumstances:

- (i) grants of “make-whole” options to new joiners to replace the share awards they forfeited when leaving the previous employer;
- (ii) grants of options to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (iii) grants of options with performance-based vesting conditions in lieu of time-based vesting criteria;
- (iv) grants of options that are made in batches during a year for administrative and compliance reasons;
- (v) grants of options with a mixed or accelerated vesting schedule such as where the option may vest evenly over a period of 12 months; and
- (vi) grants of options with a total vesting and holding period of more than 12 months.

The Board may determine and set any performance targets, which shall be stated in the offer to the grantee, to be attained before the exercise of an option granted to the grantee as the Board may think fit. Such performance targets may include: (i) aggregate amount of revenue or business generated by the specific grantee during a financial year; (ii) annual growth on the revenue of our Group as compared to the immediately preceding financial year; or (iii) any measurable performance benchmark which the Board considers is relevant to the grantee.

### 7) Acceptance and payment on acceptance

The options granted under the Share Option Scheme shall remain open for acceptance for a period of up to 21 days from the date on which the options are offered to an eligible person. Upon acceptance of the option, the eligible person shall pay HK\$1 to the Company as consideration for the grant.

### 8) Subscription price

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and (iii) the nominal value of a Share.

### 9) Remaining life of the Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing from the Adoption Date (which will be on 9 March 2033) after which no further option shall be granted.

## TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times from the Listing date and up to 31 December 2023.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### (i) Interest in our Shares

Name of Director/ chief executive	Capacity/Nature of interest directly and indirectly held	Relevant company	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Yang Zhongjie ("Mr. Yang")	Interest in a controlled corporation/Interest of spouse (Note 2)	ZT (E) Limited (" <b>ZT (E)</b> ")	13,164,000 (L)	2.74%
Mr. Liu Xiaohong ("Mr. Liu")	Interest in a controlled corporation (Note 3)	ZT (F) Limited (" <b>ZT (F)</b> ")	3,376,000 (L)	0.70%
Mr. Chen Weiwu ("Mr. Chen")	Interest in a controlled corporation/Interest of spouse (Note 4)	ZT (H) Limited (" <b>ZT (H)</b> ")	1,770,000 (L)	0.37%
Mr. Shen Qiang ("Mr. Shen")	Interest in a controlled corporation (Note 5)	ZT (I) Limited (" <b>ZT (I)</b> ")	1,314,000 (L)	0.27%
Mr. Min Shixiong ("Mr. Min")	Interest in a controlled corporation (Note 6)	ZT (K) Limited (" <b>ZT (K)</b> ")	812,000 (L)	0.17%

# Directors' Report

## Notes:

- (1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
- (2) ZT (E) is owned as to approximately 77.93% by Mr. Yang and 22.07% by Ms. Gan Yinghua (甘映華). Ms. Gan Yinghua is the spouse of Mr. Yang. Mr. Yang is deemed to be interested in all the Shares held by Ms. Gan Yinghua by virtue of the SFO. Under the SFO, Mr. Yang is deemed to be interested in 100% of the Shares held by ZT (E).
- (3) ZT (F) is wholly-owned by Mr. Liu. Under the SFO, Mr. Liu is deemed to be interested in all the Shares held by ZT (F).
- (4) ZT (H) is owned as to approximately 94.97% by Mr. Chen and 5.03% by Ms. Yang Zhonghua (楊中華). Ms. Yang Zhonghua is the spouse of Mr. Chen. Mr. Chen is deemed to be interested in all the Shares held by Ms. Yang Zhonghua by virtue of the SFO. Under the SFO, Mr. Chen is deemed to be interested in 100% of the Shares held by ZT (H).
- (5) ZT (I) is wholly-owned by Mr. Shen. Under the SFO, Mr. Shen is deemed to be interested in all the Shares held by ZT (I).
- (6) ZT (K) is wholly-owned by Mr. Min. Under the SFO, Mr. Min is deemed to be interested in all the Shares held by ZT (K).

## (ii) Interest in our Company's associated corporations

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest directly and indirectly held	Number of shares of/capital contribution in associated corporation (Note 1)	Approximate percentage of shareholding/ equity interest of associated corporation
Mr. Yang	ZT (A) (Note 2)	Beneficial owner/Interest of spouse (Note 3)	21,831 (L)	29.12%
Mr. Liu	ZT (A) (Note 2)	Beneficial owner	4,621 (L)	6.16%
Mr. Chen	ZT (A) (Note 2)	Beneficial owner	2,195 (L)	2.93%
Mr. Min	ZT (A) (Note 2)	Beneficial owner/Interest of spouse (Note 4)	1,253 (L)	1.67%
Mr. Shen	ZT (A) (Note 2)	Beneficial owner	985 (L)	1.31%
Mr. Yang	Zhongtian Construction (Note 5)	Beneficial owner	108,049 (L)	0.17%
Mr. Liu	Zhongtian Construction (Note 5)	Beneficial owner	35,550 (L)	0.06%
Mr. Chen	Zhongtian Construction (Note 5)	Beneficial owner	17,681 (L)	0.03%
Mr. Shen	Zhongtian Construction (Note 5)	Beneficial owner	13,834 (L)	0.02%
Mr. Min	Zhongtian Construction (Note 5)	Beneficial owner	8,554 (L)	0.01%
Mr. Min	Zhuzhou Kaida Lifting Apparatus Leasing Company Limited ("Kaida Apparatus") (Note 6)	Beneficial owner	RMB76,000 (L)	1.17%

Notes:

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company is owned as to approximately 55.62% by ZT (A). Under the SFO, ZT (A) is an associated corporation of our Company.
- (3) ZT (A) is owned as to approximately 25.24% by Mr. Yang and 3.88% by Ms. Gan Yinghua. Ms. Gan Yinghua is the spouse of Mr. Yang. Mr. Yang is deemed to be interested in all the Shares held by Ms. Gan Yinghua by virtue of the SFO.
- (4) ZT (A) is owned as to approximately 1.30% by Mr. Min and 0.37% by Ms. Yang Bingquan (楊冰泉). Ms. Yang Bingquan is the spouse of Mr. Min. Mr. Min is deemed to be interested in all the Shares held by Ms. Yang Bingquan by virtue of the SFO.
- (5) Zhongtian Construction is owned as to approximately 99.5% by Hangxiao Materials, which is owned as to approximately 99.99% by Zhaolin Trading, which is an indirect wholly-owned subsidiary of our Company. Under the SFO, Zhongtian Construction is an associated corporation of our Company.
- (6) Kaida Apparatus is owned as to approximately 56.99% by Zhongtian Construction. Under the SFO, Kaida Apparatus is an associated corporation of our Company.

Save as disclosed above, as at 31 December 2023, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2023, so far as it is known to or otherwise notified by any Director or the chief executive of the Company, the following persons/entities (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Percentage of interest
ZT (A) (Note 2)	Beneficial owner	266,965,000 (L)	55.62%
ZT (M) Limited (“ <b>ZT (M)</b> ”) (Note 3)	Beneficial owner	27,814,000 (L)	5.79%

Notes:

1. The letter “L” denotes a person’s/corporation’s “long position” (as defined under Part XV of the SFO) in the Shares.





## Directors' Report

2. ZT (A) is owned by 79 individual shareholders including 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% and 67 individuals who are Independent Third Parties including our employees as to approximately 50.96%, and none of such individual shareholders, together with his/her respective close associates, controls one-third or more of the voting power at the general meetings of ZT (A).
3. ZT (M) was held by 25 Independent Third Parties including our employees and ex-employees, with each of the Independent Third Parties holding approximately 0.04% to 20.42%, and none of such individual shareholders, together with his/her respective close associates, controls one-third or more of the voting power at the general meetings of ZT (M).

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than shareholdings disclosed above, at no time during FY2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 35.9% (2022: 37.0%) and 9.7% (2022: 14.0%) of the Group's total revenue respectively.

During the year ended 31 December 2023, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 19.5% (2022: 21.9%) and 6.0% (2022: 6.1%) of the Group's total purchases respectively.

Hengji Real Estate, Hangxiao Technology and Fangge Intelligence are owned by Zhongtian Holdings as to 85.82%, 68.29% and 70.00% and Wuguang Investment is wholly-owned by Hengji Real Estate. ZT (A), the controlling shareholder of the Company, is owned by the same group of shareholders of Zhongtian Holdings proportional to their respective shareholdings (subject to rounding) in Zhongtian Holdings immediately before the Reorganisation. Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence are deemed connected persons of our Company. For details of the relationship and transactions between our Group and Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence, please refer to the section headed "Connected Transactions" in this annual report. To the best knowledge of our Directors, save for the indirect interest of the shareholders of ZT (A) in Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence, none of the Directors, their respective close associates or any shareholder of the Company, who owns more than 5% of the issued share capital of the Company, had any interest in any of the top five customers and top five suppliers of the Group for the year ended 31 December 2023.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities since the Listing Date.

## PERMITTED INDEMNITY PROVISION

Every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities secured or sustained by him as a director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

## CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 13 to 25 of this annual report.

## AUDITOR

The consolidated financial statements of the Group for FY2023 have been audited by BDO Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

**Mr. Yang Zhongjie**

*Chairman*



# Biography of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Yang Zhongjie (楊中杰先生)**, whose former Chinese name was 楊忠杰, aged 55, was appointed as our Director on 27 March 2020 and was re-designated as our executive Director on 3 April 2020. He also serves as chairman of our Board. He is primarily responsible for the overall management and formulation of business strategies of our Group. He is also a director of four of our subsidiaries, namely Head Sage Limited, Zhongtian Holdings (Hong Kong) Limited, Zhuzhou Zhaolin Trading Company Limited and Zhongtian Construction.

He is the chairperson of our nomination committee.

Mr. Yang has over 25 years of experience in the construction industry and has been serving as the management of our Group for over 15 years. Mr. Yang joined our Group in July 1990. From July 1990 to August 2001, he served in various positions in Zhongtian Construction including (i) office secretary responsible for handling office administrative matters; (ii) deputy director responsible for overseeing publications and administrative matters; (iii) production management manager responsible for overseeing the operation of the production management department; and (iv) the chief economist responsible for overseeing operations, bidding and contract management.

Mr. Yang rejoined our Group in March 2004 as the chairman of Zhongtian Construction. Mr. Yang was also the general manager of Zhongtian Construction from March 2004 to January 2013, where he was responsible for overseeing the day-to-day management of Zhongtian Construction. For Mr. Yang's directorship in businesses not forming part of our Group, please refer to the section headed "Relationship with our Controlling Shareholder" in the Prospectus.

Mr. Yang graduated from Southwest Jiaotong University (西南交通大學) in December 2003 with a master's degree in business administration. Mr. Yang was the visiting scholar at San Francisco State University from July 2015 to July 2016. Mr. Yang graduated from Central South University (中南大學) in June 2020 with a doctorate degree in civil engineering planning and management. Mr. Yang was accredited as a first-grade certified constructor (一級建造師) by the Ministry of Housing and Urban-rural Development of the PRC (中華人民共和國住房和城鄉建設部) ("MOHURD") in April 2008, a senior economist (高級經濟師) by the Personnel Department of Hunan Province (湖南省人事廳) in September 2008 and a professional senior economist (正高級經濟師) by the Hunan Human Resources and Social Security Office\* (湖南省人力資源和社會保障廳) in December 2021.

Mr. Yang was awarded the "Outstanding Businessman of Zhuzhou in 2005" (二零零五年度株洲市優秀企業家) by the Zhuzhou Economy Committee\* (株洲市經濟委員會) and Zhuzhou Entrepreneur Association\* (株洲市企業家協會).

Mr. Yang is the brother-in-law of Mr. Chen, our executive Director.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

## Biography of Directors and Senior Management

**Mr. Liu Xiaohong (劉小紅先生)**, aged 49, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation of our Group. Mr. Liu is the chief executive officer of our Group and general manager of Zhongtian Construction. He is also a director of one of our subsidiaries, namely Zhongtian Construction. He is a member of our remuneration committee.

Mr. Liu has over 25 years of experience in the construction industry. Mr. Liu joined our Group in July 1994. He served in Zhongtian Construction as (i) technician and construction worker responsible for handling technical issues of construction projects and on-site project management from July 1994 to February 1999; and (ii) technical manager responsible for coordinating technical operation of construction projects, deputy director of engineering team responsible for overseeing construction management of projects, quality control manager responsible for managing quality and safety inspection of projects, and project manager responsible for project management from March 1999 to February 2004. He was promoted to the head of market operations in March 2004 and was further promoted to deputy general manager in April 2008. Mr. Liu was later promoted as a director and executive deputy general manager in January 2010, where he was responsible for supervising the overall management and operation of Zhongtian Construction. He has been acting as the vice chairman and general manager of Zhongtian Construction since February 2013.

Mr. Liu obtained a professional diploma in industrial and civil architecture (工業與民用建築專業) from the Hunan Province School of Architecture\* (湖南省建築學校) (currently known as the Hunan Urban Construction College\* (湖南城建職業技術學院)) in July 1994. Mr. Liu studied civil engineering at Wuhan University of Technology (武漢理工大學) through distance learning and graduated in January 2014. Mr. Liu was accredited as a first-grade certified constructor by MOHURD in January 2011. Mr. Liu was also accredited as an engineer and senior engineer by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 1999 and December 2011, respectively.

Mr. Liu was named as the “Outstanding Individual in Construction Project Quality and Safety Management in 2012” (2012年度建設工程質量安全管理工作先進個人) by ZHURD in March 2013. He was awarded the “Outstanding Businessman in Construction Industry of Zhuzhou in 2017” (二零一七年度株洲市建築業優秀企業家) by the Zhuzhou Construction Industry Association (株洲市建築業協會) in February 2018. He was awarded the “Outstanding Businessman of Zhuzhou” (株洲市優秀企業家) by the Zhuzhou Entrepreneur Association (株洲市企業家協會) and Zhuzhou Enterprise Federation (株洲市企業聯合會) in December 2018. Mr. Liu was awarded the “Outstanding Business Manager in Construction Industry of Zhuzhou in 2019” (二零一九年度株洲市建築業優秀企業經理) by the Zhuzhou Construction Industry Association (株洲市建築業協會).

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

**Mr. Min Shixiong (閔世雄先生)**, aged 51, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation of our Group. Mr. Min is the deputy general manager of Zhongtian Construction. He is also a director of two of our subsidiaries, namely Zhongtian Construction and Kaida Apparatus.

Mr. Min has over 20 years of experience in the construction industry. Mr. Min joined our Group in June 1995. From June 1995 to March 2004, he served in various positions in Zhongtian Construction, including construction worker responsible for on-site project management; and technician of construction department responsible for technical guidance and management for construction projects. From March 2004 to February 2013, he served as a project manager of Zhongtian Construction, where he was responsible for overseeing management of construction projects. He was promoted to deputy general manager in February 2013, where he was responsible for overseeing the quality and safety department, and was later promoted to director of Zhongtian Construction in May 2016. From February 2013 to May 2019, Mr. Min was the director of Hunan Zhongtian Building Safety Technology Company Limited\* (湖南中天建築安全科技有限公司). Since February 2013, Mr. Min has been the director of Kaida Apparatus.



## Biography of Directors and Senior Management

Mr. Min graduated from Zhuzhou College of Engineering\* (株洲工學院) (currently known as Hunan University of Technology (湖南工業大學)) majoring in urban construction in July 1995.

Mr. Min was accredited as a first-grade certified constructor (一級建造師) by MOHURD in April 2008. Mr. Min was also accredited as a senior engineer by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 2015.

A construction project managed by Mr. Min received the Award for outstanding construction project in Hunan (湖南省優質工程) from Hunan Construction Industry Association (湖南省建築業協會) in June 2013.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

**Mr. Shen Qiang (沈强先生)**, aged 50, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation and the costs control of our Group. Mr. Shen is the deputy general manager of Zhongtian Construction. He is also a director of one of our subsidiaries, namely Zhongtian Construction.

Mr. Shen has over 20 years of experience in financial management in the construction industry. Prior to joining our Group, he worked in Zhongtie Zhuzhou Bridge Company Limited\* (中鐵株洲橋樑有限公司), a company primarily engaging in railway special track laying and bridge prefabrication, from July 1995 to May 2008 with his last position being the head of financial department of branch office, where he was responsible for overseeing the financial management of branch office. Mr. Shen joined our Group as financial personnel of Zhongtian Construction in June 2008, where he was responsible for financial management of branch offices. He was promoted to the head of financial department in February 2013, where he was responsible for overseeing financial department. He was later promoted to chief accountant in February 2016, where he was responsible for supervising overall financial operation. Mr. Shen was the finance director of Zhongtian Construction from May 2016 to August 2022. He has been the deputy general manager of Zhongtian Construction since August 2022.

Mr. Shen graduated from the Hunan Network Engineering Vocational College\* (湖南廣播電視大學) majoring in accounting and computer in July 1995. He studied accounting at Open University of China (國家開放大學) and graduated in January 2016. Mr. Shen was accredited as an intermediate accountant by the Ministry of Finance of the PRC (中華人民共和國財政部) and senior accountant by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in May 2006 and December 2016, respectively.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

**Mr. Chen Weiwu (陳衛武先生)**, aged 49, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation of our Group. He is also a director of one of our subsidiaries, namely Zhongtian Construction.

Mr. Chen has over 25 years of experience in the construction industry. Mr. Chen joined Zhongtian Construction in June 1993 as a project manager, where he was responsible for management of construction projects. He was promoted to branch office manager, where he was responsible for overseeing management of the branch office, in May 2016. Mr. Chen was appointed as merchandising evaluation expert of the Hunan Provincial Government (湖南省政府採購評審專家庫專家) by the Hunan Provincial Department of Finance (湖南省財政廳) in September 2018 and comprehensive evaluation expert of Hunan Province by the People's Government of Hunan Province in January 2019 for various areas, including construction and municipal public works. Mr. Chen was appointed as safety and technical expert for building construction (建築施工安全技術專家庫專家) of Hunan Province by the Department of Housing and Urban-Rural Development of Hunan Province (湖南省住房和城鄉建設廳) in July 2019.

## Biography of Directors and Senior Management

Mr. Chen studied civil engineering at Hunan University of Technology (湖南工業大學) and graduated in July 2006. He obtained a master's degree in business administration for senior management from Hunan University (湖南大學) through distance learning in June 2015. He was also accredited as a first-grade certified constructor (一級建造師) by MOHURD in April 2008. He was accredited as an engineer and a senior engineer by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 2001 and December 2016, respectively.

