Zhongshen Jianye Holding Limited
中深建業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 2503

2024
ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Sang Xianfeng *(Chairman)*
Mr. Xian Yurong *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Liu Zhihong
Mr. Zeng Qingli
Mr. Xie Huagang

AUDIT COMMITTEE

Ms. Liu Zhihong *(Chairlady)*
Mr. Zeng Qingli
Mr. Xie Huagang

REMUNERATION COMMITTEE

Mr. Xie Huagang *(Chairman)*
Ms. Liu Zhihong
Mr. Zeng Qingli

NOMINATION COMMITTEE

Mr. Zeng Qingli *(Chairman)*
Ms. Liu Zhihong
Mr. Xie Huagang

COMPANY SECRETARY

Mr. Ng Ka Chai

AUTHORISED REPRESENTATIVES

Mr. Xian Yurong
Mr. Ng Ka Chai

PRINCIPAL BANKERS

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Shenzhen Futian Yinzuo Rural Bank

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COMPANY WEBSITE

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CHAIRMAN'S STATEMENT

Dear shareholders:

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Zhongshen Jianye Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to you the annual report of the Group for the year ended 31 December 2024.

From spring to autumn, flowers turn to fruits, and bring abundant harvests. After more than eight years of development, the Group has become a comprehensive general contracting construction enterprise with first-grade qualifications in building construction general contracting, municipal and public construction general construction, foundation construction specialised contracting, building electrical and mechanical installation and engineering specialised contracting, and building renovation and decoration construction specialised contracting. From 2020 to 2024, the Group has been the recipient of the award "Top 500 Enterprises in Shenzhen" for five consecutive years, and won many awards such as "Top 100 Enterprises in the Comprehensive Competitiveness Evaluation of Shenzhen Construction Industry* (深圳市建築行業綜合競爭力評估百強企業)" and the highest "AAA" Credit Enterprise by the China Construction Industry Association.

On 30 April 2024, the Group once again achieved a historic development moment. The Group's headquarters was officially moved to Guangming District, Shenzhen and inaugurated. Care and support from the government, hard works of all employees, as well as diligent supports from partners and various parties are all indispensable for this achievement. On behalf of the Group, I would like to express my most heartfelt thanks!

As one of China's pillar industries, the construction industry plays a pivotal role in the development of the national economy. During the "14th Five-Year Plan" period, new requirements for "green construction" and "high-quality development" were clearly put forward. The Group will continue to increase its investment in craftsmanship, technology and talents to achieve digitalization and intelligence, build green construction, and create a new building system with full life cycle management.

Since 2022, the Group has been the recipient of the award named "Top 10 Enterprises of Construction Industry Output Value in Guangming District* (光明區建築業產值十強企業)" for three consecutive years, which is an unanimous recognition of its comprehensive strength and development potential by the market and society. The Group will further enhance its operational management capabilities and risk control capabilities to provide more professional services and quality assurance for expanding new businesses, delving into intelligent manufacturing and green buildings, and creating exclusive "Zhongshen Intelligent Construction". It also provides new ideas for accelerating the transformation, upgrading and high-quality development of the construction industry.

In the future, the Group will continue to work hard, establish foothold in the development and construction in the Greater Bay Area, closely follow the national development strategy, and embrace changes and challenges. The Group is committed to working hand-in-hand with all walks of life to "Build and Witness the Era" and jointly contribute its modest efforts to the modernization of the Greater Bay Area and China, and will continue to create more value for its shareholders, customers, and partners.

Sang Xianfeng
Chairman

Hong Kong, 27 March 2025

* For identification purpose only

BUSINESS REVIEW

We are a growing private general contracting construction enterprise in the People's Republic of China (the "**PRC**") and have been granted five first-grade construction contracting qualifications, including (i) the first-grade qualification in building construction general contracting (建築工程施工總承包一級); (ii) the first-grade qualification in municipal and public construction general construction (市政公用工程施工總承包一級); (iii) the first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包一級); (iv) the first-grade qualification in building electrical and mechanical installation and engineering specialised contracting (建築機電安裝工程專業承包一級); and (v) the first-grade qualification in building renovation and decoration construction specialised contracting (建築裝修裝飾工程專業承包一級). We also attain six other second-grade construction contracting qualifications covering different specialisations such as petrochemical engineering construction, steel structure construction and environmental protection construction. We were the recipient of the award named "Top 500 Enterprises in Shenzhen" (深圳500強企業) in 2020, 2021, 2022, 2023 and 2024.