From 2008 to 2019, various construction projects managed by Mr. Chen received the outstanding construction project in Hunan (湖南省優質工程) granted by the Hunan Construction Industry Association (湖南省建築業協會). A construction project managed by Mr. Chen obtained the Furong Prize (芙蓉獎) in December 2017, which is the highest honour for construction quality in Hunan awarded by Hunan Association of Construction Industry.

Mr. Chen is the brother-in-law of Mr. Yang, our executive Director and chairman of our Board.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years

### Independent non-executive Directors

**Dr. Liu Jianlong (劉建龍博士)**, aged 50, was appointed as our independent non-executive Director on 10 March 2023. He is a member of the Audit Committee and Nomination Committee.

Dr. Liu has over 15 years of experience in the construction industry. He has been teaching at Hunan University of Technology since September 2002 and was accredited as a professor in civil engineering by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 2015. Dr. Liu was appointed as the prefabricated copper pipe consultant by Zhejiang Aozheng Pipe Industry Co., Ltd.\* (浙江奧錚管業有限公司) in September 2019. Dr. Liu was appointed as merchandising evaluation expert of the People's Government of Hunan Province (湖南省政府採購評審專家庫專家) by the Hunan Provincial Department of Finance in September 2018 and comprehensive evaluation expert of Hunan Province (湖南省綜合評標專家庫評標專家) by the People's Government of Hunan Province (湖南省人民政府) in January 2019 for various areas, including ventilation and air-conditioning. Dr. Liu also holds various positions in institutions related to the construction industry, including secretary-general of Zhuzhou Construction Technology and Energy-saving Construction Association\* (株洲市建設科技與建築節能協會) and director of Energy-saving Construction and Green Building Research Institute of Hunan University of Technology\* (湖南工業大學建築節能與綠色建築研究所).

Dr. Liu graduated from Wuhan University of Metallurgy and Technology (武漢冶金科技大學) (currently known as Wuhan University of Science and Technology (武漢科技大學)) with a bachelor's degree in engineering safety in June 1998. He obtained a master's degree and doctor's degree in heating, gas, ventilation and air-conditioning engineering from Hunan University in July 2001 and March 2008, respectively.

Dr. Liu was accredited as a registered safety engineer by the State Administration of Work Safety (國家安全生產監督管理總局) in July 2010. He was accredited as a senior energy-saving evaluator (高級節能評估師) by the China Association of Staff and Workers Education and Vocational Training (中國職工教育和職業培訓協會) in December 2012. Dr. Liu was accredited as a utilities engineer (heating, ventilation and air-conditioning) (註冊公用設備工程師(暖通空調)) by MOHURD in January 2015.

Dr. Liu engages in R&D in relation to construction technology and indoor quality management, etc. and received various awards, including the 2006 Huaxia Construction Science and Technology Third Prize Certificate\* (華夏建設科學技術獎勵證書三等獎) by Huaxia Construction Science and Technology Award Committee\* (華夏建設科學技術獎勵委員會) in January 2007 as a recognition of his contribution to promote the scientific and technology development in the construction industry.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.

## Biography of Directors and Senior Management

**Ms. Deng Jianhua (鄧建華女士)**, aged 56, was appointed as our independent non-executive Director on 10 March 2023. She is the chairperson of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

Ms. Deng has over 30 years of experience in auditing and accounting. Ms. Deng served in various positions in Pan-China Certified Public Accountants LLP (天健會計師事務所) from July 1991 to April 2007, including senior project manager, deputy director of auditing department and partner, where she was responsible for audit for IPO projects and listed companies. Ms. Deng joined CAC CPA Limited Liability Partnership (中審華會計師事務所(特殊普通合夥)) in May 2007 as partner of main office and deputy head of Hunan branch office, where she is responsible for audit for IPO projects and listed companies. Ms. Deng was appointed as an external supervisor of Zhuzhou Water Investment Group Co., Ltd. (株洲市水務投資集團有限公司) and Zhuzhou City Public Transportation Co., Ltd. (株洲市公共交通責任公司) by the Hunan Municipal People's Government State-owned Assets Supervision and Administration Commission (株洲市人民政府國有資產監督管理委員會) from January 2019 to January 2022. She has been appointed as a postgraduate external instructor of the master of accountancy programme of the Hunan Agricultural University (湖南農業大學) in July 2019. She has been an independent director of Zhuzhou Qianjin Pharmaceutical Company Limited (株洲千金藥業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600479) from November 2020 to March 2022.

Ms. Deng graduated from Hunan University of Finance and Economics\* (湖南財經學院) (currently known as Hunan University) with a bachelor's degree in accounting in July 1991. Ms. Deng was accredited as Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2000. She was further accredited as a senior accountant by the Personnel Department of Hunan Province in December 2006.

Save as disclosed above, she was not a director in any other listed companies for the last three preceding years.

**Mr. Lau Kwok Fai Patrick (劉國輝先生)**, aged 51, was appointed as our independent non-executive Director on 10 March 2023. He is the chairperson of the Audit Committee and a member of the Remuneration Committee.

Mr. Lau has over 20 years of experience in auditing, accounting, financial advisory and corporate governance. He served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants) from September 1996 to November 1997 and was mainly responsible for statutory audit. Mr. Lau served as an associate in PricewaterhouseCoopers Ltd from December 1997 to April 1999, where he was mainly responsible for statutory audit, internal control review and enterprise listing audit. Mr. Lau worked at KPMG from October 1999 to June 2011, with his last position as a manager, mainly responsible for financial due diligence, corporate reorganisation and liquidation, analysis for corporate acquisitions, financial modelling and financial advisory services. Mr. Lau has been/was a director/senior management of the following listed companies:

Period	Company	Position(s)	Responsibilities
From July 2011 to June 2016	China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), a company listed on the Stock Exchange (stock code: 1522)	Deputy general manager, financial controller and company secretary	Primarily responsible for the company's listing, financial, company secretarial and compliance matters

## Biography of Directors and Senior Management

Period	Company	Position(s)	Responsibilities
From July 2016 to October 2019 and from May 2018 to October 2019	International Alliance Financial Leasing Co., Ltd., a company listed on the Stock Exchange (stock code: 1563)	Chief financial officer and company secretary	Mainly responsible for the corporate financial function of the company and matters relating to corporate governance, compliance and investor relations
From September 2017 to July 2020	Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited), a company listed on the Stock Exchange (stock code: 2225)	Independent non-executive director	Providing independent advice to the board of directors
Since January 2018	FDB Holdings Limited (formerly known as Dafy Holdings Limited and Steering Holdings Limited), a company listed on the Stock Exchange (stock code: 1826)	Independent non-executive director	Providing independent advice to the board of directors
Since February 2020\	Ximei Resources Holding Limited, a company listed on the Stock Exchange (stock code: 9936)	Independent non-executive director	Providing independent advice to the board of directors
Since December 2020	Sundy Service Group Co. Ltd., a company listed on the Stock Exchange (stock code: 9608)	Independent non-executive director	Providing independent advice to the board of directors

Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He obtained his HKICPA Diploma in Insolvency awarded by HKICPA in June 2004. He later obtained a master's degree in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014.

Mr. Lau has been an associate of HKICPA and a fellow member of the Association of Chartered Certified Accountants since July 2003 and December 2007, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

Save as disclosed above, he was not a director in any other listed companies for the last three preceding years.





## Biography of Directors and Senior Management

### SENIOR MANAGEMENT

**Mr. Chen Peirun (陳培潤先生)**, aged 58, is the deputy general manager of Zhongtian Construction, responsible for R&D and quality management of our Group.

Mr. Chen has over 30 years of experience in the construction industry. Prior to joining our Group, he worked as a technician from July 1987 to November 1990 in Zhuzhou City Internal Combustion Engine and Accessories Factory\* (株州市內燃機配件廠) (currently known as Zhuzhouxiang Torch Machinery Manufacturing Company Ltd.\* (株洲湘火炬機械製造有限責任公司)), a company primarily engaging in production of internal combustion engine parts, where he was responsible for production technical matters. Mr. Chen joined Zhongtian Construction in December 1990 and was promoted to deputy general manager in May 2016.

Mr. Chen obtained a professional diploma in industrial and civil architecture from Zhuzhou Metallurgy Industrial College\* (株洲冶金工業學校) (currently known as Hunan University of Technology) in August 1987. He studied construction and civil engineering at Xi'an University of Architecture and Technology (西安建築科技大學) and graduated in December 1994. He further studied civil engineering at Xiangtan University (湘潭大學) and graduated in June 2010.

**Mr. Zhou Ping (周平先生)**, aged 49, is the deputy general manager and board secretary of Zhongtian Construction, responsible for administrative and human resources matters of our Group.

Mr. Zhou has over 15 years of experience in business administration. Before joining our Group, Mr. Zhou has worked in various companies in different industries, including as (i) assistant to general manager in Miluo Tianmei Furniture Factory\* (湖南省汨羅市天美傢俬廠) from October 2001 to August 2003, where he was responsible for handling administration and logistics matters; (ii) administrative manager in Zhuzhou Xinya Guangkelong Supermarket\* (株洲新亞廣客隆超級市場) from August 2005 to March 2006, where he was responsible for administration and human resources; and (iii) as project officer in Zhuzhou Xiangyin Real Estate Development Company Ltd\* (株洲湘銀房地產開發有限公司) (currently known as Xiangyin Real Estate Company Ltd.\* (湘銀房地產股份有限公司)) from April 2006 to March 2008, where he was responsible for project management and coordination. Mr. Zhou worked as project manager in Hengji Real Estate from April 2008 to January 2011, where he was responsible for project management and coordination.

He joined Zhongtian Holdings in February 2011 as deputy manager of the investment department and was later promoted and worked as manager of the investment department until January 2016, where he was responsible for collection of industry information and investment project feasibility analysis. He joined our Group as the board secretary of Zhongtian Construction in February 2016, where he was responsible for coordinating and organising shareholders' meetings, board meetings and meetings of senior management. Mr. Zhou has also been the deputy general manager of Zhongtian Construction since January 2018.

Mr. Zhou graduated from Central South University with a master's degree in analytical chemistry in June 2001. He obtained a master's degree in business administration from Jilin University (吉林大學) in June 2005.

## Biography of Directors and Senior Management

**Mr. Long Biwen (龍必文先生)**, aged 42, is the financial director of Zhongtian Construction, responsible for the supervision of the overall financial management of Zhongtian Construction.

Mr. Long has over 15 years of experience in accounting and financial management. He joined our Group in July 2006 as accountant and has been working in our finance department since then.

In May 2016, he was promoted as manager of our finance department. In January 2022, Mr. Long was promoted as our deputy chief accountant. Since August 2022, he has been the financial director of Zhongtian Construction.

Mr. Long graduated from Hunan Agricultural University with a bachelor's degree in management majoring in accounting in June 2006. In May 2010, Mr. Long was accredited as an intermediate accountant by the Ministry of Finance of the PRC (中華人民共和國財政部) and the Human Resources and Social Security Department of Hunan Province. He was also accredited as a grade 2 architect of the PRC\* (中華人民共和國二級建造師) by Department of Housing and Urban-Rural Development of Hunan Province (湖南省住房和城鄉建設廳) in February 2020. In December 2021, Mr. Long was accredited as a senior accountant by the Human Resources and Social Security Department of Hunan Province.

Save as disclosed above, each of the senior management has not held any directorship in the last three years in any public company the securities of which are listed on any securities market in Hong Kong or overseas.

### COMPANY SECRETARY

**Ms. Chan Kit Ming (陳潔明女士)**, aged 38, was appointed as our company secretary on 3 April 2020.

Ms. Chan has over 9 years of experience in auditing and accounting. Ms. Chan served in SHINEWING (HK) CPA Limited from January 2011 to July 2012, with her last position as semi-senior accountant. Ms. Chan served in Kerry Properties Limited, a company listed on the Stock Exchange (stock code: 0683), from August 2012 to June 2018, with her last position as senior internal auditor. Ms. Chan joined Global Vision CPA Limited, a professional accounting firm, in July 2018 as auditor.

Ms. Chan graduated from The Hong Kong Polytechnic University with a bachelor's degree of business administration in accounting in October 2008. She became a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

Ms. Chan Kit Ming was nominated by an external service provider engaged by us to act as our company secretary pursuant to an engagement letter entered into between our Company and such external service provider. She is supported by other staff of the external service provider in providing the corporate secretarial services to our Company.



# Environment, Social and Governance Report

## ABOUT THE ESG REPORT

Zhongtian Construction (Hunan) Group Limited (the “**Company**”, together with its subsidiaries, collectively as the “**Group**” or “**we**”) is delighted to present its environmental, social and governance (“**ESG**”) report (the “**ESG Report**”) for the financial year from 1 January 2023 to 31 December 2023 (the “**Reporting Period**”). This ESG Report provides an overview of our Group’s environmental and social aspects. It outlines how we seek to continually improve our operational strategy regarding our environment and society to cope with global sustainability standards.

The Group believes prudent management of environmental and social issues is one of the critical factors in long-term success in this rapidly changing world. To better understand the risks and opportunities for environmental protection, the Group closely follows the requirements and expectations of regulatory authorities through efficient operation management, well-established policies and procedures, and a higher standard of energy-efficient measures and waste treatment. The Group believes that our expertise, capabilities, and ownership patterns can be part of the solution to some of the challenges the Group is facing.

To carry out the Group’s sustainability strategy from top to bottom, the Board of Directors (the “**Board**”) of the Company has ultimate responsibility for ensuring the effectiveness of the Group’s ESG policies. The Board has established specific dedicated teams to manage the ESG issues within each business division of the Group. The designated staff has been assigned to enforce and supervise the implementation of the relevant policies.

The Group is committed to implementing sustainable development and social corporate responsibility. While the Group is actively developing and expanding our business, the Group also takes environmental, social, and moral needs into serious consideration to strike a balance and unity between the profitability, environmental and social impacts. The Group also pays great attention to stakeholders, including but not limited to government, investors, media and public, customers, employees, and community, to establish a good relationship through better understanding and responding to their expectations. As a result, the Group will maintain close relationships with the stakeholders to meet their expectations and needs to continuously improve our ESG strategies to create an efficient and diversified business.

While preparing this ESG Report, the Group has conducted a thorough review and evaluation of the existing Group’s policies and practices to achieve better performance results in the future.

## Report Scope and Boundary

This ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as set out in Appendix C2 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and in accordance with the material ESG issues identified from the stakeholders’ questionnaires. Information disclosed and presented in this ESG Report follows the four reporting principles required by the ESG Reporting Guide as follows:

**Materiality:** To prepare the ESG Report, a comprehensive materiality assessment was carried out to identify any material issues during the Reporting Period. The materiality of ESG issues was reviewed and confirmed by the Board. For further details, please refer to the sections “Our Stakeholders” and “Materiality Assessment” in this ESG Report.

# Environment, Social and Governance Report

**Quantitative:** To prepare the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant key performance indicators (“KPIs”), and there is no change from the previous year in the way the ESG Report has been prepared. Explanatory notes were provided to explain the standards, methodologies, and applicable assumptions for calculating KPIs data.

**Balance:** To prepare the ESG Report, the Group has presented a comprehensive and objective view of its ESG performance during the Reporting Period by providing a balanced disclosure of both positive and negative information. This approach ensures that the ESG Report’s contents offer an unbiased and transparent depiction of our ESG performance.

**Consistency:** Unless otherwise stated, this ESG Report covers the data and information from the construction business in the People’s Republic of China (the “PRC”). The reporting scope remains consistent with the previous year for comparison and is determined by considering the materiality and revenue contribution of the business segments directly controlled by the Group. ESG KPIs data is collected from these business operations. The corresponding data will be explained if any changes in the scope of disclosure and calculation methodologies may affect comparisons to prior reports.

To comply with the disclosure obligations of “comply or explain” provisions, this ESG Report has outlined the overall Group’s ESG-related strategic approach, management measures and ESG performance with respect to material ESG aspects, including but not limited to environmental protection, human resources, operating practice, and community involvement during the Reporting Period.

The Board approved this ESG Report on 28 March 2024. For details on the Group’s corporate governance, please refer to “Corporate Governance Report” on pages 13 to 25 of the Group’s Annual Report.

## Information and Feedback

For details in relation to our financial performance and corporate governance, please visit our website on [www.ztcon.com](http://www.ztcon.com) and/or see our annual report for the year ended 31 December 2023. We also treasure your feedback and comments on our sustainability performance. Please send your feedback and other sustainability enquiries to our principal place of business in Hong Kong at Unit E, 17th Floor, 8 Hart Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.

## ESG MANAGEMENT

The Group looks at issues that may have a reputational impact on or pose a risk to the Group in the short-, medium-or long-term. Issues that are critical to the stakeholders, including but not limited to government, investors, media and public, customers, employees, and community, are also crucial to the Group. All potential issues are covered and evaluated in the annual risk assessment. The Group is positive in developing opportunities with a focus on work ethics to ensure that success in business development is sustainable, with the benefits to be passed on to the employees, the customers, and the environment.

Integrating sustainability into the company’s business strategies and daily operations is necessary to pursue the business model. To deal with ESG issues effectively, understanding and interacting with the employees, customers, and other stakeholders are the highest priority. The Group believes that effective management of ESG issues is vital to long-term success in the rapidly changing global market. With a thorough understanding of the ESG risks and opportunities, the Group will be better positioned to allocate resources to reduce and recycle different kinds of waste and respond to regulators’ increasing demand for higher waste treatment standards.



## Environment, Social and Governance Report

The Group is confident that as part of the business decision-making process, by involving all relevant stakeholders in the ESG management process, the ESG issues will be monitored closely, and the long-term success of the Group will be assured.

The sustainability strategy of the Group in the following aspects applies to all the work streams:

- To promote environmental sustainability;
- To attract, retain and support employees;
- To engage with stakeholders;
- To promote sustainability of local communities;
- To strengthen community relations; and
- To grow suppliers' commitment.

### ESG Governance Structure

The Group has established a governance structure to facilitate effective management of ESG issues. The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group, including setting KPIs for environmental-related issues and setting higher standards of energy efficient measures and waste treatment, reviewing the Group's performance annually against the ESG-related targets, and revising the ESG-related strategies as appropriate if significant variance from the ESG-related target is identified. Our Board has established an ESG team (the "**ESG Team**") that comprises five staff members from middle to senior management, which includes the department heads of the technological, work safety, and financial departments, the human resource manager, and the production safety and procurement manager. The ESG Team serves a supportive role to our Board in implementing the agreed ESG policy, targets, and strategies, conducting materiality assessments of environmental-related and social-related risks and assessing how the Group adapts its business considering changes, collecting ESG data from the relevant interested parties while preparing for the ESG Report, and continuous monitoring of the implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG Team is also responsible for investigating deviations from targets and liaising with the functional department to take prompt rectification actions.

Based on the set goals and targets, the Board will continue to review the Group's progress concerning ESG issues to build a more sustainable business and bring more excellent benefits to society.

### Governance structure

#### Board

- The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.

#### ESG Team

- The ESG Team is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.

#### Functional Department

- Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

# Environment, Social and Governance Report

## OUR STAKEHOLDERS

The Group firmly recognises stakeholders' essential role in upholding our business' s long-term success. Consequently, we proactively seek opportunities to comprehensively understand and engage with our stakeholders. By fostering open lines of communication and collaboration, we aim to gather valuable insights and feedback, enabling us to continuously enhance our products and services. This dedication to stakeholder engagement strengthens our relationships and ensures we respond to their evolving needs and expectations. Through this holistic approach, we strive to achieve sustainable growth while prioritising the interests of our stakeholders and creating shared value for all.

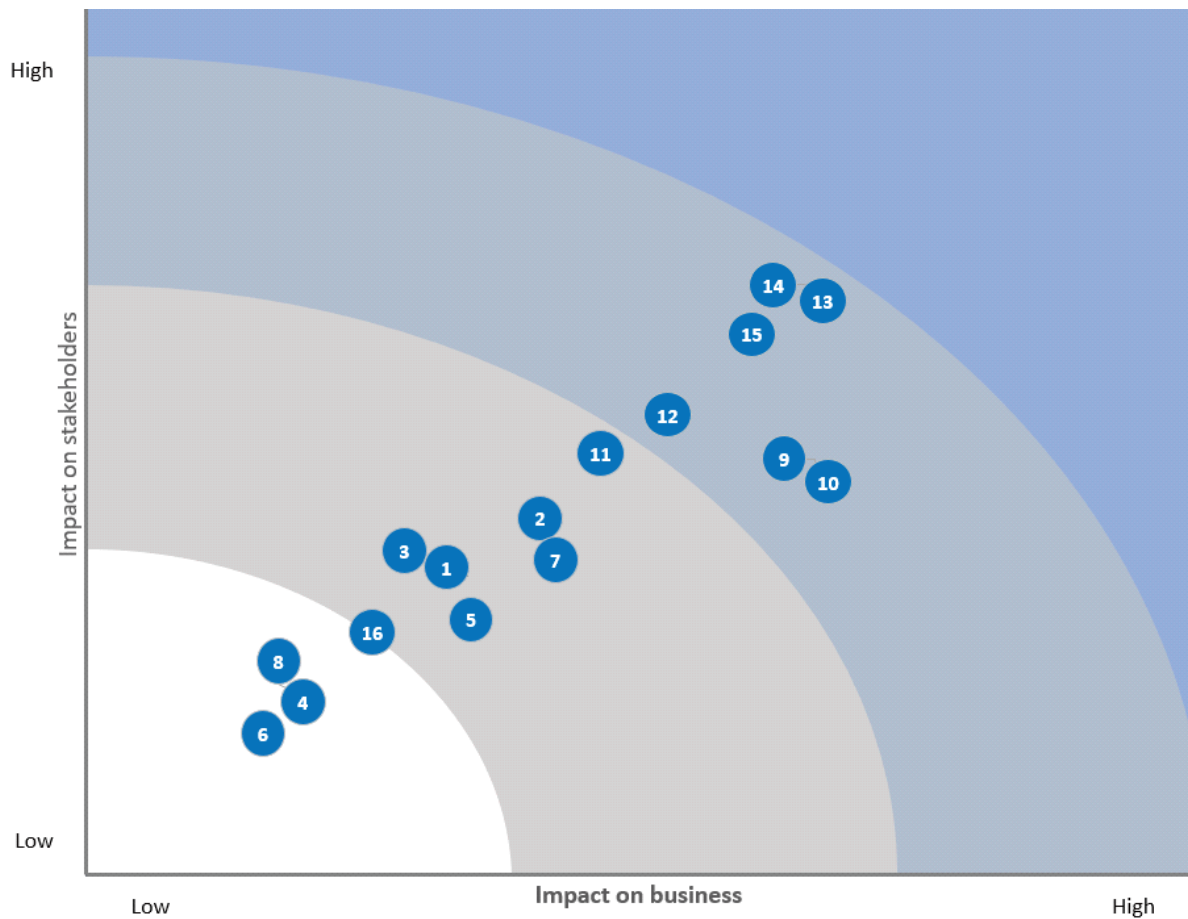
Stakeholders	Probable Points of Concern	Communication and Responses
<b>Stock Exchange</b>	<ul style="list-style-type: none"> <li>• Compliance with Listing Rules</li> <li>• Timely and accurate announcements</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Trainings</li> <li>• Workshops</li> <li>• Programs</li> <li>• Website update</li> <li>• Announcements</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and regulations</li> <li>• Preventing tax evasion</li> <li>• Social welfare</li> </ul>	<ul style="list-style-type: none"> <li>• Interaction and visits</li> <li>• Government inspections</li> <li>• Tax returns and other information</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Business strategies and performance</li> <li>• Investment returns</li> </ul>	<ul style="list-style-type: none"> <li>• Briefing sessions and seminars</li> <li>• Interviews</li> <li>• Shareholders' meetings</li> <li>• Issue financial reports or operation reports for investors, media, and analysis</li> </ul>
<b>Media &amp; Public</b>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Environmental protection</li> <li>• Human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Issue of announcements on the Company's website</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Service quality</li> <li>• Service delivery schedule</li> <li>• Reasonable prices</li> <li>• Service value</li> <li>• Personal data protection</li> </ul>	<ul style="list-style-type: none"> <li>• After-sales services</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Rights and benefits of employees</li> <li>• Compensation</li> <li>• Training and development</li> <li>• Work hours</li> <li>• Working environment</li> </ul>	<ul style="list-style-type: none"> <li>• Union activities</li> <li>• Training</li> <li>• Employee interviews</li> <li>• Internal memos</li> <li>• Employee suggestion boxes</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Community environment</li> <li>• Employment opportunities</li> <li>• Community development</li> <li>• Social welfare</li> </ul>	<ul style="list-style-type: none"> <li>• Community activities</li> <li>• Employee voluntary activities</li> <li>• Community welfare subsidies and donations</li> </ul>

# Environment, Social and Governance Report

## MATERIALITY ASSESSMENT

The Group has proactively identified and assessed material ESG issues that have the potential or actual impact on its sustainable development. These issues have been sourced from multiple channels, including internal policies, industry trends, and the Materiality Map provided by the Sustainability Accounting Standards Board<sup>i</sup>. A materiality assessment has been conducted through a comprehensive analysis, considering factors such as the Group's overarching strategy, development trajectory, and specific goals and targets. This assessment aims to evaluate the significance of the identified ESG issues in relation to the Group's business and its stakeholders, considering their respective levels of impact. By employing this robust methodology, the Group ensures that its sustainability efforts are focused on addressing the most relevant and significant ESG issues, thus aligning with industry best practices and meeting the expectations of its stakeholders.

The Group's materiality assessment has been instrumental in evaluating and rating the identified ESG issues relevant to its business and stakeholders, providing insight into their respective levels of impact. To better understand the concerns and interests of its stakeholders, the Group reviewed its materiality assessment. After analysing the results, the Group concluded that there have been no significant changes in the main concerns of stakeholders and that the priority of ESG matters remains consistent with the previous year. As a result, the Group believes these factors do not have a material impact on its financial and operational performance. The assessment results are presented below:



<sup>i</sup> Sustainability Accounting Standards Board's Materiality Map, <https://materiality.sasb.org/>

# Environment, Social and Governance Report

## ESG Issues

1	Emissions	9	Employment
2	Greenhouse Gas Emissions	10	Health and Safety
3	Hazardous Waste	11	Development and Training
4	Non-Hazardous Waste	12	Labour Standards
5	Energy Consumption	13	Supply Chain Management
6	Water Consumption	14	Product and Service Responsibility
7	Natural Resources	15	Anti-corruption
8	Climate Change	16	Community Investment

## ENVIRONMENTAL

### Overview

A sustainable environment serves as the bedrock for ensuring long-term economic and social prosperity. The Group firmly acknowledges sustainability as an ethical imperative and a pathway to business success. Consequently, environmental protection is the top priority, as the Group endeavours to proactively mitigate any adverse environmental impacts while actively contributing to sustainable development. With a steadfast commitment to sustainability, the Group implements various measures to foster responsible resource management, minimise waste generation, and promote environmental-friendly practices throughout its operations. By integrating these initiatives into its core business strategies, the Group upholds its ethical obligations and seizes the opportunity to drive positive outcomes for society and the bottom line. This holistic approach exemplifies the Group's dedication to environmental stewardship and unwavering commitment to creating a sustainable future for future generations.

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding air and greenhouse gas (“GHG”) emissions, including but not limited to the “Law of the PRC on Environmental Protection (中華人民共和國環境保護法)”, “Law of the PRC on the Pollution Prevention and Control on Water Pollution (中華人民共和國水污染防治法)”, “Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法)” and “Law of the PRC on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法)”. During the Reporting Period, no non-compliance incidents or grievances were noted by the Group in relation to environmental issues.

### Emissions<sup>ii</sup>

During the Group's day-to-day operations, a fleet of 4 vehicles is utilised for various business activities, including transporting our management team members, guests, and clients. Vehicle usage and the consumption of gaseous fuels are vital contributors to the generation of air pollutants, encompassing nitrogen oxides (“NO<sub>x</sub>”), sulphur oxides (“SO<sub>x</sub>”), and Particulate Matter (“PM”). In line with our commitment to transparency and environmental responsibility, we present the following air emissions data for the Reporting Period:

	Unit	2023	2022
<b>Air Emissions<sup>iii</sup></b>			
Nitrogen oxides (NO <sub>x</sub> )	g	<b>6,084.61</b>	8,789.87
Sulphur oxides (SO <sub>x</sub> )	g	<b>98.96</b>	163.54
Particulate matter (PM)	g	<b>448.00</b>	647.18

<sup>ii</sup> The air emissions and air emissions intensity for the Reporting Period are disclosed in accordance with “Appendix 2: Reporting guidance on Environment KPIs” issued by the Stock Exchange to provide a more comprehensive performance of the Group.

<sup>iii</sup> From this Reporting Period, the value of the table has been disclosed to two decimal places to allow for meaningful comparisons over time with respect to ESG information.



## Environment, Social and Governance Report

During the Reporting Period, the Group generated 6,084.61g of NO<sub>x</sub>, 98.96g of SO<sub>x</sub> and 448.00g of PM. The Group has successfully achieved the emission target of maintaining the air pollutants emissions at the same level of the baseline year ended 31 December 2022. To uphold the principles of sustainable development, the Group is committed to maintaining air emissions at the same level as the baseline year, which ended on 31 December 2023, in the next reporting period.

As part of our comprehensive fleet management strategy, we diligently conduct regular maintenance checks on all vehicles to optimise fuel consumption efficiency, prioritise road safety, and minimise emissions. These proactive measures contribute to our fleet's smooth operation and align with our commitment to environmental stewardship and sustainable practices. By implementing stringent maintenance protocols, we ensure that our vehicles operate at peak performance, reducing fuel waste and unnecessary emissions. This approach enhances operational efficiency and demonstrates our dedication to minimising our carbon footprint and promoting responsible transportation practices. Through these ongoing efforts, we strive to maintain the highest fleet management standards while minimising our environmental impact and fostering a more sustainable future.

### Greenhouse Gas Emissions

The Group recognises that human-generated GHG contribute to global warming, profoundly impacting present and future generations. Consequently, we prioritise monitoring and mitigating GHG within our operations. As mentioned, direct emissions stemming from vehicle fuel usage and stationary combustion represent significant sources of emissions. Additionally, indirect emissions arise from the Group's electricity consumption and paper usage. In line with our commitment to transparency and environmental responsibility, we present the following GHG data for the Group:

GHG Emissions <sup>iv</sup>	Unit	2023	2022
<b>GHG Direct Emissions (Scope 1)<sup>v</sup></b>			
Mobile combustion <sup>vi</sup>	tonnes CO <sub>2</sub> e	<b>154.71</b>	165.11
<b>GHG Indirect Emissions (Scope 2)</b>			
Electricity consumption	tonnes CO <sub>2</sub> e	<b>1,392.52</b>	1,394.29
<b>Other Indirect Emissions (Scope 3)</b>			
Paper consumption and business air travel	tonnes CO <sub>2</sub> e	<b>9.14</b>	3.47
Total GHG emissions	tonnes CO <sub>2</sub> e	<b>1,556.37</b>	1,562.87
GHG emissions intensity	tonnes CO <sub>2</sub> e/RMB10 million of revenue	<b>8.32</b>	8.36

During the Reporting Period, the GHG emissions intensity of the Group is 8.32 tonnes CO<sub>2</sub>e/RMB 10 million of revenue. Due to the effective management of the fleet strategy, which optimises fuel consumption efficiency, the Group has slightly reduced the intensity of its GHG emissions. The Group successfully achieved its target of reducing or maintaining the total GHG emissions intensity of less than 20.00 tonnes CO<sub>2</sub>e/RMB10 million of revenue. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emissions intensity to less than 20.00 tonnes CO<sub>2</sub>e/RMB10 million of revenue in the next reporting period.

<sup>iv</sup> GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023-2025" issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the "Sixth Assessment Report" issued by Intergovernmental Panel on Climate Change, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

<sup>v</sup> The value of the table has been disclosed to two decimal places for meaningful comparisons of ESG information over time.

<sup>vi</sup> GHG emissions for mobile combustion are calculated based on a fleet of 4 vehicles and gasoline consumption of Project Department engineering vehicles.

# Environment, Social and Governance Report

Our Group has implemented an array of measures to mitigate GHG emissions, including but not limited to the following:

- Encouraging the use of prefabricated construction method in our construction projects, under which components are processed in factories and installed on-site, which reduces wet work and relevant pollutants on site and reduces the use of cement (a kind of high carbon construction material);
- Engaging in R&D continuously and researching green building technology topics that may reduce the use of fuel and/or material;
- Performing periodic maintenance of our vehicles to reduce pollution and emissions;
- Replacing old, retired vehicles with low-emission vehicles where applicable;
- Prohibiting combustion of wastes;
- Switching off all electronic equipment/mobile machinery when it is not in operation;
- Using more energy-efficient lighting products, such as LED lighting;
- Conducting proper and regular maintenance of equipment to keep their efficiency and reduce energy consumption; and
- Turning off lighting facilities during lunchtime, and the last employee who leaves the office/site must ensure that all lights are switched off.

## Waste Management

During the Reporting Period, the Group has complied with all applicable requirements as set up by the laws and regulations regarding the generation of hazardous waste and non-hazardous waste in all material respects, including but not limited to the “Law of the PRC on Environmental Protection (中華人民共和國環境保護法)” and the “Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中國固體廢物污染環境防治法)”. During the Reporting Period, the Group did not have any material non-compliance incidents or grievances in relation to waste management.

The Group does not produce any hazardous waste during its daily operations. Kitchen waste and mouldboard are the most predominant non-hazardous waste sources during the Reporting Period. The following shows the statistics of non-hazardous waste generated and recorded during the Reporting Period:

<b>Non-hazardous Waste</b>	Unit	<b>2023</b>	2022
Total non-hazardous waste	tonnes	<b>12.33</b>	10.17
Total non-hazardous waste intensity	tonnes/RMB 10 million of revenue	<b>0.07</b>	0.05

During the Reporting Period, the intensity of the non-hazardous waste generated by the Group was 0.07 tonnes/RMB10 million of revenue. After the pandemic-induced slowdown, the Group’s business operations have gradually resumed, leading to a rise in non-hazardous waste compared to the previous reporting period. Although the Group fell short of meeting the set target of reducing or maintaining the intensity of non-hazardous waste generated between 90% to 120% of the level of the baseline year ended 31 December 2022, we have made significant efforts to make progress. Looking ahead, we are fully committed to implementing all feasible measures to minimise non-hazardous waste and ensure the achievement of the target.



## Environment, Social and Governance Report

To align with the principles of sustainable development, the Group is committed to reducing or maintaining the intensity of non-hazardous waste generated between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next reporting period.

Our Group has implemented a variety of measures to reduce wastage, including but not limited to the following:

- Schemes for waste reduction in construction projects are applied, in which construction wastes are categorised to identify reuse and recycle materials so they can be recycled or reused where appropriate. For example, waste concretes are reused to pave temporary roads, and waste rebars are reused as horse stool reinforcement.

### Packaging

The Group's core business activities do not involve the use of packaging materials, and thus, no relevant data and measures in this respect are available.

### Energy Efficiency<sup>vii</sup>

The Group places great importance on energy usage and has implemented several measures to reduce energy consumption. For more information on these energy consumption reduction initiatives, please refer to the "Greenhouse Gas Emissions" section in this ESG Report.

During the Reporting Period, the energy consumption<sup>viii</sup> of the Group is shown as follows:

	Unit	2023	2022
<b>Direct Energy Consumption</b>			
Petrol (mobile combustion)	MWh	<b>65.24</b>	107.82
Motor gasoline (mobile combustion)	MWh	<b>581.30</b>	576.08
<b>Indirect Energy Consumption</b>			
Electricity consumption	MWh	<b>2,441.74</b>	2,444.83
Total energy consumption	MWh	<b>3,088.28</b>	3,128.73
Total energy consumption intensity	MWh/RMB10 million of revenue	<b>16.51</b>	16.74

During the Reporting Period, the energy consumption intensity of the Group is 16.51 MWh/RMB10 million of revenue. The Group has successfully achieved its energy usage target of reducing or maintaining the energy consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2022 and remains committed to enhancing its energy efficiency through a diverse range of measures. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the energy consumption intensity between 90% and 120% of the level of the baseline year ended 31 December 2023 in the next Reporting Period.