We provide our customers with professional and comprehensive construction services as a general coordinator or subcontractor, responsible for the overall coordination and management of a construction project, which cover workplan formulation, labour recruitment, leasing of equipment and machinery, procurement of construction raw materials and quality and construction progress control. The Group primarily engages in the provision of construction services comprising (i) construction engineering works; (ii) municipal and public construction works; (iii) foundation engineering works; and (iv) specialised contracting works.

FINANCIAL REVIEW

Revenue

The Group recorded a decrease in revenue by approximately RMB780.3 million or 51.0% from approximately RMB1,530.9 million for the year ended 31 December 2023 to approximately RMB750.6 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in number of revenue generating construction projects in 2024 as compared to that in 2023.

The following table sets forth the breakdown of our revenue by project type for the years ended 31 December 2024 and 2023:

	Year ended 31 December			
	2024		2023	
	RMB'000	**%**	RMB'000	%
Construction projects				
Construction engineering projects	**417,517**	**55.6**	985,492	64.4
Municipal and public construction projects	**269,021**	**35.9**	343,554	22.4
Foundation engineering projects	**2,556**	**0.3**	106,132	6.9
Specialised contracting projects	**61,462**	**8.2**	95,741	6.3
Total	**750,556**	**100.0**	1,530,919	100.0

Construction engineering projects

Construction engineering projects primarily consist of structural and/or engineering works for commercial and residential buildings and community facilities. Revenue generated from construction engineering projects decreased by approximately RMB568.0 million or 57.6% from approximately RMB985.5 million for the year ended 31 December 2023 to approximately RMB417.5 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in revenue recognised from certain projects which were completed or approaching the later stage of development in 2024.

Municipal and public construction projects

Municipal and public construction projects primarily consist of urban and rural public infrastructure construction, including environment improvement works, construction of sewage treatment infrastructure and roadwork. Revenue generated from municipal and public construction projects decreased by approximately RMB74.5 million or 21.7% from approximately RMB343.6 million for the year ended 31 December 2023 to approximately RMB269.0 million for the year ended 31 December 2024. Such decrease was mainly attributable to the decrease in revenue recognised from certain projects which were approaching the later stage of development in 2024.

Foundation engineering projects

Foundation engineering projects primarily consist of earthwork and foundation construction and slope protection work. Revenue generated from foundation engineering projects decreased by approximately RMB103.6 million or 97.6% from approximately RMB106.1 million for the year ended 31 December 2023 to approximately RMB2.6 million for the year ended 31 December 2024. There was no new revenue generating foundation engineering projects for the year ended 31 December 2024, comparing to seven new revenue generating foundation engineering projects for the year ended 31 December 2023.

Specialised contracting projects

Specialised contracting projects primarily consist of building renovation and decoration works services. Revenue generated from specialised contracting projects decreased by approximately RMB34.3 million or 35.8% from approximately RMB95.7 million for the year ended 31 December 2023 to approximately RMB61.5 million for the year ended 31 December 2024. Such decrease was mainly attributable to the completion of most of the existing projects. The Group focuses on securing construction engineering projects and municipal and public construction projects which have a higher contract value.