### Water Management

The Group has complied with the "Prevention and Control of Water Pollution Law (水污染防治法)" to prevent and control water pollution, protect, and improve the environment and ensure the safety of drinking water. During the Reporting Period, we have no issue sourcing water that is fit for purpose.

<sup>vii</sup> The unit conversion method of energy consumption data is formulated according to the "Energy Statistics Manual" released by International Energy Agency.

<sup>viii</sup> From this Reporting Period, the value of the table has been disclosed to two decimal places to allow for meaningful comparisons over time with respect to ESG information.

# Environment, Social and Governance Report

The Group treasures the preciousness of water resources. Through the implementation of a variety of measures, the Group is committed to achieving water conservation. It has adopted various measures to lessen the use of water under the principle of saving and recycling:

- Prohibit any wastage of water;
- Inspect and identify any water leakage, breakage, or other potential damage to water pipes regularly;
- Check the meter reading constantly to prevent any hidden leakage;
- Post promotional posters and cards in prominent areas of the workplace to remind employees to save water; and
- Promote water-saving education and ideas continuously among our employees.

The Group believes that carrying out the abovementioned measures will effectively raise employees' awareness of water conservation initiatives and reduce water consumption in the long run.

During the Reporting Period, the water consumption<sup>ix</sup> of the Group is shown as follows:

<b>Water Consumption</b>	Unit	<b>2023</b>	2022
Total water consumption	m <sup>3</sup>	<b>2,268.00</b>	2,140.00
Total water consumption intensity	m <sup>3</sup> /RMB10 million of revenue	<b>12.12</b>	11.45

During the Reporting Period, the water consumption intensity of the Group is 12.12m<sup>3</sup>/RMB10 million of revenue. By utilising a comprehensive range of measures, the Group has successfully achieved its water usage target of maintaining or reducing total water consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2022 and remains committed to further reducing water use and enhancing water efficiency. To uphold the principles of sustainable development, the Group is committed to maintaining or reducing total water consumption intensity between 90% and 120% of the baseline year's level ended 31 December 2023 in the next Reporting Period.

## Environmental Protection

As a construction service provider, there is no significant consumption of natural resources; therefore, the Group's activities do not significantly impact the environment. However, the Group is concerned about the natural resources consumed along the supply chain and endeavours to select environmentally and socially conscious vendors. Details of vendor selection criteria are set out in the "Supply Chain Management" section.

## Climate Change

The Group has considered the potential climate-related risks and opportunities with respect to the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risks and transition risks from climate change may pose adverse financial impacts on the Group's businesses. Acute physical risk can arise from extreme weather conditions such as flooding and storms, and chronic physical risk can arise from sustained elevated temperatures. In contrast, transition risk may result from changing climate-related regulations, emerging technology, or shifting customer preferences.

<sup>ix</sup> From this Reporting Period, the value of the table has been disclosed to two decimal places to allow for meaningful comparisons over time with respect to ESG information.

# Environment, Social and Governance Report

The potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures are summarised below:

Risk Type	Risks	Potential Financial Impact	Short (current Reporting Period)	Medium (one to three years)	Long (four to ten years)	Mitigation Strategy
<b>Physical Risks</b>	<ul style="list-style-type: none"> <li>• Extreme weather conditions such as flooding and storms</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced revenue from business and supply chain disruptions</li> </ul>	✓	✓		<ul style="list-style-type: none"> <li>• Established a contingency plan in the employee handbook to guide all employees to work safely under extreme weather conditions</li> <li>• Included risks associated with extreme weather conditions in the risk management planning</li> </ul>
	<ul style="list-style-type: none"> <li>• Sustained elevated temperature or winter storms</li> </ul>	<ul style="list-style-type: none"> <li>• Increased operating expenses or costs related to the rising need for cooling or replacing damaged assets</li> </ul>			✓	✓
<b>Transition Risks</b>	<ul style="list-style-type: none"> <li>• Changes in climate-related regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Operating costs increased due to new or changing regulations</li> </ul>		✓	✓	<ul style="list-style-type: none"> <li>• Adopted measures to mitigate emissions and conserve energy</li> </ul>
	<ul style="list-style-type: none"> <li>• Emerging technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Increased cost in adopting new technologies, devices, or practices</li> </ul>		✓	✓	<ul style="list-style-type: none"> <li>• Continue to monitor the regulatory environment and industry trends closely, adopt practices that meet market and customer expectations</li> </ul>
	<ul style="list-style-type: none"> <li>• Shift in consumer preference to products and services incorporating the more environmentally friendly concept</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced revenue from reduced demand for products and services</li> </ul>			✓	✓

# Environment, Social and Governance Report

## SOCIAL

### Employment

The Group has strictly complied with a series of labour laws in the PRC, including but not limited to “Labour Contract Law of the PRC (中華人民共和國勞動合同法)” and “Labour Law of the PRC (中華人民共和國勞動法)”. To ensure that the Group’s key policies are clearly and consistently communicated to the employees, the Group has established an “Employees’ Handbook”, which details the rights of the employees, such as working hours, leave entitlements and other benefits and welfare. “Employees’ Handbook” is available to all employees upon request.

The Group believes that employees are critical assets and essential to business success. Hence, the Group pays attention to every employee’s personal growth and has set up various channels of communication with employees to enhance employees’ sense of belonging to the Group. The Group is also committed to promoting our employees’ diversity to strengthen our corporate governance’s effectiveness. The Group strive to achieve diversity not only in terms of gender but also age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience in the recruitment of our employees. The Group supports diversity, equity, and inclusion in the workplace and believes that by providing all individuals with equal opportunities, we can maximise their capabilities as part of our social responsibility.

The Group have established a set of rules in our “Employee Handbook” to ensure that no employee is mistreated, harassed, discriminated against, or deprived of any opportunities, including but not limited to recruitment, promotion, training, and company welfare, because of their nationality, religion, beliefs, disability, gender, age, birthplace, sexual orientation, values, work styles, and family status. These essential values within the Group are well communicated to all our employees. The Group strive to provide equal opportunities to disabled individuals by recruiting employees strictly based on their abilities through an impartial and transparent recruitment system. The Group acknowledges the value of diversity and will ensure gender equality in our board composition by having at least one female board member. The Group is committed to improving human resources policies and workplace facilities to guarantee employees’ health and safety.

### The Team

The Group believes a diverse and cohesive team is essential for business success. With this in mind, we are committed to upholding a recruitment process that is fair, transparent, and free from any form of discrimination. We recognise the inherent value of a diverse workforce, as it brings together a wide range of perspectives, backgrounds, and experiences, enabling us to foster innovation, creativity, and better decision-making. By prioritising diversity and inclusivity, we create a more harmonious work environment and strengthen our ability to adapt to the ever-evolving business landscape and meet the needs of our diverse stakeholders.

As at 31 December 2023, the Group had 324 employees.

## Environment, Social and Governance Report

The breakdowns of the Group's workforce by gender, age group and geographical region are as follows:

	Unit	2023
<b>Employees by Gender</b>		
Male	person	269
Female	person	55
<b>Employees by Age Group</b>		
30 or below	person	52
31-40	person	125
41-50	person	99
51 or above	person	48
<b>Employees by Geographical Region</b>		
Hong Kong	person	0
The PRC	person	324
<b>Employees by Employment Type</b>		
Full Time	person	324
Part Time	person	0

During the Reporting Period, the employee turnover across the Group was 6%. The details are as follows:

	Unit	2023
<b>Employee Turnover Rate*</b>		
Total employee turnover rate	%	6
<b>Employees Turnover Rate by Gender</b>		
Male	%	4
Female	%	13
<b>Employees by Age Group</b>		
30 or below	%	10
31-40	%	7
41-50	%	2
51 or above	%	6
<b>Employees by Geographical Region</b>		
Hong Kong	%	0
The PRC	%	6

### Occupational Health and Safety

During the Reporting Period, the Group has complied with the "Labour Law of the PRC" (中華人民共和國勞動法), the "Labour Contract Law of the PRC" (中華人民共和國勞動合同法), the "Work Safety Law of the PRC" (中華人民共和國安全生產法), the "Regulation on the Administration of Work Safety of Construction Projects" (建設工程安全生產管理條例), the "Regulation on the Work Safety Licenses" (安全生產許可證條例), the "Provisions on the Administration Regulation on Work Safety License of Construction Enterprise" (建築施工企業安全生產許可證管理規定) and other relevant laws and regulations which stipulate requirements to maintain safe working conditions and to protect the occupational health of employees. The Group has been educating employees on occupational safety and sanitation, preventing workplace accidents, and reducing occupational hazards.

\* Employee turnover rate by category = Total number of employees leaving employment by category during the financial year / Total number of employees by category at the end of the financial year \*100%.

## Environment, Social and Governance Report

We strive to offer a healthy and safe work environment for our employees. We have in place stringent internal safety policies to ensure our safe operations and our compliance with relevant PRC laws and regulations which primarily include the following measures:

- All personnel are required to wear safety helmets within construction sites;
- Workers working at height are required to wear safety belts in addition to safety helmets;
- Workers carrying out electrical work are required to wear protective footwear and gloves; and
- Workers carrying out welding work must be equipped with fire extinguishing equipment. There must be an on-site designated person(s) responsible for watching the fire.

Pursuant to the “Labour Law of the PRC (中華人民共和國勞動法)”, an employer must establish a sound labour safety and hygiene system and shall strictly implement state rules and standards of labour safety and hygiene, conduct labour safety and hygiene education among its employees to prevent accidents and reduce occupational hazards. An employee must strictly observe operational safety procedures.

Pursuant to the Interim Measures of Construction Workers Using Personal Protective Equipment (建築施工人員個人勞動保護用品使用管理暫行規定), all construction workers must receive regular safety training and adhere to the principle of training first, before carrying out their work. In addition, the use and management of safety equipment on the construction site and the personal safety equipment for construction workers are also strictly regulated.

Our work safety, procurement and subcontracting department is responsible for overseeing our compliance with relevant PRC laws and regulations. Our internal safety measures and policies include implementing prevention measures, keeping records for safety incidents, identifying and assessing occupational hazards, conducting regular reviews and inspections of our safety performance, conducting on-site assessments in accordance with the JGJ59–2011 Standard of Construction Safety Inspection (建築施工安全檢查標準) and conducting a review of any material accidents. We maintained the GB/T 45001–2020/ISO 45001: 2018 Occupational Health and Safety Management System certification during the Reporting Period. Our work safety, procurement, and subcontracting department also organises work safety education and training sessions for our employees each year in accordance with national regulations and on an as-needed basis when new technologies, new equipment, new machinery or new resources are involved. To enhance our safety management system, we also evaluate the suitability and effectiveness of our safety management system each year and identify areas for improvement. The Group is also required to fulfil and adopt the requirements under the “Administration Regulation on Work Safety License of Construction Enterprise”.

To ensure construction safety and prevent accidents, the “Provisions on the Falling Substance Accident Prevention of the Construction Projects” (建築工程預防高處墜落事故若干規定) sets out strict rules on staff and equipment requirements for height operation under a strict liability regime. Pursuant to the “Provisions on Collapse Prevention of Construction Projects” (建築工程預防坍塌事故若干規定), to prevent accidents and ensure construction safety, the Group is required to formulate the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.



## Environment, Social and Governance Report

Our occupational health and safety management system includes a reporting and record system for safety accidents on our construction sites. The project manager must immediately report the safety accidents to our work safety, procurement, and subcontracting department. We will report the accident to the relevant government authority as PRC laws and regulations require and cooperate with local authorities to investigate such safety accidents.

During the Reporting Period, we did not have any material workplace accidents and fatalities, and we have not been subject to any material fines, public criticism, or warnings in relation to any safety incidents. The Group recorded no work-related fatalities in the past three years, including the Reporting Period. We were not subject to any accident that required reporting to the relevant government authorities or caused material claims. The Group continues to reflect on its existing safety policies and is committed to continuously adapting and improving its occupational safety measures as necessary.

Our work-related injuries and fatalities data for the Reporting Period are listed below:

	Unit	2023	2022	2021
<b>Work-related Fatalities</b>				
Number of work-related deaths	person	0	0	0
Rate of work-related deaths <sup>xi</sup>	%	0	0	0
Number of work-related injuries	person	2	3	5
Lost days due to work injury	Day(s)	40	70	12

In the midst of the outbreak of the Coronavirus disease 2019 (the “**COVID-19**”), the Group has implemented all practicable preventive and protective measures to minimise occupational risk, including but not limited to daily temperature checks, wearing surgical masks, social distancing requirements and provision of sanitisers. The Group will continue to assess the development of the COVID-19 outbreak and regularly review the relevant countermeasures in accordance with the local government regulations to ensure the effectiveness of the measures.

### Development and Training

The Group recognises employees as its valuable asset and places significant emphasis on their personal development. The Group firmly believes that investing in employee training enhances job satisfaction and fosters loyalty among staff members. Various training programs have been provided to enhance employees’ knowledge and capabilities.

Upon joining the Group, we provide induction training for staff to help them familiarise themselves with our service standards, policies, and procedures. The Group conducted various trainings, including induction training for newly joined employees, on-the-board training, and education opportunities depending on the employees’ job functions. Our Group will hold seminars and events occasionally for our employees so they can catch up with market trends. Education allowance will be given to employees if such application is approved by their department managers and further approved by the Human Resource Department.

The Group will continue to invest more resources into its employees’ training and development to equip its staff with the necessary knowledge and skills to keep abreast of market trends, provide quality services, and achieve personal career development. By these means, all employees can grow together with the Group.

<sup>xi</sup> Rate of work-related death = The number of work-related deaths / Total number of employees at the end of the reporting period x 100%.

## Environment, Social and Governance Report

During the Reporting Period, the Group has provided 6,513 hours of training to 190 employees. 59%<sup>xii</sup> of employees being trained. The average training hours per employee is 20.10 hours<sup>xiii</sup>. The training details of the Group during the Reporting Period are as follows:

	Unit	2023
<b>Percentage of Employees Trained by Gender<sup>xiv</sup></b>		
Male	%	81
Female	%	19
<b>Percentage of Employees Trained by Employment Category</b>		
Entry Level	%	86
Middle Level	%	8
Management level	%	6
<b>Average Training Hours by Gender<sup>xv</sup></b>		
Male	hours/person	19.93
Female	hours/person	20.95
<b>Average Training Hours by Employment Category</b>		
Entry Level	hours/person	18.91
Middle Level	hours/person	32.00
Management level	hours/person	35.00

### Labour Standard

During the Reporting Period, the Group has strictly complied with a series of labour laws in the PRC, including but not limited to the “Labour Contract Law of the PRC (中華人民共和國勞動合同法)”, “Labour Law of the PRC (中華人民共和國勞動法)”.

The Group has strict recruitment requirements to protect children’s childhood, prevent inappropriate physical and manual work, and preserve free labour rights and employees’ rights and interests. Upon receipt of the candidate’s resume, the Human Resource Department will conduct a thorough background check to ensure the personal data on the application form is valid. During the job interview, the Group carefully examine and verifies the applicant’s original identity card and makes detailed inquiries to applicants to ensure that the Group does not employ child and forced labour.

The Group strictly prohibit the use of forced labour and child labour. If management discovers irregular employment of child labour or forced labour, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate such practices. During the Reporting Period, the Group did not employ child or forced labour.

<sup>xii</sup> Total percentage of employees trained = Total number of employees trained during the financial year / Total number of employees at the end of the financial year\*100%.

<sup>xiii</sup> Average training hours completed per employee = Total number of training hours completed during the financial year / Total number of employees at the end of the financial year.

<sup>xiv</sup> Percentage of employees trained among employees participated in training = Number of employees trained by category during the financial year / Total number of employees trained during the financial year\*100%.

<sup>xv</sup> Average training hours = Number of training hours completed by category during the financial year / Number of employees by category at the end of the financial year.



# Environment, Social and Governance Report

## Supply Chain Management

The Group emphasises its supply chain management. In addition to improving cost competitiveness, the Group also values the sustainability of its supply chain. The Group supports purchasing environmentally friendly products to minimise the environmental impact caused by its business operations. In addition, the Group would consider occupational health and safety awareness during the supplier selection. In selecting suppliers, we perform rigorous assessments based on several criteria, including quality and source of products, reputation in the industry, price, and delivery time. Our suppliers are required to possess relevant licenses and permits necessary to conduct their operations. Suppliers with more environmentally friendly practices and high-quality standards would be more favourable in the selection process. The Group also closely cooperates with the suppliers to maintain the quality of products and services provided to the customers.

The Group closely monitors the performance of the existing suppliers and selects new vendors based on defined criteria, such as qualification, company scales, reputation, etc. The Group has performed the annual evaluation of the suppliers to assess whether the suppliers have complied with the standards of the Group. Approved suppliers are evaluated regularly by the respective purchasing departments to ensure that the quality of products and services the Group purchases is up to standard. Suppliers not up to standard for a prolonged period will be disqualified. There was a total of 88 approved suppliers located in the PRC during the Reporting Period. The breakdown of the number of suppliers by geographical region is as follows:

	Unit	2023	2022
<b>Total Key Suppliers by Geographical Region</b>			
PRC	no.	88	88

## Product Quality Assurance

The Group endeavours to achieve a high-quality control and management standard to maintain our quality, safe and effective performance. During the Reporting Period, we maintained the certification of GB/T24001-2016/ISO14001:2015 environmental management system, GB/T19001-2016 ISO9001:2015 and GB/T50430-2017 Quality Management System certification. Our directors believe that providing timely and quality construction work is crucial to building trust with customers, our reputation, and our success. We have adopted quality control procedures to implement stringent measures during construction, from procurement of raw materials and equipment to completion and inspection of construction works. Our technical quality department is responsible for quality management and inspection of construction projects.

To ensure the safety and quality of our services, we have set an array of quality control measures. Our project management team is required to keep the relevant reports and records during the construction process to document construction progress, inspection results, quality, and issues. A project quality report needs to be issued to our technical quality department every ten days. Also, before we accept raw materials procured, inspections are conducted by samplers, quality controllers and supervising engineers in accordance with the relevant regulations. The Group only uses raw materials after obtaining their approval and passing our inspection. Moreover, our quality controllers are responsible for setting up critical control points throughout our construction. Such control points allow for close supervision of the construction work and, hence, better prevention of quality issues. Our construction works may be tested by independent inspection institutions or our project testing laboratory established for such purpose. The Group would conduct quarterly reviews of Project Quality Management and Control Systems by the Technical Quality Department. We periodically collect feedback from our customers on their satisfaction with the quality of our construction works and subsequent warranty services. For subcontractors, the Group requires the construction subcontractors to abide by our quality control measures and meet our quality standards during their performance in our construction projects. There was no completed works subject to recalls for safety or health reasons during the Reporting Period.

# Environment, Social and Governance Report

## Our Works and Service

The Group values customer relations as they are integral to the success of its business. We pledge to offer quality after-sales service to our customers and take customer complaints seriously. Customers can provide feedback and express concerns through our customer service hotline. All the feedback and complaints are recorded in our customer complaint register, detailing information such as the cause of the complaint, the product concerned, follow-up actions, results, etc. By keeping track of all the complaints, we can ensure that our customers' concerns have been attended to accordingly while implementing the rectifications promptly.

The Group works to create a good client experience by providing quality products and services that suit customers' needs. We welcome feedback from our customers and provide them with various ways of solving their issues. During the Reporting Period, no case of the number of products and service-related complaints was received, and all complaints were solved promptly.

## Data Privacy

To build customer trust and loyalty, the Group has established measures to reduce the risk of employees leaking confidential information to outsiders.

The Group strictly comply, including but not limited to the "Personal Information Protection Law of the PRC" (中華人民共和國個人信息保護法). The Group has formulated the "Personal Data Protection and Privacy Policy (個人資料保障及隱私權政策)" which use a strict security system to prevent the loss, leak, destruction or unauthorised access or use of personal information. The Group will take the following technical security measures to protect our employees and customer personal information:

- Encrypt the user's personal information;
- Use of encrypted transmission protocols during data transmission, where necessary;
- Control of data access rights strictly; and
- Establish a data security monitoring system.

All relevant codes of practice and guidelines issued by the Privacy Commissioner to ensure that the information is collected for specific purposes and only designed staff has access to it. If any employee has been discovered of misappropriating customers' private data, the Group will take disciplinary action against the employee concerned and reserve its right to legal action. In addition, our employees are given limited access to the company database depending on their job positions. Authorisation is managed by the Information Technology ("IT") Department of the Group, which will regularly review the internal IT system to ensure the safety of the Group's computer systems. Employees are strictly prohibited from modifying their computers without formal approval from the management. Furthermore, non-disclosure agreements are signed by the employees of the Group to ensure that they are aware of their legally binding obligations to protect the confidential information of the Group.



## Environment, Social and Governance Report

### Intellectual Property Rights

The Group has formulated the “Company Intellectual Property Rights and Seal, Trademark Management System (公司智慧財產權及印鑑、商標管理制)” to protect the Group’s intellectual property and trademark assets, as well as promote the innovative development of enterprise. We have registered trademarks, patents and domain names, which are essential to our business. A full-fledged process has been established for the Group’s application, use, maintenance and transfer of intellectual property. In addition, the Group will appoint personnel to renew registered trademarks regularly, monitor the market for infringement of the Group’s trademark rights and defend those rights when necessary. We are committed to protecting intellectual property rights, which we handle carefully during our daily operations.

During the Reporting Period, the Group complied with all laws and regulations related to intellectual property rights in Hong Kong and the PRC that have a significant impact on it, including but not limited to the “Copyright Ordinance (Cap. 528 of the Laws of Hong Kong)”, “Trademark Law of the PRC (中華人民共和國商標法)” and “Copyright Law of the PRC (中華人民共和國著作權法)”.

The Group noted no confirmed non-compliance incidents or grievances in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the Reporting Period.

### Anti-corruption

During the Reporting Period, the Group observed the “Criminal Law of the PRC (中華人民共和國刑法)” and the “Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法)”. Employees are strictly prohibited from engaging in illegal activities, including but not limited to bribery, fraud, and misappropriation.

In addition, the Group has formulated the “Integrity and Self-discipline Management Regulation (廉政自律管理規定)”, which clearly outlines the procedures and channels for reporting corruption, bribery, and fraud cases. As stipulated in the policies, all employees should immediately report any suspected fraud cases. Our Human Resources Department performs background checks on the management or critical position staff during the hiring or promotion process to check their background and possible criminal record. The policies strengthen the Group’s internal control mechanism and supervision related to anti-corruption issues to promote anti-corruption and anti-bribery in business.

The Group has established a “Zhongtian Construction (Hunan) Group Limited Reporting Management Regulation (湖南中天建設集團股份有限公司檢舉管理規定)” to encourage employees to report suspicious fraudulent activities. The Group intends to protect the whistle-blower from everyday concerns such as confidentiality and potential retaliation. Therefore, the employee(s) reporting in good faith under this procedure shall be protected against unfair termination or victimisation, even if the reports are subsequently proved to be unsubstantiated. A full investigation will then be conducted by the Board or senior management in a confidential, disciplinary action will be applied to the employee involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case.

The Group will actively combat any money laundering using public or private accounts and ensure no corruption and bribery within the Group. Employees who want to report suspicious corruption cases can report to the relevant management by telephone, e-mail or letter.

# Environment, Social and Governance Report

During the Reporting Period, no legal corruption or money laundering cases were brought against the Group or its employees, and no continuing legal cases were noted or reported. As part of our comprehensive onboarding program, the Group provides new employees with induction training that covers a wide range of essential topics, including fundamental employee ethics such as anti-corruption measures. The Group will closely monitor the regulatory development and arrange relevant anti-corruption training for its employees and directors, where necessary.

## Community Investment

The Group recognises that the success and growth of our enterprise are intricately tied to the support and goodwill of the communities in which we operate. We firmly commit to serving and investing in these communities in line with this understanding. We believe that a sustainable business goes beyond mere profitability and extends to fostering the stability and well-being of our community stakeholders. To this end, we actively encourage and empower our employees to engage in meaningful community initiatives and contribute their time, skills, and resources to make a positive impact. By actively participating in community investment, we aim to build strong and mutually beneficial relationships, address local needs, and nurture the social fabric that sustains our business.

During the Reporting Period, the Group made donations of RMB161,000 to the “Accounting Agency Center of Gaolong Town Village, Chaling Country (茶陵縣高隴鎮村會計代理中心)” and “Zhuzhou Charity Federation (株洲市慈善總會)” to support the local community’s welfare and social and educational services. In addition, as part of our efforts to fulfil our social responsibility, we actively provide voluntary services to the local community, such as participating in the voluntary tree planting and providing refreshing beverages to community service personnel. During the Reporting Period, 59 employees of the Group provided 264 hours of volunteer services. The Group will continue to explore more community activities and contribute to the community’s prosperity.



**Employees participate in the voluntary tree planting activity in Zhuzhou City**



# Environment, Social and Governance Report

## Award and Commendation

The Group's numerous awards during the Reporting Period, which encompass a range of local and provincial accolades for construction engineering quality, serve as a testament to the significant recognition the Group has garnered from the community across various facets of its business operations.

Awards/Honors	Date of Award	Awarding Organisations/Agencies
"Shennong Award (神農獎)"	January 2023	Zhuzhou Construction Industry Association
"Hunan Province Quality Engineering Award (湖南省優質工程獎)"	June 2023	Hunan Construction Industry Association
"Hunan Province Steel Structure Gold Award (湖南省鋼結構金獎)"	July 2023	"Hunan Green Building and Steel Structure Industry Association (湖南省綠建築與鋼結構產業協會)"
"2022 Zhuzhou City Construction Industry City level Integrity Level "AAA" Enterprise (2022年度株洲市建築業市級誠信等級"AAA"企業)"	August 2023	Zhuzhou Construction Industry Association
"Hunan Province 2022 Construction Safety Production Standardization "Annual Project Evaluation Excellent Construction Sites" (湖南省2022年度建築施工安全生產標準化"年度項目考評優良施工工地)"	September 2023	"Hunan Provincial Housing and Municipal and Rural Construction Hall/Office (湖南省住房及城鄉建設廳)"
"Lotus Award (芙蓉獎)"	October 2023	Hunan Construction Industry Association

To provide maximum benefits to our valued customers, the Group remains committed to improving the quality of its building engineering and strives to achieve greater recognition in the construction field in the future.

# Environment, Social and Governance Report

## HKEX ESG REPORTING GUIDE CONTENT INDEX

Part A: Environmental		
ESG Aspects	Related Section(s)	Remarks
<b>A1. Emissions</b>		
Information on the policies and compliance with relevant laws and regulations significantly impacting the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Overview, Emissions, Greenhouse Gas Emissions, Waste Management	
KPI A1.1 The types of emissions and respective emission data.	Emissions	
KPI A1.2 Greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emissions	
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
KPI A1.5 Description of measures to mitigate emissions and results achieved.	Greenhouse Gas Emissions	
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	
<b>A2. Use of Resources</b>		
Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Efficiency, Water Management, Supply Chain Management	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Efficiency	
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Management	
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	Energy Efficiency	
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Management	
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging	No packaging material was used during the Group's operations.
<b>A3. The Environmental and Natural Resources</b>		
Policies on minimizing the issuer's significant impact on the environment and natural resources.	Energy Efficiency, Water Management	
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection	



# Environment, Social and Governance Report

<b>Part A: Environmental</b>		
<b>ESG Aspects</b>	<b>Related Section(s)</b>	<b>Remarks</b>
<b>A4. Climate Change</b>		
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	
KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

<b>Part B. Social</b>		
<b>ESG Aspects</b>	<b>Related Section(s)</b>	<b>Remarks</b>
<b>B1. Employment</b>		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	The Team	
KPI B1.2 Employment turnover rate by gender, age group and geographical region.	The Team	
<b>B2. Health and Safety</b>		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	
KPI B2.1 Number and rate of work-related fatalities.	Occupational Health and Safety	
KPI B2.2 Lost days due to work injury.	Occupational Health and Safety	
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	
<b>B3. Development and Training</b>		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training	
KPI B3.2 The average training hours completed per employee by gender and employee category.	Development and Training	

# Environment, Social and Governance Report

<b>Part B. Social</b>		
<b>ESG Aspects</b>	<b>Related Section(s)</b>	<b>Remarks</b>
<b>B4. Labour Standards</b>		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Labour Standards	
<b>B5. Supply Chain Management</b>		
Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI B5.1 Number of suppliers by geographical region.	Supply Chain Management	
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	
<b>B6. Product Responsibility</b>		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.	Product Quality Assurance, Our Products and Service	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality Assurance	
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	Our Products and Service	
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights	
KPI B6.4 Description of quality assurance process and recall procedures.	Product Quality Assurance	
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Privacy	

# Environment, Social and Governance Report

<b>Part B. Social</b>		
<b>ESG Aspects</b>	<b>Related Section(s)</b>	<b>Remarks</b>
<b>B7. Anti-corruption</b>		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	
KPI B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption	
<b>B8. Community investment</b>		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	Community Investment	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment	
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Investment	



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## TO THE SHAREHOLDERS OF ZHONGTIAN CONSTRUCTION (HUNAN) GROUP LIMITED

*(incorporated in Cayman Islands with limited liability)*

### Opinion

We have audited the consolidated financial statements of Zhongtian Construction (Hunan) Group Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 80 to 130, which comprises the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Recognition of revenue from construction contracts**

Refer to notes 4(b), 5(b) and 7 to the consolidated financial statements.

For the year ended 31 December 2023, the Group recognised revenue from construction contracts amounted to RMB1,944,217,000. Contract revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation on the basis of contract costs incurred to date relative to estimated total contract cost. We identified the recognition of revenue from construction contracts as a key audit matter as the estimation of contract costs require the use of significant management judgement and it is quantitatively significant to the consolidated financial statements as a whole.

## Independent Auditor's Report

Our procedures in relation to the recognition of revenue from construction contracts which included:

- Understanding the procedures and relevant key controls of the Group in preparing and updating budgets for construction works and recording contract costs;
- Discussing the status of the construction contracts with the Group's construction project team and checking the calculations in respect of the stage of completion and the amounts of contract revenue recognised, based on actual costs incurred to date and estimated total contract costs;
- Testing contract costs incurred to date and estimated total costs to complete to underlying supporting evidence, and assessing the reasonableness of the budgeted costs, on a sample basis; and
- Testing material variation orders and claims to underlying supporting documentation, on a sample basis and verifying if significant reversal of previously recognised variation orders and claims occurred during the year.

### ***Expected credit losses on trade receivables and contract assets***

Refer to notes 4(g)(ii), 5(a), 18, 19 and 39(b) to the consolidated financial statements.

As at 31 December 2023, the Group had gross trade receivables and contract assets of approximately RMB384,027,000 and RMB1,493,118,000, respectively and provision of impairment of approximately RMB17,867,000 and RMB17,090,000, respectively.

The impairment assessment of trade receivables and contract assets are estimated based on an expected credit loss ("ECL") model as required under HKFRS 9 Financial Instruments. Loss allowance for trade receivables and contract assets are measured with lifetime ECL which result from all possible default events over the expected life of the trade receivables. Impairment assessment of these receivables is a subjective area as management requires application of judgement. Judgement is applied in considering the credit profile of these receivables, including default or delay in payments, historical settlement records and ageing analysis. The management also considered forward-looking factors specific to the debtors and the economic environment.

Management performed assessment with the assistance of independent professional valuer on the recoverability of the trade receivables and contract assets and the sufficiency of loss allowance for ECL. In carrying out impairment assessment of trade receivables and contract assets under the ECL model, significant management judgement was used to determine the underlying estimations.

## Independent Auditor's Report

Our procedures in relation to management's impairment assessment of trade receivables and contract assets which included:

- Understanding the impairment assessment prepared by the management, including an evaluation of management judgements and creditworthiness of the customers by assessing, on a sample basis, the available information, such as understanding on-going relationship with the customers based on trade records, checking the customers' historical settlement records;
- Assessing the appropriateness of ECL provisions applying the ECL rates to the respective categories of the trade receivables and contract assets recorded at the reporting date;
- Involving external independent valuation specialist to assist us in evaluating and assessing the ECL calculations;
- Reviewing the reasonableness of the use of ageing profile, historical settlement pattern, historical default rates, forecast economic conditions and other forward-looking information in the ECL model; and
- Evaluating the competence, capability and objectivity of the external experts.

### Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated is based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

# Independent Auditor's Report

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

## **Auditor's Responsibilities for Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **BDO Limited**

*Certified Public Accountants*

Cheung Wing Yin

Practising Certificate Number P06946

Hong Kong, 28 March 2024



# Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>Revenue</b>	7	<b>1,952,122</b>	1,890,660
Cost of sales		<b>(1,735,969)</b>	(1,684,101)
<b>Gross profit</b>		<b>216,153</b>	206,559
Other income and other gains, net	8	<b>978</b>	850
Administrative and other expenses		<b>(128,982)</b>	(117,546)
Listing expenses		<b>(10,166)</b>	(6,181)
Impairment on financial and contract assets, net		<b>(17,351)</b>	(2,543)
Finance costs	9	<b>(7,785)</b>	(7,408)
<b>Profit before income tax</b>	10	<b>52,847</b>	73,731
Income tax expense	11	<b>(6,857)</b>	(8,243)
<b>Profit and total comprehensive income for the year</b>		<b>45,990</b>	65,488
<b>Profit and total comprehensive income for the year attributable to</b>			
Owners of the Company		<b>45,277</b>	64,471
Non-controlling interests		<b>713</b>	1,017
		<b>45,990</b>	65,488
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted (expressed in RMB cents per share)	13	<b>10.04</b>	17.91

# Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	21,262	19,566
Deferred tax assets	16	6,843	4,107
Intangible assets		41	45
		<b>28,146</b>	23,718
<b>Current assets</b>			
Inventories	17	801	828
Trade, bills and other receivables	18	453,522	434,116
Contract assets	19	1,476,028	1,127,150
Amounts due from related companies	20	—	8,318
Amounts due from shareholders	20	—	4,352
Restricted bank deposits	21	19,061	17,599
Cash and cash equivalents	22	59,609	151,661
		<b>2,009,021</b>	1,744,024
<b>Current liabilities</b>			
Trade payables	23	808,587	788,363
Bills payables	24	15,000	15,000
Accruals and other payables	25	557,309	420,745
Contract liabilities	19	9,497	17,267
Amounts due to related companies	20	—	8,618
Amounts due to shareholders	20	—	5,806
Amounts due to directors	20	—	748
Lease liabilities	26	338	—
Borrowings	27	108,362	136,705
Income tax payable		18,121	11,334
		<b>1,517,214</b>	1,404,586
<b>Net current assets</b>		<b>491,807</b>	339,438
<b>Total assets less current liabilities</b>		<b>519,953</b>	363,156
<b>Non-current liabilities</b>			
Lease liabilities	26	1,464	—
Borrowings	27	6,029	3,425
		<b>7,493</b>	3,425
<b>NET ASSETS</b>		<b>512,460</b>	359,731

# Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	28	4,245	1
Reserves	29	497,579	349,807
		<hr/>	
		501,824	349,808
<b>Non-controlling interests</b>	30	<b>10,636</b>	9,923
		<hr/>	
<b>TOTAL EQUITY</b>		<b>512,460</b>	359,731
		<hr/>	

The consolidated financial statements were approved and authorised for issue by the board of the directors of the Company on 28 March 2024 and are signed on its behalf by:

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**Yang Zhongjie**  
*Executive director*

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**Liu Xiaohong**  
*Executive director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Equity attributable to the owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory special reserve	Statutory reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b>	1	—	79,673	627	22,229	182,732	285,262	8,906	294,168
Profit and total comprehensive income for the period	—	—	—	—	—	64,471	64,471	1,017	65,488
Appropriation to statutory reserve	—	—	—	—	6,508	(6,508)	—	—	—
Transfer to special reserve	—	—	—	36,287	—	—	36,287	—	36,287
Utilisation of special reserve	—	—	—	(36,212)	—	—	(36,212)	—	(36,212)
<b>At 31 December 2022</b>	1	—	79,673	702	28,737	240,695	349,808	9,923	359,731
<b>Balance at 1 January 2023</b>	1	—	79,673	702	28,737	240,695	349,808	9,923	359,731
Issuance of shares upon listing	1,061	124,154	—	—	—	—	125,215	—	125,215
Capitalisation issue	3,183	(3,183)	—	—	—	—	—	—	—
Expenses attributed to issue of new shares upon listing	—	(18,179)	—	—	—	—	(18,179)	—	(18,179)
Profit and total comprehensive income for the period	—	—	—	—	—	45,277	45,277	713	45,990
Appropriation to statutory reserve	—	—	—	—	7,035	(7,035)	—	—	—
Transfer to special reserve	—	—	—	37,677	—	—	37,677	—	37,677
Utilisation of special reserve	—	—	—	(37,974)	—	—	(37,974)	—	(37,974)
<b>At 31 December 2023</b>	4,245	102,792	79,673	405	35,772	278,937	501,824	10,636	512,460