Cost of revenue

The following table sets forth the breakdown of our cost of revenue by nature for the years ended 31 December 2024 and 2023:

	Year ended 31 December			
	2024		2023	
	RMB'000	**%**	RMB'000	%
Raw material costs	**349,231**	**49.3**	638,525	44.3
Labour subcontracting costs	**215,088**	**30.3**	493,209	34.2
Specialised construction subcontracting costs	**78,969**	**11.1**	176,392	12.2
Equipment and machinery usage costs	**54,663**	**7.7**	120,059	8.3
Other project costs	**11,264**	**1.6**	13,588	1.0
Total cost of revenue	**709,215**	**100.0**	1,441,773	100.0

Cost of revenue primarily comprised (i) raw material costs, which represented costs of raw materials used primarily in our construction projects; (ii) labour subcontracting costs, which represented fees paid to subcontractors to provide labour services; (iii) specialised construction subcontracting costs, which represented fees paid to subcontractors to provide certain specialised construction services, usually included costs of equipment and raw materials used in their subcontracted work; and (iv) equipment and machinery usage costs, which represented the costs incurred for leasing equipment and machinery for our construction projects. Each of these costs may vary from project to project depending on various factors, including but not limited to, the scope and complexity of works, the method and sequence of construction, the stages of construction and necessary equipment and machinery.

The decrease in cost of revenue of approximately RMB732.6 million or 50.8% for the year ended 31 December 2024 as compared to that for the year ended 31 December 2023 was in line with the decrease in revenue resulting from the reduced number of revenue generating construction projects for the year ended 31 December 2024.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by project type for the years ended 31 December 2024 and 2023:

	Year ended 31 December			
	2024		2023	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Construction projects				
Construction engineering projects	**20,959**	**5.0**	60,826	6.2
Municipal and public construction projects	**15,600**	**5.8**	17,728	5.2
Foundation engineering projects	**157**	**6.1**	6,260	5.9
Specialised contracting projects	**4,625**	**7.5**	4,332	4.5
Total	**41,341**	**5.5**	89,146	5.8

Gross profit margin of construction engineering projects decreased from approximately 6.2% for the year ended 31 December 2023 to approximately 5.0% for the year ended 31 December 2024. Such decrease was primarily attributable to relatively lower profit margin on projects that we acted as subcontractors and increase in raw material costs for certain projects.

Gross profit margin of municipal and public construction projects grew from approximately 5.2% for the year ended 31 December 2023 to approximately 5.8% for the year ended 31 December 2024. Such growth was primarily attributable to the commencement of certain new projects in the current year which has a relatively higher profit margin.

Gross profit margin of foundation engineering projects remained relatively stable for the years ended 31 December 2024 and 2023.

Gross profit margin of specialised contracting projects generally depends on or would be affected by various factors such as the nature, complexity and duration of the projects concerned.

Administrative expenses

Administrative expenses primarily consists of staff costs, depreciation and amortisation and professional fees.

The decrease in administrative expenses of approximately RMB1.2 million or 2.9% for the year ended 31 December 2024 was mainly attributable to the decrease in listing expenses, partially offset by the increase in staff costs and professional fees.

Finance costs

Finance costs primarily consist of interest expenses on factoring, bank borrowings and lease liabilities. The increase in finance costs for the year ended 31 December 2024 was mainly attributable to the increase in interest expense on bank borrowings.

Income tax credit/(expense)

Income tax credit/(expense) primarily consist of corporate income tax and movements in deferred income tax assets. Income tax credit for the year ended 31 December 2024 was mainly attributable to the reversal of over-provision of PRC corporate income tax in prior years.

Profit and total comprehensive income for the year

As a result of the foregoing, we recorded profit for the year of approximately RMB1.9 million for the year ended 31 December 2024, decreased by approximately 93.9% from approximately RMB31.8 million for the year ended 31 December 2023 which was mainly attributable to the decrease in revenue and gross profit for reasons mentioned in the paragraphs above.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

As at 31 December 2024 and 2023, we had cash and cash equivalents of approximately RMB96.7 million and RMB147.1 million, respectively. Our primary uses of cash were mainly for financing our daily operations and working capital requirements in relation to the execution of our projects, including payment for procurement of raw materials and subcontracting costs.

Bank borrowings

As at 31 December 2024, the Group had current bank borrowings of approximately RMB33.0 million (2023: RMB3.0 million) and non-current bank borrowings of approximately RMB23.3 million (2023: RMB26.3 million), and were dominated in RMB. Bank borrowings of approximately RMB30.0 million (2023: nil) bear interest at fixed rates and approximately RMB26.3 million (2023: RMB29.3 million) bear interest at variable rates. The bank borrowings were primarily used to acquire commercial properties that serve as the Group's headquarters in the PRC and for working capital.

Gearing ratio

Gearing ratio is calculated as total borrowings (i.e. bank borrowings) divided by the total equity as at the respective reporting dates. The gearing ratio was approximately 11.8% as at 31 December 2024 (2023: 7.9%).

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. bank borrowings, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

The net debt to equity ratio was not applicable as at 31 December 2024 and 2023 as the Group had net cash position as at both dates.

Treasury management

The Group has a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business. The management of the Group closely reviews trade receivables balances and any overdue balances on an ongoing basis and only trade with creditworthy parties. The management of the Group closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements to manage liquidity risk.

Capital expenditures and commitments

The Group incurred capital expenditures of approximately RMB8.4 million for the year ended 31 December 2024 (2023: RMB42.0 million).

The Group had capital commitments amounted to approximately RMB5.0 million as at 31 December 2024 (2023: nil).

Foreign exchange exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that minimal expenditures are denominated in Hong Kong dollars. The Group does not expect to face any significant foreign exchange risk that might have a material impact on the operating results of the Group. The Group has not used any financial instrument to hedge the foreign exchange risk that it is exposed to currently. However, the management of the Group monitors our foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

PLEDGE OF ASSETS

As at 31 December 2024, the Group's land and building with a net carrying amount of approximately RMB44.7 million (2023: asset under construction with a net carrying amount of RMB41.4 million) were pledged to secure certain interest-bearing bank borrowings.

HUMAN RESOURCES

The Directors considered that the Group have maintained good relationships with its employees, and has not experienced any significant problems with employees or any disruptions to operations due to labour disputes, nor has experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the year ended 31 December 2024.

As at 31 December 2024, the Group has 237 employees in total, all of them are located in the PRC. The Group recruit employees from the open market by placing recruitment advertisements and offering competitive remuneration packages. Training courses are provided for our staff to ensure their competence and to keep them abreast of the latest developments and best practices in the industry to enhance their work performance. For the year ended 31 December 2024, total staff costs were approximately RMB24.3 million (2023: RMB20.5 million).

The Group has established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance for employees in the PRC pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2024.

SIGNIFICANT INVESTMENTS

As at 31 December 2024, the Group did not have any significant investments.

PROSPECT

According to the "14th Five-Year Plan (2021–2025) for National Economic and Social Development" (《國民經濟和社會發展「十四五規劃」(2021–2025)》), it has proposed to speed up the construction of infrastructure in the PRC covering sectors such as transportation, water conservancy and energy facilities, to further improve national basic public services level. Moreover, the provincial government of Guangdong Province has also released a corresponding five-year plan to promote the construction industry, where efforts will be made to strengthen the development of infrastructure and other construction sectors. It is anticipated that the demand for construction services will continue to grow with favourable policies announcement by the PRC government. The total output value of construction market in Guangdong Province has achieved double-digit growth at a CAGR of approximately 13.4% from 2018 to 2022, reaching approximately RMB2,295.7 billion in 2022 and is expected to further grow at a CAGR of approximately 8.3%, reaching approximately RMB3,426.1 billion by 2027. In view of the above, the Group will bestow its extensive experience and knowledge in construction services to solidify and broaden its construction service offerings and enhance its market presence to capture more opportunities in the PRC and in particular in the Guangdong Province.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As disclosed in the announcement of the Company dated 10 January 2025, the Company intended to apply net proceeds of approximately HK$30.0 million from the Subscription for potential acquisition in one or multiple construction companies attained with qualifications and licenses related to municipal and public construction works, such as construction design and urban planning, etc., and with a good track record. As at the date of this report, the Group has not entered into any letters of intent or legally binding agreements with respect to such acquisition nor had it identified any definite acquisition targets. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Save as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