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	52,847	73,731
Adjustments for:		
Depreciation of property, plant and equipment	4,835	5,441
Amortisation of intangible assets	4	3
Loss on disposal of property, plant and equipment	7	—
Finance costs	7,785	7,408
Interest income	(465)	(502)
Impairment on financial and contract assets, net	17,351	2,543
	<hr/>	
Operating profit before working capital changes	82,364	88,624
Decrease in inventories	27	2,190
(Increase)/decrease in trade, bills and other receivables	(31,383)	78,199
(Increase)/decrease in contract assets	(355,427)	86,525
(Increase)/decrease in restricted bank deposits	(1,462)	830
Increase/(decrease) in trade payables	35,224	(341,354)
Increase in accruals and other payables	139,853	118,020
Decrease in contract liabilities	(7,770)	(7,709)
	<hr/>	
Cash (used in)/generated from operations	(138,574)	25,325
Income tax paid	(6,392)	(6,757)
	<hr/>	
<b>Net cash (used in)/generated from operating activities</b>	<b>(144,966)</b>	<b>18,568</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,677)	(481)
Interest received	465	502
Repayments from/(advances to) related companies	8,354	(1,856)
Repayments from shareholders	5,491	5,753
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	<b>9,633</b>	3,918
<b>Cash flows from financing activities</b>		
Proceeds from new borrowings	148,162	139,393
Repayments of borrowings	(173,901)	(66,158)
Interest paid	(7,785)	(7,408)
Repayments of lease liabilities	(59)	(398)
(Repayments to)/advances from related companies	(8,618)	3,785
Repayments to shareholders	(5,806)	(8,240)
(Repayments to)/advances from directors	(748)	495
Repayments of bills payables	(15,000)	(21,400)
Proceeds from issue of new shares	125,215	—
Payment of share issue expenses	(18,179)	—
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>43,281</b>	40,069
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(92,052)</b>	62,555
<b>Cash and cash equivalents at the beginning of the year</b>	<b>151,661</b>	89,106
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>59,609</b>	151,661
	<hr/>	<hr/>

# Notes to Consolidated Financial Statements

## 1. GENERAL INFORMATION

Zhongtian Construction (Hunan) Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 27 March 2020. The Company’s registered office is located at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands. The principal place of business of the Company is located in the People’s Republic of China (the “PRC”).

The Company, an investment holding company, and its subsidiaries (collectively referred as the “Group”) are principally engaged in the provision of construction services in the PRC.

In the opinion of the directors, as at the date of this report, the ultimate holding company is ZT (A) Limited, a company incorporated in BVI.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) issued by the HKICPA. In addition, the consolidated financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The consolidated financial statements have been prepared on the historical cost basis and the consolidated financial statements is presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may be ultimately different from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The HKICPA has issued a number of new and amendments to HKFRSs which are relevant to the Group and became effective during the reporting period. For the purpose of preparing and presenting the consolidated financial statements for the reporting period, the Group has adopted all new and amendments to HKFRSs that are effective during the reporting period and has applied them consistently throughout the reporting period.

# Notes to Consolidated Financial Statements

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

### (a) Adoption of new and amendments to HKFRSs – effective 1 January 2023

HKICPA has issued a number of new and amendments to HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Other than the amendments to HKAS 1 and HKFRS Practice Statement 2, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period.

The Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amendments to HKFRSs are summarised below.

#### ***Disclosure of Accounting Policies (Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements)***

The HKICPA issued HKFRS Practice Statement 2 Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose “significant accounting policies” with “material accounting policy information”. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.



## Notes to Consolidated Financial Statements

### 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) (Continued)

#### (b) New and amendments to HKFRSSs that have been issued but are not yet effective

The following amendments to HKFRSSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025

The directors of the Company do not anticipate that the application of the amendments to HKFRSSs will have material impact on the Group’s consolidated financial statements and/or the disclosures to the Group’s consolidated financial statements.

# Notes to Consolidated Financial Statements

## 4. MATERIAL ACCOUNTING POLICY INFORMATION

### (a) Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) comprising the Group for the reporting period. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### (b) Revenue recognition

#### (i) Construction services

The Group engages in the provision for construction services of civil building, municipal works, foundation works, prefabricated steel structure and other specialised works. The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to the contract costs incurred to date relative to the estimated total contract costs while the contract progress are highly correlated contract costs for the contracts. Invoices are issued according to contractual terms and obligated to be paid in accordance with the respective repayment schedules. Uninvoiced amounts are presented as contract assets.

Contract modification (e.g. variation order) are recognised when they are approved by customer. Generally, modification to a contract is not accounted for as a separate contract. Contract modification is accounted for as if it were a part of the existing contract and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis). For approved modifications where a change in price has not been agreed and other claims, they are accounted for following the requirements in relation to variable consideration, that is to include in the transaction price to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

If at any time, the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with the accounting policy for onerous contracts as set out in note 4(i).

# Notes to Consolidated Financial Statements

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### (b) Revenue recognition *(Continued)*

#### (ii) Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contract asset is recognised when (i) the Group completes the construction works under such service contracts but yet certified by architects, surveyors or other representatives appointed by customers; or (ii) the customers retain retention money to secure the due performance of the contracts. Contract assets are assessed for expected credit losses on the same basis as trade receivable in accordance with the policy set out in note 4(g)(ii). Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the milestones are reached. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

### (c) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of services, or for administrative purposes as described below, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Right-of-use assets	Over the lease terms
Plant and machinery	8–10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	3 years
Leasehold improvement	Over the shorter of the terms of the related lease or 5 years
Tools	3–5 years

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### (d) Research and development costs

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised as intangible assets only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development is subsequently measured on the same basis as intangible assets acquired separately.

# Notes to Consolidated Financial Statements

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### (e) Impairment of assets (other than financial assets, inventories, contract assets and deferred tax assets)

At each reporting date, the Group reviews the carrying amounts of assets other than financial assets, inventories, contract assets and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

### (f) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand as well as short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### (g) Financial instruments

#### (i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item measured at amortised cost, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instrument, including trade, bills and other receivables, amounts due from related companies and bank balances, that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

# Notes to Consolidated Financial Statements

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### (g) Financial instruments *(Continued)*

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECLs”) on financial assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measures loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The ECLs rates adopted by the Group are determined that having considered that, among others, the Group has the priority of compensation to the proceeds from selling off or auctioning the underlying property projects for the contracted work in settling the debts owed and the Company has assessed the market value of the underlying properties corresponding to the account receivables. The above ECL rate for each year represented the average of the relevant credit loss rates for each ageing group, which was determined based on a number of parameters, including (i) analysis of historical credit loss rates within two to five years from the measurement date is adopted; (ii) a discount of 30% to be applied on the value of the underlying properties so as to arrive at a conservative estimation of the proceeds that could be recovered by the Group under priority of compensation; (iii) the assessed market values of the underlying properties corresponding to the trade receivables and any potential shortfall of proceeds recovered from the outstanding balance based on conservative estimation; and (iv) forward-looking adjustment based on the correlation between default rates and macro-economic factors (indicative overall market conditions).

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due as the delay in payment is because of administrative oversight rather than financial difficulty of the counterparties and historical information suggests significant increases in credit risk only occur when payments are more than 60 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

# Notes to Consolidated Financial Statements

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### (g) Financial instruments *(Continued)*

#### (ii) Impairment loss on financial assets *(Continued)*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract, such as a default or past due event.

In addition, the Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### (iii) Financial liabilities

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables and borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

# Notes to Consolidated Financial Statements

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### (g) Financial instruments *(Continued)*

#### (iv) Financial guarantees issued

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

### (h) Income tax

Income taxes for the year comprise current tax and deferred tax. Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences. Deferred tax liabilities are generally recognised for all taxable temporary differences except for those arising on investments in subsidiaries, where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

# Notes to Consolidated Financial Statements

## 4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

### (i) Provisions and contingent liabilities

Provisions are generally recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are stated at the present value of the expenditure expected to settle the obligation. Specifically, provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### (a) Impairment of financial and contract assets

The measurement of the ECLs allowance for financial assets measured at amortised cost and contract assets is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgements and assumptions used in measuring ECLs is set out in note 4(g)(ii) and note 39(b) to the consolidated financial statements. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.



## Notes to Consolidated Financial Statements

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

#### (b) Revenue from provision of construction services

Construction contract revenue is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred to date relative to estimated total contract cost. Contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets/contract liabilities requires significant management judgement and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and project staff costs and an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on materials and processing charges, project staff costs and other costs estimated by the directors, are supported by contract budget which was prepared by the top managements of the Company. In order to ensure that the estimated total contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. Recognition of variations and claims also requires estimation and judgement by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

### 6. SEGMENT INFORMATION

#### (a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

Management has determined the operating segments based on the reports reviewed by chief operating decision maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of construction services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the reporting period.

As at 31 December 2023 and 2022, all of the non-current assets were located in the PRC.

## Notes to Consolidated Financial Statements

### 6. SEGMENT INFORMATION *(Continued)*

#### (b) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the reporting period, is set out below:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Customer A	<b>N/A*</b>	265,507

\* Transactions did not exceed 10% of the Group's revenue.

### 7. REVENUE

Revenue represents the revenue from construction contracts and provision of construction machinery and equipment for construction projects.

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>Revenue from construction contracts</b>		
Civil building construction	<b>974,816</b>	857,897
Municipal works construction	<b>618,360</b>	735,037
Foundation works	<b>21,200</b>	24,325
Prefabricated steel structure construction works	<b>265,167</b>	257,670
Other specialised contracting works	<b>64,674</b>	6,488
	<b>1,944,217</b>	1,881,417
<b>Revenue from provision of construction machinery and equipment service</b>		
	<b>7,905</b>	9,243
	<b>1,952,122</b>	1,890,660

## Notes to Consolidated Financial Statements

### 7. REVENUE (Continued)

Timing of revenue recognition:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
— Transferred over time	<b>1,952,122</b>	1,890,660

The following table provides information about the geographical areas of the revenue derived from customers:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Hunan	<b>1,166,477</b>	1,256,937
Hainan	<b>687,767</b>	569,529
Others	<b>1,854,244</b> <b>97,878</b>	1,826,466 64,194
	<b>1,952,122</b>	1,890,660

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Trade receivables, net (note 18)	<b>366,160</b>	354,373
Contract assets (note 19(a))	<b>1,476,028</b>	1,127,150
Contract liabilities (note 19(b))	<b>9,497</b>	17,267

#### (i) Revenue recognised in relation to contract liabilities at the beginning of the reporting period

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Revenue recognised during the year	<b>15,566</b>	12,789

For contracts where the period between payment and transfer of the service is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

## Notes to Consolidated Financial Statements

### 7. REVENUE (Continued)

#### (ii) Transaction price allocated to the remaining performance obligations

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Partially unsatisfied performance obligation	<b>1,013,831</b>	968,450

In addition, there is unsatisfied performance obligation as at 31 December 2023 amounted to approximately RMB1,184,544,000 (2022: approximately RMB1,304,590,000), which represents the wholly unperformed revenue contracts. These amounts represent revenue expected to be recognised in the future from long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 23 months.

### 8. OTHER INCOME AND OTHER GAINS, NET

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Interest income on bank deposits	<b>465</b>	502
Government grants (note)	<b>255</b>	211
Loss on disposal of property, plant and equipment	<b>(7)</b>	—
Others	<b>265</b>	137
	<b>978</b>	850

Note:

These represented grants to incentivise the development of the Group, of which the entitlement was unconditional and one-off in nature.

### 9. FINANCE COSTS

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Interest charge on lease liabilities	<b>10</b>	5
Interest charge on borrowings	<b>7,775</b>	7,403
	<b>7,785</b>	7,408

## Notes to Consolidated Financial Statements

### 10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the followings:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Cost of inventories	<b>727,921</b>	715,675
Auditors' remuneration	<b>1,300</b>	780
Depreciation of owned property, plant and equipment	<b>4,757</b>	5,043
Depreciation of right-of-use assets	<b>78</b>	398
Amortisation of intangible assets	<b>4</b>	3
Research costs	<b>63,660</b>	61,821
Short-term leases expenses		
— Office premises	<b>338</b>	59
— Machinery and equipment	<b>127,698</b>	143,595
Staff costs (including directors' emoluments (note 14)):		
— Salaries and wages	<b>19,322</b>	30,098
— Retirement scheme contributions	<b>5,447</b>	6,164
Listing expenses	<b>10,166</b>	6,181

### 11. INCOME TAX EXPENSE

Provision for the PRC Enterprise Income Tax ("EIT") for the reporting period was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>PRC Enterprise Income Tax</b>		
Current year	<b>9,593</b>	8,553
Deferred tax (note 16)	<b>(2,736)</b>	(310)
	<b>6,857</b>	8,243

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Group is 25% for the years ended 31 December 2023 and 2022, except for the following subsidiaries:

- A subsidiary of the Company has been certified as new high technology enterprise in the PRC and enjoyed a preferential enterprise income tax rate of 15% for the years ended 31 December 2023 and 2022.
- Two subsidiaries of the Company were qualified as small enterprise and are eligible for preferential tax rate of 5% for the years ended 31 December 2023 and 2022.

## Notes to Consolidated Financial Statements

### 11. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2023</b> RMB'000	2022 RMB'000
Profit before income tax	<b>52,847</b>	73,731
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	<b>13,212</b>	18,433
Tax effect of non-deductible items	<b>8,069</b>	1,720
Effect of additional deduction of research costs	<b>(2,150)</b>	(2,243)
Tax effect of preferential tax rate	<b>(12,274)</b>	(9,667)
Income tax expense	<b>6,857</b>	8,243

### 12. DIVIDENDS

No dividends were paid or declared by the Company for both years.

### 13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per ordinary share is based on the following data:

	<b>2023</b>	2022
Profit for the year attributable to owners of the Company (RMB'000)	<b>45,277</b>	64,471
Weighted average number of shares in issue (note)	<b>451,068,000</b>	360,000,000
Basic earnings per share (RMB cents)	<b>10.04</b>	17.91

Note:

The weighted average of 360,000,000 ordinary shares derived for calculation of basic earnings per share for the year ended 31 December 2022, assumed the capitalisation issue completed in March 2023 (as detailed in note 28(iii)) has occurred at the beginning of the year ended 31 December 2022.

Diluted earnings per share presented is the same as the basic earnings per share as the Group has no dilutive potential ordinary share outstanding during the year (2022: Same).

## Notes to Consolidated Financial Statements

### 14. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' emoluments

Details of directors' remuneration during the reporting periods are as follows:

	Fees RMB'000	Salaries RMB'000	Allowance and other benefits RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2023</b>					
<i>Executive directors</i>					
Yang Zhongjie	—	146	—	52	198
Liu Xiaohong	—	86	57	50	193
Min Shixiong	—	79	53	46	178
Shen Qiang	—	69	46	40	155
Chen Weiwu	—	86	57	50	193
	—	466	213	238	917
<i>Non-executive directors</i>					
Liu Jianlong (note)	81	—	—	—	81
Deng Jianhua (note)	81	—	—	—	81
Lau Kwok Fai Patrick (note)	112	—	—	—	112
	274	—	—	—	274
<b>Year ended 31 December 2022</b>					
<i>Executive directors</i>					
Yang Zhongjie	—	149	—	52	201
Liu Xiaohong	—	86	57	50	193
Min Shixiong	—	79	53	46	178
Shen Qiang	—	69	46	39	154
Chen Weiwu	—	72	48	46	166
	—	455	204	233	892
<i>Non-executive directors</i>					
Liu Jianlong (note)	—	—	—	—	—
Deng Jianhua (note)	—	—	—	—	—
Lau Kwok Fai Patrick (note)	—	—	—	—	—
	—	—	—	—	—

Note: Appointed as non-executive director since 10 March 2023.

## Notes to Consolidated Financial Statements

### 14. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

#### (b) The five highest paid individuals

The five highest paid individuals of the Group during the reporting periods are analysed as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Directors	<b>4</b>	4
Non-director, the highest paid individuals	<b>1</b>	1

Details of the remuneration of the above non-director, the highest paid individuals during the reporting periods are as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Salaries and other emoluments	<b>71</b>	71
Discretionary bonuses	<b>47</b>	57
Retirement scheme contribution	<b>42</b>	26
	<b>160</b>	154

The number of the highest paid non-director individuals fell within the following emolument band:

	<b>2023</b> <b>Number of</b> <b>individuals</b>	2022 Number of individuals
Nil to HK\$1,000,000	<b>1</b>	1

During the reporting periods, no emoluments were paid by the Group to any director or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the reporting periods.



## Notes to Consolidated Financial Statements

### 15. PROPERTY, PLANT AND EQUIPMENT

	Right- of-use assets RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Tools RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2022	2,917	41,298	6,207	857	10,648	61,927
Additions	370	247	—	—	234	851
Disposals	—	—	—	—	—	—
At 31 December 2022 and 1 January 2023	3,287	41,545	6,207	857	10,882	62,778
Additions	1,861	—	81	895	3,701	6,538
Termination of lease	(3,287)	—	—	—	—	(3,287)
Disposals	—	(2,330)	(133)	—	(3,196)	(5,659)
At 31 December 2023	1,861	39,215	6,155	1,752	11,387	60,370
<b>Accumulated depreciation</b>						
At 1 January 2022	(2,889)	(22,754)	(4,751)	(695)	(6,682)	(37,771)
Charge for the year	(398)	(3,592)	(788)	(93)	(570)	(5,441)
Disposals	—	—	—	—	—	—
At 31 December 2022 and 1 January 2023	(3,287)	(26,346)	(5,539)	(788)	(7,252)	(43,212)
Charge for the year	(78)	(3,059)	(247)	(61)	(1,390)	(4,835)
Termination of lease	3,287	—	—	—	—	3,287
Disposals	—	2,327	129	—	3,196	5,652
At 31 December 2023	(78)	(27,078)	(5,657)	(849)	(5,446)	(39,108)
<b>Net carrying value</b>						
At 31 December 2023	1,783	12,137	498	903	5,941	21,262
At 31 December 2022	—	15,199	668	69	3,630	19,566

As at 31 December 2023, certain plant and machinery with carrying amount of approximately RMB8,966,000 (2022: approximately RMB7,539,000) were pledged as securities for the Group's borrowings (note 27).