USE OF PROCEEDS

The Company's shares (the "**Shares**") were listed on the Main Board of the Stock Exchange on 9 January 2024. The Company intends that the net proceeds (after deducting related underwriting fees and listing expenses) of approximately RMB77.3 million be applied according to the manner and percentage allocation as described under the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 28 December 2023 (the "**Prospectus**"). The following table sets forth the status of the use of the net proceeds as at 31 December 2024:

		Net proceeds to be applied in the percentage allocation stated in the Prospectus RMB million	Utilised net proceeds up to 31 December 2024 RMB million	Unutilised net proceeds as at 31 December 2024 RMB million	Expected timeline for utilising the unutilised net proceeds
(1)	Funding the capital needs and cash flow of certain projects	35.3	35.3	—	N/A
(2)	Acquiring equipment and machinery	31.9	1.5	30.4	By 31 December 2025
(3)	Hiring additional manpower	5.4	0.9	4.5	By 31 December 2026
(4)	Working capital and other general corporate purposes	4.7	4.7	—	N/A
Total		77.3	42.4	34.9	

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sang Xianfeng (桑先鋒) ("Mr. Sang"), aged 29, is one of the co-founders of our Group. Mr. Sang is an executive Director and the Chairman of our Board, and he is mainly responsible for our Group's strategic planning and supervision of implementation of our Group's policies. Mr. Sang is the director of 10 subsidiaries of the Company. Mr. Sang joined our Group in June 2017.

As at the date of this report, Mr. Sang was interested or deemed to be interested in 284,172,240 shares or underlying shares of the Company pursuant to Part XV of the Securities and Futures Ordinance. Save for Mr. Sang Yongwei (桑永威), a senior management of the Company, is the first cousin once removed (堂侄子) of Mr. Sang, Mr. Sang has no other relationship with any Director, senior management or substantial Shareholder or controlling Shareholder of the Company.

Mr. Sang graduated from Northeastern University in the PRC (東北大學) majoring in construction engineering technology (online education) (建築工程技術(網絡教育)專科學習) in July 2020. He completed a new practical real estate advanced strategy course* (新實戰型房地產高級戰略研修班) at Tsinghua Shenzhen International Graduate School (清華大學深圳國際研究生院) in August 2022.

Prior to joining Group, Mr. Sang worked for Shenzhen Jianan Real Estate Engineering Co., Ltd.* (深圳建安置業工程有限公司), a company principally engaged in real estate development and construction, from April 2016 to May 2017 and he last served as a marketing manager mainly in charge of the day-to-day work of the operation department.

Mr. Xian Yurong (冼玉榮) ("Mr. Xian"), aged 39, is one of the co-founders of our Group. Mr. Xian is an executive Director and chief executive officer of the Company, and he is mainly responsible for our Group's strategic planning and supervision of implementation of Group's policies. Mr. Xian is the director of 9 subsidiaries of the Company. Mr. Xian joined our Group in June 2017.

As at the date of this report, Mr. Xian was interested or deemed to be interested in 71,040,560 shares or underlying shares of the Company pursuant to Part XV of the Securities and Futures Ordinance.

Mr. Xian graduated from the Shantou Polytechnic (汕頭職業技術學院) majoring in construction engineering management (engineering budgeting) (建築工程管理(工程造價)專科學習) in July 2009 and obtained a bachelor's degree in civil engineering (online education) from the Huazhong University of Science and Technology (華中科技大學) in July 2016. He completed a new practical real estate advanced strategy course* (新實戰型房地產高級戰略研修班) at Tsinghua Shenzhen Graduate School (清華大學深圳研究生院) in August 2018. Since May 2020, Mr. Xian has been pursuing the EMBA program (高級管理人員工商管理課程) at Cheung Kong Graduate School of Business (長江商學院). He was awarded "The Fourth Top 100 New Generation Entrepreneurs in Shenzhen" (第四屆百名深圳新生代創業風雲人物) by Shenzhen Enterprise Confederation* (深圳市企業聯合會), Shenzhen Entrepreneur Association* (深圳市企業家協會), Shenzhen Press Group* (深圳報業集團) and Shenzhen Radio and Television Group Times Business Magazine* (深圳廣電集團《時代商家》雜誌社) in December 2021 and granted the Honest Entrepreneur Certificate by Yixu Credit Rating Limited* (宜旭信用評級有限公司) in May 2022.

Mr. Xian served as the vice president of Shenzhen Enterprise Confederation* (深圳市企業聯合會) and Shenzhen Entrepreneur Association* (深圳市企業家協會) from July 2020 to July 2021.

Prior to joining our Group, Mr. Xian served as a budget appraiser in Heyuan City Construction Engineering Co., Ltd.* (河源市城市建設工程有限公司), a company principally engaged in municipal and public works construction from July 2009 to June 2010 and was mainly responsible for conducting cost budgeting including performing estimates according to the construction drawing plans, compiling the construction cost control plan, calculating the construction cost and issuing a cost control summary upon completion. From October 2010 to March 2013, Mr. Xian served as a costs accounting specialist in Shenzhen Futian Jianan Construction Group Co., Ltd.* (深圳市福田建安建設集團有限公司), a company principally engaged in housing construction engineering and municipal and public works construction and was mainly responsible for conducting cost estimate and control, performing business liaison including liaising with the tenderer, carrying out on-site survey, preparing bidding documents and participating in business negotiations. From May 2013 to May 2017, Mr. Xian served as a deputy general manager at Shenzhen Jianan Real Estate Engineering Co., Ltd.* (深圳建安置業工程有限公司), a company principally engaged in real estate development and construction and was mainly responsible for daily operation management including leading in the development of a supplier database, compiling project construction costs, determining the target costs as well as conducting business negotiations based on set target values.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Liu Zhihong (劉志紅) (“Ms. Liu”), aged 47, was appointed as an independent non-executive Director on 19 December 2023. She also serves as the chairlady of the audit committee of the Board (the “**Audit Committee**”) and a member of the remuneration committee of the Board (the “**Remuneration Committee**”) and the nomination committee of the Board (the “**Nomination Committee**”) and is responsible for supervising and providing independent opinion and judgement to our Board. Ms. Liu obtained a master’s degree in business administration in Peking University (北京大學) in January 2020. She is a member of The Chinese Institute of Certified Public Accountants. Since April 2021, Ms. Liu has been a senior wealth management manager at AIA Hong Kong, where she is primarily responsible for provision of professional financial services, wealth management and portfolio advice.

Ms. Liu has over 18 years of experience in the accounting sector. From July 2000 to March 2008, Ms. Liu worked at Beijing Shu Lun Pan Certified Public Accountants Co., Ltd. (北京立信會計師事務所有限公司) and her last position was a senior auditor. From March 2008 to December 2012, Ms. Liu worked at BDO Limited and her last position was an assistant manager. From October 2016 to March 2021, Ms. Liu worked as a financial controller at Tonking New Energy Group Holdings Limited (stock code: 8326), the shares of which were listed on GEM of the Stock Exchange. Since June 2023, she has been appointed as the independent non-executive director, chairlady of the audit committee, chairlady of the remuneration committee and member of the nomination committee of China Oil and Gas Group Limited (stock code: 603), the shares of which are listed on Main Board of the Stock Exchange.

Mr. Zeng Qingli (曾慶禮) (“Mr. Zeng”), aged 48, was appointed as an independent non-executive Director on 19 December 2023. He also serves as the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee and is responsible for supervising and providing independent opinion and judgement to our Board. Mr. Zeng obtained a bachelor’s degree in laws (major in economic law) from the Henan Institute of Finance and Economics (now known as Henan University of Economics and Law) (河南財經政法大學(河南財經學院)) in July 2001. Mr. Zeng became a qualified lawyer in the PRC in June 2001.