## Notes to Consolidated Financial Statements

### 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying amounts of right-of-use assets at the end of each reporting period and the depreciation by classes of right-of-use assets are set out as below:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Carrying amounts		
— Office premises leased for own use	<b>1,783</b>	—
	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Depreciation charge		
— Office premises leased for own use	<b>78</b>	398

### 16. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets recognised and movements during the reporting periods are as follows:

	<b>Lease liabilities</b> RMB'000	<b>Impairment losses on financial and contract assets</b> RMB'000	<b>Total</b> RMB'000
At 1 January 2022	—	3,797	3,797
Credited for the year (note 11)	—	310	310
At 31 December 2022 and 1 January 2023	—	<b>4,107</b>	<b>4,107</b>
Credited for the year (note 11)	<b>270</b>	<b>2,734</b>	<b>3,004</b>
At 31 December 2023	<b>270</b>	<b>6,841</b>	<b>7,111</b>

Deferred tax liabilities recognised and movements during the reporting period are as follows:

	<b>Right-of-use assets</b> RMB'000	<b>Total</b> RMB'000
At 1 January 2022, 31 December 2022 and 1 January 2023	—	—
Charged for the year (Note 11)	268	268
At 31 December 2023	<b>268</b>	<b>268</b>

## Notes to Consolidated Financial Statements

### 16. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

For the purpose of presentation in the consolidation statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for the financial reporting purpose:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Deferred tax assets	<b>6,843</b>	4,107

### 17. INVENTORIES

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Raw materials	<b>799</b>	826
Consumables	<b>2</b>	2
	<b>801</b>	828

### 18. TRADE, BILLS AND OTHER RECEIVABLES

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Trade receivables		
— Related parties	<b>17,421</b>	21,794
— Third parties	<b>366,606</b>	341,233
	<b>384,027</b>	363,027
Bills receivables	<b>1,700</b>	300
Impairment provision for		
— Trade receivables	<b>(17,867)</b>	(8,654)
— Bills receivables	<b>(19)</b>	(3)
	<b>(17,886)</b>	(8,657)
Trade and bills receivables, net	<b>367,841</b>	354,670
Deposits and other receivables	<b>69,642</b>	53,092
Prepayments	<b>26,041</b>	33,608
Impairment provision for deposits and other receivables	<b>(10,002)</b>	(7,254)
	<b>85,681</b>	79,446
Other receivables, prepayments and deposits, net	<b>453,522</b>	434,116

## Notes to Consolidated Financial Statements

### 18. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of each reporting period:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Trade receivables, aged		
0–90 days	<b>85,709</b>	180,116
91–180 days	<b>40,055</b>	17,477
181–365 days	<b>79,264</b>	66,231
1–2 years	<b>107,112</b>	70,153
2–3 years	<b>35,554</b>	3,729
Over 3 years	<b>18,466</b>	16,667
	<b>366,160</b>	354,373

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on due dates, as of the end of the reporting period:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Trade receivables, aged		
Not yet past due	<b>88,085</b>	234,063
0–90 days	<b>58,843</b>	18,225
91–180 days	<b>37,961</b>	15,936
181–365 days	<b>86,471</b>	49,773
1–2 years	<b>67,401</b>	17,674
2–3 years	<b>10,736</b>	2,035
Over 3 years	<b>16,663</b>	16,667
	<b>366,160</b>	354,373

The Group recognised impairment loss based on the accounting policy stated in note 4(g)(ii). Trade receivables are generally due within 10 to 90 days from the date of billing.

Further details on the Group's credit policy and credit risk analysis arising from trade, bills and other receivables are set out in note 39(b).

As at 31 December 2023, no trade and bills receivables arising from provision of construction services (2022: approximately RMB1,910,000) was pledged as securities for the Group's borrowings note 27.

## Notes to Consolidated Financial Statements

### 19. CONTRACT ASSETS AND CONTRACT LIABILITIES

#### (a) Contract assets

	2023 RMB'000	2022 RMB'000
Contract assets arising from construction services:		
— Related parties	172,859	130,781
— Third parties	1,320,259	1,006,910
	<b>1,493,118</b>	1,137,691
Less: Loss allowance provision	(17,090)	(10,541)
	<b>1,476,028</b>	1,127,150

Movements in contract assets are as follows:

	2023 RMB'000	2022 RMB'000
At the beginning of the year	1,137,691	1,224,216
New contract assets during the year	1,238,479	1,331,576
Amounts recognised as trade receivables during the year	(883,052)	(1,418,101)
	<b>1,493,118</b>	1,137,691
Less: Loss allowance provision	(17,090)	(10,541)
	<b>1,476,028</b>	1,127,150

The Group's construction contracts include payment schedules, which require stage payments over the construction period once milestones are reached. Additionally, the Group typically agrees a 2 months to 2 years retention period for 3–5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection.

The expected timing of recovery or settlement for contract assets as at each of the reporting period is as follows:

For retention receivables:

	2023 RMB'000	2022 RMB'000
Due within one year	31,003	28,533
Due after one year	42,706	80,156
	<b>73,709</b>	108,689

## Notes to Consolidated Financial Statements

### 19. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

#### (a) Contract assets (Continued)

The remaining contract assets of RMB1,419,409,000 as at 31 December 2023 (2022: RMB1,029,002,000) are generally expected to be settled within the next 2 years upon completion of services and acceptance by the customers.

Further details on the Group's credit policy and credit risk analysis arising from contract assets are set out in note 39(b).

#### (b) Contract liabilities

	2023 RMB'000	2022 RMB'000
Contract liabilities arising from construction services:		
— Related parties	—	—
— Third parties	9,497	17,267
	9,497	17,267

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movements in contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	17,267	24,976
New contract liabilities as a result of billing in advance of construction activities	40,825	32,309
Amounts recognised as revenue during the year	(48,595)	(40,018)
	9,497	17,267
At 31 December		

## Notes to Consolidated Financial Statements

### 20. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/SHAREHOLDERS/DIRECTORS

#### (a) Amounts due to directors

Details of amounts due to directors are as follows:

	2023 RMB'000	2022 RMB'000
Liu Xiaohong	—	735
Min Shixiong	—	13
	<hr/>	<hr/>
	—	748
	<hr/>	<hr/>

As at 31 December 2022, the amounts due to directors were unsecured, interest free and repayable on demand.

#### (b) Amounts due from/(to) related companies/shareholders

As at 31 December 2022, the amounts due from/(to) related companies/shareholders are not trade related, unsecured, interest free and repayable on demand.

Further details on the Group's credit policy and credit risk analysis arising from amounts due from related companies/shareholders are set out in note 39(b).

### 21. RESTRICTED BANK DEPOSITS

Bank deposits were restricted for the deposit of the construction projects, by court orders due to ongoing legal cases and guaranteed deposits placed in the banks in the PRC as securities for the Group's bills payables (note 24) and loan (note 27).

### 22. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise bank deposits carrying interest at floating rates based on daily bank deposit rates and short-term bank deposits carrying interests at prevailing market interest rate. The directors consider that the carrying value of the deposits at the end of each of the reporting period approximate to their fair value.

As at the end of the reporting period, all of the Group's cash at banks and on hands are denominated in RMB and placed in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group are permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## Notes to Consolidated Financial Statements

### 23. TRADE PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables		
— Third parties	759,239	767,508
— Related parties	49,348	20,855
	<b>808,587</b>	788,363

A credit period of up to 3 months from the date of billing is generally granted by the Group's trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at the end of each of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
0–90 days	180,297	223,588
91–180 days	105,303	116,288
181–365 days	96,191	252,924
1–2 years	318,410	92,018
Over 2 years	108,386	103,545
	<b>808,587</b>	788,363

### 24. BILLS PAYABLES

As at 31 December 2023, the Group's bill payables were secured by the Group's bank deposits of RMB4,500,000 (2022:RMB4,500,000).

### 25. ACCRUALS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Deposits received	13,628	13,148
Other payables	151,109	92,517
Other tax payables	388,387	310,343
Accruals	4,185	4,737
	<b>557,309</b>	420,745



## Notes to Consolidated Financial Statements

### 26. LEASE LIABILITIES

The Group has lease contract for office building to operate its business. The lease is typically made for fixed terms of 5 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. The lease agreement does not impose any covenants, but leased assets may not be used as security for borrowing purpose. The lease comprise only fixed lease payment over the lease term and does not contain extension and termination options.

The Group also leases properties with term of less than one year. These leases are short term and the Group had elected not to recognise right-of-use assets and lease liabilities for these leases.

Present value of future lease payments of the Group's leases is analysed as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Current	<b>338</b>	—
Non-current	<b>1,464</b>	—

Movement of the Group's lease liabilities is analysed as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
At the beginning of the year	—	28
Addition of new leases	<b>1,861</b>	370
Interest expenses	<b>10</b>	5
Interest element of lease payments	<b>(10)</b>	(5)
Capital element of lease payments	<b>(59)</b>	(398)
At the end of the year	<b>1,802</b>	—

Total cash outflows in respect of leases for the year ended 31 December 2023 were RMB128,105,000 (2022: RMB144,060,000) respectively.

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	<b>Future lease payments</b>	<b>Interest</b>	<b>Present value</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>As at 31 December 2023</b>			
— within 1 year	<b>415</b>	<b>77</b>	<b>338</b>
— 1 to 2 years, inclusive	<b>415</b>	<b>57</b>	<b>358</b>
— 3 to 5 years, inclusive	<b>1,176</b>	<b>70</b>	<b>1,106</b>
	<b>2,006</b>	<b>204</b>	<b>1,802</b>

## Notes to Consolidated Financial Statements

### 27. BORROWINGS

	2023 RMB'000	2022 RMB'000
<b>Current</b>		
— Bank borrowings, secured/guaranteed	50,055 <sup>1</sup>	135,560 <sup>2</sup>
— Bank borrowings, unsecured	57,162 <sup>1</sup>	—
— Other borrowings, secured	1,145	1,145
	<b>108,362</b>	136,705
<b>Non-current</b>		
— Bank borrowings, secured	5,634 <sup>1</sup>	1,885 <sup>2</sup>
— Other borrowings, secured	395	1,540
	<b>6,029</b>	3,425
	<b>114,391</b>	140,130

Notes:

- As at 31 December 2023, bank loans with principal amount of RMB30,000,000 were pledged by the Group's intangible assets; bank loans with principal amount of RMB57,162,000 were unsecured; bank loans with principal amount of RMB7,000,000 were guaranteed by the Group; bank loans with principal amount of RMB2,000,000 were guaranteed by the Group and secured by the properties of the Group; bank loans with principal amount of RMB4,725,000 were secured by bank deposits; bank loans with principal amount of RMB11,964,000 were guaranteed by director.
- As at 31 December 2022, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB15,000,000 (note 24) and performance bonds issued by bank in favour of certain customers of the Group's construction projects with the aggregate value of RMB2,459,000 were secured by the properties of related companies; bank loans with principal amount of RMB6,550,000 were guaranteed by a director and his spouse of the Company; bank loans with principal amount of RMB2,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by one director and his spouse of a subsidiary; bank loans with principal amount of RMB2,000,000 were secured by the properties of the Group; bank loans with principal amount of RMB60,000,000 were secured by the properties of related companies and equity share of a related company, guaranteed by related companies, a director and his spouse of the Company; bank loans with principal amount of RMB8,000,000 were secured by the properties of related companies, and guaranteed by a related company, a director and his spouse of the Company; bank loans with principal amount of RMB1,895,000 were secured by bank deposits; and bank loans with principal amount of RMB7,000,000 were secured by trade receivables and guaranteed by a related company, four directors of a subsidiary and a director and his spouse of the Company. The above-mentioned securities and guarantees were released following with the full repayment of bank borrowing during the year.

## Notes to Consolidated Financial Statements

### 27. BORROWINGS (Continued)

Bank borrowings were repayable as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Within 1 year	<b>107,217</b>	135,560
1–2 years	<b>2,834</b>	10
2–5 years	<b>2,800</b>	1,875
	<b>112,851</b>	137,445

Other borrowings were repayable as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Within 1 year	<b>1,145</b>	1,145
1–2 years	<b>395</b>	1,145
2–5 years	<b>—</b>	395
	<b>1,540</b>	2,685

The interest rate profiles for the Group's borrowings were as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Fixed-rate borrowings	<b>84,391</b>	90,130
Floating-rate borrowings	<b>30,000</b>	50,000
	<b>114,391</b>	140,130
Interest rate range per annum	<b>3.7%–18%</b>	3.7%–8.6%

The borrowings were secured by the following assets:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Property, plant and equipment (note 15)	<b>8,966</b>	7,539
Trade and bills receivables (note 18)	<b>—</b>	1,910
Bank deposit (note 21)	<b>5,000</b>	2,000
Intangible assets	<b>41</b>	—

## Notes to Consolidated Financial Statements

### 27. BORROWINGS (Continued)

As at 31 December 2023, the Group could not fulfil certain financial covenants as set out in the loan facility agreements by the banks on the bank borrowings in the total amount of RMB80,000,000, which were classified as current liabilities of the Group. Subsequent to the end of the reporting period, the Group had obtained waivers from the banks for the breach of the financial covenants (the “Waivers”). The Group did not receive any demand notice for repayment of any bank loans as a result of the aforementioned breach of financial covenants.

In the opinion of the directors, as at the date of approval of these consolidated financial statements, based on the Waivers obtained, the Group is no longer in breach of any covenants or cross-default provisions under the Group’s loan facility agreements.

As at 31 December 2023, the Group’s aggregate available unutilised banking facilities amounted to approximately RMB90,000,000 (2022: Nil).

### 28. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000	Amount RMB'000
<b>Authorised</b>			
Ordinary shares of HK\$0.01 each			
At 1 January 2022 and 31 December 2022	38,000,000	380	342
Increase in authorised share capital (note (ii))	4,962,000,000	49,620	44,658
At 31 December 2023	5,000,000,000	50,000	45,000
<b>Issued and fully paid</b>			
Ordinary shares of HK\$0.01 each			
At 1 January 2022 and 31 December 2022	101,100	1	1
Issuance of shares upon listing (note (iii))	120,000,000	1,200	1,061
Issuance of shares for capitalisation issue (note (iii))	359,898,900	3,599	3,183
At 31 December 2023	480,000,000	4,800	4,245

## Notes to Consolidated Financial Statements

### 28. SHARE CAPITAL (Continued)

Notes:

- (i) The Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability, with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and issued 101,100 shares of HK\$0.01 each.
- (ii) On 10 March 2023, an ordinary resolution of the Company was passed, pursuant to which the authorised share capital of the Company was increased from RMB342,000 (equivalent to approximately HK\$380,000) to RMB45,000,000 (equivalent to approximately HK\$50,000,000) by the creation of additional 4,962,000,000 shares of HK\$0.01 each.
- (iii) In connection with the Company's issuance of new shares upon Listing, the Company allotted and issued 120,000,000 shares of HK\$0.01 each at a price of HK\$1.18 per share on 30 March 2023. The gross proceeds from issuance of new shares of approximately RMB125,215,000 (equivalent to approximately HK\$141,600,000) of which approximately RMB1,061,000 (equivalent to approximately HK\$1,200,000) was credited to the Company's share capital, and the remaining balance of approximately RMB124,154,000 (equivalent to approximately HK\$140,400,000) before deduction of share issuance expenses, was credited to share premium account. The share premium account can be used for deduction of share issuance expenses. After the share premium account of the Company being credited as a result of the issuance of new shares upon Listing, RMB3,183,000 (equivalent to approximately HK\$3,599,000) was capitalised from the share premium account and applied in paying up in full at par 359,898,900 new shares for allotment and issue to shareholders whose names appear on the register of members of the Company at the close of business on 30 March 2023 in proportion to their respective shareholdings.

### 29. RESERVES

The Group's reserves and the movements therein for the year ended 31 December 2023 are presented in the consolidated statement of changes in equity.

#### (a) Other reserve

The other reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before reorganisation.

#### (b) Statutory special reserve

In the preparation of the consolidated financial statements, the Group has appropriated a certain amount of retained earnings to a special reserve funds, for safety production expense purposes with reference to directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

#### (c) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the relevant PRC subsidiaries are required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the relevant PRC subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the relevant PRC subsidiaries. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

## Notes to Consolidated Financial Statements

### 30. NON-CONTROLLING INTERESTS

During the years ended 31 December 2023 and 2022, 株洲凱大起重設備安裝工程有限公司 (“Kaida Apparatus”) has material non-controlling interests (“NCI”). The NCI of the remaining subsidiary that is not wholly-owned by the Group is considered to be immaterial.

Summarised financial information in relation to the NCIs of Kaida Apparatus in the respective years, before intra-group eliminations, is presented below:

Name of subsidiary	Ownership interest held by non-controlling interests	
	2023	2022
<b>Kaida Apparatus</b>	<b>43.30%</b>	43.30%
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>STATEMENT OF FINANCIAL POSITION</b>		
Current assets	<b>27,323</b>	17,275
Non-current assets	<b>12,366</b>	15,261
Current liabilities	<b>(22,811)</b>	(18,222)
Non-current liabilities	<b>(3,215)</b>	(1,530)
Net assets	<b>13,663</b>	12,784
Accumulated NCI	<b>5,916</b>	5,536
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Revenue	<b>10,058</b>	11,113
Profit and total comprehensive income for the year	<b>879</b>	1,589
Profit allocated to NCI	<b>381</b>	688
Cash flows generated from operating activities	<b>6,719</b>	2,294
Cash flows used in investing activities	<b>(8,241)</b>	(3,859)
Cash flows generated from financing activities	<b>1,693</b>	1,685
Net cash inflows	<b>171</b>	120

## Notes to Consolidated Financial Statements

### 31. NOTES SUPPORTING TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of liabilities arising from financing activities

The table below shows the details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities.

	Borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related companies RMB'000	Amounts due to shareholders RMB'000	Amounts due to directors RMB'000	Bills payable RMB'000
At 1 January 2023	140,130	–	8,618	5,806	748	15,000
<b>Changes from cash flows:</b>						
Proceeds from new borrowings	148,162	–	–	–	–	–
Repayments of borrowings	(173,901)	–	–	–	–	–
Interest paid	(7,775)	(10)	–	–	–	–
Repayments of lease liabilities	–	(59)	–	–	–	–
Repayments to related companies	–	–	(8,618)	–	–	–
Repayments to shareholders	–	–	–	(5,806)	–	–
Repayments to directors	–	–	–	–	(748)	–
Repayments of bills payables	–	–	–	–	–	(15,000)
Total changes from financing cash flow	(33,514)	(69)	(8,618)	(5,806)	(748)	(15,000)
<b>Other changes:</b>						
Interest expenses	7,775	10	–	–	–	–
New lease	–	1,861	–	–	–	–
Supplier financing arrangement (note (b))	–	–	–	–	–	15,000
Total other changes	7,775	1,871	–	–	–	15,000
At 31 December 2023	114,391	1,802	–	–	–	15,000

## Notes to Consolidated Financial Statements

### 31. NOTES SUPPORTING TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

#### (a) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related companies RMB'000	Amounts due to shareholders RMB'000	Amounts due to directors RMB'000	Bills payables RMB'000
At 1 January 2022	66,895	28	4,833	14,046	253	21,400
<b>Changes from cash flows:</b>						
Proceeds from new borrowings	139,393	—	—	—	—	—
Repayments of borrowings	(66,158)	—	—	—	—	—
Interest paid	(7,403)	(5)	—	—	—	—
Repayments of lease liabilities	—	(398)	—	—	—	—
Advances from related companies	—	—	3,785	—	—	—
Repayments to shareholders	—	—	—	(8,240)	—	—
Advances from directors	—	—	—	—	495	—
Repayments of bills payables	—	—	—	—	—	(21,400)
Total changes from financing cash flow	65,832	(403)	3,785	(8,240)	495	(21,400)
<b>Other changes:</b>						
Interest expenses	7,403	5	—	—	—	—
New lease	—	370	—	—	—	—
Supplier financing arrangement (note (b))	—	—	—	—	—	15,000
Total other changes	7,403	375	—	—	—	15,000
At 31 December 2022	140,130	—	8,618	5,806	748	15,000

#### (b) Non-cash transaction

The Group entered certain supplier financing arrangements with the banks, under such arrangement, the banks pay amounts to the supplier in respect of invoices owed by the Group and receive settlement from the Group at a later date. The arrangements also extended the payment terms beyond the normal terms agreed with the suppliers and required the Group to provide security which otherwise would not be required by the suppliers. The Group has derecognised the original liabilities to which arrangements apply because there is a legal release of the original liabilities upon entering into the arrangement. No cashflows are involved in the derecognition of original liability classified under trade payable and the initial recognition of the new liability owe to the bank which is classified as bills payable.

- (c) Certain comparative amounts have been re-presented to conform with the current year's presentation to better reflect the nature of the cashflow of the Group.



## Notes to Consolidated Financial Statements

### 32. CAPITAL COMMITMENT

	2023 RMB'000	2022 RMB'000
Commitments for the acquisition of property, plant and equipment: Contracted for but not provided	14,542	14,542

### 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 RMB'000	2022 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment in a subsidiary		—*	—*
		—*	—
<b>Current assets</b>			
Amounts due from shareholders		—	1
Amount due from a subsidiary		81,368	—
Cash and cash equivalents		7	—
		81,375	1
<b>Current liabilities</b>			
Accruals and other payables		147	—
Amount due to a subsidiary		—*	—*
		147	—
<b>Net current assets</b>		<b>81,228</b>	<b>1</b>
<b>Net assets</b>		<b>81,228</b>	<b>1</b>
<b>EQUITY</b>			
Share capital	28	4,245	1
Reserves	34	76,983	—
<b>TOTAL EQUITY</b>		<b>81,228</b>	<b>1</b>

\* The amount is less than RMB1,000.

## Notes to Consolidated Financial Statements

### 34. RESERVE OF THE COMPANY

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>Balance at 1 January 2022, 31 December 2022 and 1 January 2023</b>	—	—	—
Issuance of shares upon listing	124,154	—	124,154
Capitalisation issue	(3,183)	—	(3,183)
Expense attributed to issue of new shares upon listing	(18,179)	—	(18,179)
Loss and total comprehensive income for the year	—	(25,809)	(25,809)
<b>At 31 December 2023</b>	<b>102,792</b>	<b>(25,809)</b>	<b>76,983</b>

### 35. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries are as follows:

Name of subsidiaries#	Date and place of incorporation/ establishment and operation	Registered capital	Percentage of effective equity interest attributable to the Company		Principal activities
			2023	2022	
<i>Interests held directly</i>					
湖南中天建設集團股份有限公司 <sup>^</sup>	1 March 1979, the PRC	RMB61,600,000	<b>99.50%</b>	99.50%	Provision of construction contracting business
湖南中天建築安全科技有限公司 <sup>^</sup> (Formerly known as “株洲永安 建設勞務有限公司”)	13 March 2006, the PRC	RMB5,000,000	<b>61.09%</b>	61.09%	Subcontracting of construction projects
Kaida Apparatus <sup>^#</sup>	28 April 2004, the PRC	RMB6,500,000	<b>56.70%</b>	56.70%	Installation of construction lifting facilities, renovation works and rental of construction machinery, pipe racks and fastener
湖南中天杭蕭鋼構建設有限公司 <sup>^</sup>	22 October 2021, the PRC	RMB35,000,000	<b>99.50%</b>	99.50%	Engaging in steel structure construction business

# The English names of all subsidiaries established in the PRC are translated for identification purpose only.

<sup>^</sup> These entities are established in the PRC in the form of domestic limited liability company.

## Notes to Consolidated Financial Statements

### 36. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the following transactions were carried out by the Group with related parties during the year:

#### (a) Name and relationship

Name of related parties	Relationship with the Group
Hunan Zhongtian Holdings Group Company Limited ("Zhongtian Holdings")	Holding company of the Group
Hunan Zhongtian Hangxiao Structural Technology Company Limited	A company controlled by Zhongtian Holdings
Zhuzhou Puhui Commercial Management Company Limited	A company controlled by Zhongtian Holdings
Hunan Hengji Real Estate Development Company Limited ("Hengji Real Estate")	A company controlled by Zhongtian Holdings
Zhuzhou Wuguang New Milestone Investment Development Company Limited	A company controlled by Hengji Real Estate
Hunan Fangge Intelligence Technology Company Limited ("Fangge Intelligence")	A company controlled by Zhongtian Holdings
Hunan Hengnai Energy Materials Company Limited	A company controlled by Fangge Intelligence

(b) The Group entered into the following related party transactions with related companies during the reporting periods:

	2023 RMB'000	2022 RMB'000
Rental expenses paid/accrued to a related company	388	431
Purchase of materials from related companies	111,410	70,687
Construction services income earned from related companies	194,822	265,510
Sub-contracting service fee paid to related companies	—	6,571

The terms of the related party transactions carried out during the reporting periods were mutually agreed by the Group and the related companies.

#### (c) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group during the reporting periods represented the directors' emoluments as disclosed in note 14(a) to the consolidated financial statements.

## Notes to Consolidated Financial Statements

### 37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The director reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as at 31 December 2023 amounted to RMB512,460,000 (2022: RMB359,731,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Current liabilities</b>		
Lease liabilities	<b>338</b>	—
Borrowings	<b>108,362</b>	136,705
	<b>108,700</b>	136,705
<b>Non-current liabilities</b>		
Lease liabilities	<b>1,464</b>	—
Borrowings	<b>6,029</b>	3,425
	<b>7,493</b>	3,425
<b>Total debt</b>	<b>116,193</b>	140,130
<b>Total Equity</b>	<b>512,460</b>	359,731
<b>Net debt-to-adjusted capital ratio</b>	<b>22.67%</b>	38.95%

## Notes to Consolidated Financial Statements

### 38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2023 RMB'000	2022 RMB'000
<b>Financial assets</b>		
<i>Financial assets measured at amortised costs:</i>		
Trade, bills and other receivables	427,481	400,508
Amounts due from related companies	—	8,318
Amounts due from shareholders	—	4,352
Restricted bank deposits	19,061	17,599
Cash and cash equivalents	59,609	151,661
	<b>506,151</b>	582,438
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Trade payables	808,587	788,363
Bills payables	15,000	15,000
Accruals and other payables	168,922	110,402
Amounts due to related companies	—	8,618
Amounts due to shareholders	—	5,806
Amounts due to directors	—	748
Lease liabilities	1,802	—
Borrowings	114,391	140,130
	<b>1,108,702</b>	1,069,067

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk and liquidity risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

#### (a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk primarily arising from borrowings. Certain of the borrowings is arranged at variable rates which expose the Group to cash flow interest rate risk. The interest rates and repayment terms of borrowings outstanding at the end of each of the reporting period are disclosed in note 27.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

## Notes to Consolidated Financial Statements

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### (a) Interest rate risk *(Continued)*

The following table illustrates the sensitivity of the net profit for the reporting period and retained earnings to a change in interest rates of +50 basis point and -50 basis point with effect from the beginning of each reporting period. The calculations are based on the Group's borrowings held at the end of each of reporting period. All other variables are held constant.

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
If interest rates were 50 basis points higher		
Net profit for the year and retained earnings would decrease by:	<b>(572)</b>	(701)
If interest rates were 50 basis points lower		
Net profit for the year and retained earnings would increase by:	<b>572</b>	701

The policies to manage interest rate risk have been followed by the Group and are considered to be effective.

#### (b) Credit risk

The Group's credit risk is primarily attributable to its trade, bills and other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all debtors. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtors operate. Ongoing credit evaluation is performed on the financial condition of debtors and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry and country in which debtors operate also has an influence on credit risk but to a lesser extent. 7.0% (2022: 5.6%) and 25.6% (2022: 23.6%) of the Group's trade, bills and other receivables and contract assets was due from the Group's largest customer and the five largest customers respectively within the construction business segment as at 31 December 2023.

#### (i) Trade and bills receivables/Contract assets

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

## Notes to Consolidated Financial Statements

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (b) Credit risk (Continued)

##### (i) Trade and bills receivables/Contract assets (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets as at the end of each reporting period:

	Current	1-90 days	91-180 days	181-365 days	1-2 years	2-3 years	Over 3 years	Total
<b>At 31 December 2023</b>								
Expected loss rate (%)	1.15%	1.14%	5.36%	6.45%	7.75%	7.75%	7.75%	
Gross carrying amount (RMB'000)	1,584,015	59,524	40,110	92,432	73,063	11,638	18,063	1,878,845
Loss allowance (RMB'000)	18,221	681	2,149	5,961	5,662	902	1,400	34,976
<b>At 31 December 2022</b>								
Expected loss rate (%)	0.93%	0.93%	4.50%	5.41%	6.59%	7.19%	7.19%	
Gross carrying amount (RMB'000)	1,374,243	18,395	16,687	52,620	18,921	2,193	17,959	1,501,018
Loss allowance (RMB'000)	12,733	170	751	2,847	1,247	158	1,292	19,198

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the reporting periods over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance for impairment of trade and bills receivables are as follows:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
At 1 January	<b>8,657</b>	8,342
Provision for loss allowance	<b>9,229</b>	315
At 31 December	<b>17,886</b>	8,657

Change in loss allowance for impairment of trade and bills receivables during the reporting periods was mainly contributed by the followings:

- For the year ended 31 December 2022, increase in past due trade and bills receivables resulted in an increase in loss allowance of RMB315,000; and
- For the year ended 31 December 2023, increase in past due trade and bills receivables resulted in an increase in loss allowance of RMB9,229,000.

## Notes to Consolidated Financial Statements

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (b) Credit risk (Continued)

##### (i) Trade and bills receivables/Contract assets (Continued)

Movements in the loss allowance for impairment of contract assets are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	10,541	8,121
Provision for loss allowance	6,549	2,420
	<hr/>	<hr/>
At 31 December	17,090	10,541

The change in loss allowance for impairment of contract assets during the reporting periods was mainly due to origination of new contract assets net of those settled, which resulted in an increase in loss allowance of RMB6,549,000 (2022: RMB2,420,000) for the year ended 31 December 2023.

##### (ii) Deposits and other receivables/Amounts due from related companies/shareholders

In respect of deposits and other receivables, and amounts due from related companies/shareholders, the Group has applied the general approach prescribed by HKFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables, and amounts due from related companies/shareholders as the management assessed that there has not been significant increase in credit risk since initial recognition. To measure the ECLs, deposits and other receivables, and amounts due from related companies/shareholders have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables, and amounts due from related companies/shareholders:

	2023 RMB'000	2022 RMB'000
Gross carrying amount		
– Deposits and other receivables	69,642	53,092
– Amounts due from related companies	–	8,354
– Amounts due from shareholders	–	5,491
	<hr/>	<hr/>
	69,642	66,937
Loss allowance		
– Deposits and other receivables	10,002	7,254
– Amounts due from related companies	–	36
– Amounts due from shareholders	–	1,139
	<hr/>	<hr/>
	10,002	8,429



## Notes to Consolidated Financial Statements

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

#### (b) Credit risk *(Continued)*

##### (ii) Deposits and other receivables/Amounts due from related companies/shareholders *(Continued)*

Movements in the loss allowance account for impairment of deposits and other receivables, and amounts due from related companies/shareholders during the reporting periods is as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	8,429	8,621
Provision for/(reversal) of loss allowance	1,573	(192)
At 31 December	10,002	8,429

Change in loss allowance for impairment of deposits and other receivables, and amounts due from related companies/shareholders during the reporting periods was mainly contributed by the followings:

- For the year ended 31 December 2022, decrease in the ending balances of deposits and other receivables, and amounts due from related companies/shareholders resulted in a decrease in loss allowance of RMB192,000; and
- For the year ended 31 December 2023, increase in the ending balances of deposits and other receivables, and amounts due from related companies and decrease in the ending balance of amounts due from shareholders resulted in an increase in loss allowance of RMB1,573,000.

In respect of the Group's cash and cash equivalents and restricted bank deposits, the directors consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

#### (c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, which has built an appropriate liquidity risk management framework for the management of the Group's short-, medium-and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

## Notes to Consolidated Financial Statements

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (c) Liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its non derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amounts are derived from current interest rate at the end of each reporting period.

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 31 December 2023					
Trade payables	808,587	808,587	808,587	—	—
Bills payable	15,000	15,000	15,000	—	—
Accruals and other payables	168,922	168,922	168,922	—	—
Borrowings	114,391	117,482	111,027	3,525	2,930
Lease liabilities	1,802	2,006	415	415	1,176
	<b>1,108,702</b>	<b>1,111,997</b>	<b>1,103,951</b>	<b>3,940</b>	<b>4,106</b>
As at 31 December 2022					
Trade payables	788,363	788,363	788,363	—	—
Bills payables	15,000	15,000	15,000	—	—
Accruals and other payables	110,402	110,402	110,402	—	—
Amounts due to related companies	8,618	8,618	8,618	—	—
Amounts due to shareholders	5,806	5,806	5,806	—	—
Amounts due to directors	748	748	748	—	—
Borrowings	140,130	147,981	144,218	1,383	2,380
	<b>1,069,067</b>	<b>1,076,918</b>	<b>1,073,155</b>	<b>1,383</b>	<b>2,380</b>
Financial guarantee issued					
— Maximum outstanding guarantee (note 40)	—	77,424	12,200	12,763	52,461

## Notes to Consolidated Financial Statements

### 40. FINANCIAL GUARANTEE

As at 31 December 2022, the Group provided guarantee to a former associate, which became a related company of the Group upon disposal, in relation to the related company's banking facilities up to a maximum amount of RMB84,200,000. As at 31 December 2022, the outstanding amount of the bank loans drawn under the guarantee amounted to approximately RMB68,500,000. The directors do not consider it probable that a claim will be made against the Group under the guarantee. The Group has not recognised any deferred income nor loss allowance for expected credit loss in respect of the financial guarantee as its fair value and the amount of expected credit loss was considered insignificant. The above-mentioned financial guarantee has been released during the year.

### 41. LITIGATION

A number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as at the end of the reporting period. Based on the legal opinion of PRC lawyers, in the opinion of the directors, the related construction payables may arisen for these lawsuits and claims have been made and recognised on the consolidated financial statements of the Group.

### 42. EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event relevant to the business or financial performance of the Group that has come to the attention of the directors subsequent to 31 December 2023.

### 43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 were approved and authorised for issue by the Directors on 28 March 2024.

## Five-Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last four financial years as extracted from the audited financial statements is set out below. This summary does not form part of the audited financial statements.

### CONSOLIDATED RESULTS

	<b>FY2023</b>	FY2022	FY2021	FY2020	FY2019
	<b>RMB'000</b>	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	<b>1,952,122</b>	1,890,660	1,823,384	1,769,900	1,821,916
<b>Gross profit</b>	<b>216,153</b>	206,559	195,647	189,114	183,443
<b>Profit and total comprehensive income for the year</b>	<b>45,990</b>	65,488	61,903	49,599	50,860
<b>Profit and total comprehensive income for the year/period attributable to</b>					
Owners of the Company	<b>45,277</b>	64,471	60,570	48,533	49,778
Non-controlling interest	<b>713</b>	1,017	1,333	1,066	1,082
	<b>45,990</b>	65,488	61,903	49,599	50,860

### CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	<b>As at 31 December</b>				
	<b>2023</b>	2022	2021	2020	2019
	<b>RMB'000</b>	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	<b>28,146</b>	23,718	28,001	29,281	35,295
Current assets	<b>2,009,021</b>	1,744,024	1,855,653	1,940,111	1,830,814
Current liabilities	<b>1,517,214</b>	1,404,586	1,589,486	1,737,177	1,685,707
Non-current liabilities	<b>7,493</b>	3,425	—	28	657
<b>EQUITY</b>					
Equity attributable to owners of the Company	<b>501,824</b>	349,808	285,262	224,614	173,261
Non-controlling interests	<b>10,636</b>	9,923	8,906	7,573	6,484
<b>TOTAL EQUITY</b>	<b>512,460</b>	359,731	294,168	232,187	179,745