Mr. Zeng has over 22 years of experience in the legal industry. From August 2002 to August 2011, Mr. Zeng served as a practicing lawyer focusing on the provision of legal services in the engineering and real estate sector at Guangdong Jiguang Law Firm* (廣東吉光律師事務所). Since September 2011, Mr. Zeng has been the principal lawyer (主任律師) at Guangdong Juhang Law Firm* (廣東巨航律師事務所), where he is primarily responsible for the provision of legal services in the construction engineering sector.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xie Huagang (謝華剛) ("Mr. Xie"), aged 46, was appointed as an independent non-executive Director on 19 December 2023. He also serves as the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee and is responsible for supervising and providing independent opinion and judgement to our Board. Mr. Xie obtained a bachelor's degree in civil engineering from the Jiaozuo Institute of Technology (焦作工學院) (now known as Henan Polytechnic University) (河南理工大學) in July 2003, a master's degree in engineering mechanics from the Henan Polytechnic University (河南理工大學) in June 2006 and a doctoral degree in engineering (geotechnical engineering) from the Hohai University (河海大學) in December 2011.

Mr. Xie has over 18 years of experience in engineering education. Since August 2006, Mr. Xie has been the professor (master's supervisor) at the School of Civil Engineering, Tongling University (銅陵學院), where he is primarily responsible for teaching civil engineering related lectures and courses.

SENIOR MANAGEMENT

Mr. Guo Tengfei (郭騰飛) ("Mr. Guo"), aged 37, first joined our Group in July 2018 and worked as financial manager till August 2019. He re-joined our Group in November 2020. He currently serves as the financial manager and is mainly responsible for the overall financial management of our Group.

Mr. Guo graduated from the Kaifeng University (開封大學) majoring in computerised accounting (會計電算化專科學習) in July 2009. Mr. Guo was registered as a certified public accountant by The Chinese Institute of Certified Public Accountants in November 2015.

Mr. Guo has over 12 years of experience in audit, accounting and finance. Prior to joining our Group, Mr. Guo served as a manager of the audit department in Beijing Huaxin Hongjing Tax Agents Co., Ltd., Huizhou Branch* (北京華信宏景稅務師事務所有限公司惠州分公司) from February 2012 to December 2016. From February 2017 to August 2017, Mr. Guo served as a finance manager in Shenzhen Public Information Technology Co., Ltd.* (深圳公眾信息技術有限公司), a company principally engaged in communication network technology and was mainly responsible for financial matters. From September 2017 to July 2018, Mr. Guo served as a manager of the finance department in China Construction Hetu Construction Co., Ltd.* (中建河圖建設有限公司), a company principally engaged in housing construction engineering and municipal and public works construction and was mainly responsible for financial matters. From September 2019 to October 2020, Mr. Guo served as an audit project manager in Shenzhen Zhonglun Certified Public Accountants Firm* (深圳中倫會計師事務所) and was mainly responsible for audit matters.

Mr. Wu Jianmin (吳堅民) ("Mr. Wu"), aged 29, joined our Group in January 2018. He currently serves as the audit manager and is mainly responsible for the overall accounting and audit matters since joining our Group.

Mr. Wu graduated from Guangdong Polytechnic of Water Resources and Electric Engineering (廣東水利電力職業技術學院) majoring in environmental geological engineering technology (環境地質工程技術專科學習) in June 2017.

Mr. Wu was qualified as a civil construction quality inspector in August 2017 by Guangdong Provincial Association of Construction Education (廣東省建設教育協會). He was also qualified as an assistant engineer (助理工程師) in project management in July 2020 by the Human Resources and Social Security Bureau of Shenzhen Municipality* (深圳市人力資源和社會保障局) and an associate constructor (二級建造師) in construction engineering in December 2020 by the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳). He was registered as an associate constructor (二級建造師) in construction engineering in April 2021 by the Department of Housing and Urban-Rural Development of Guangdong Province* (廣東省住房和城鄉建設廳).

Prior to joining our Group, Mr. Wu served as a construction worker in Shenzhen Xinyi Labour Service Co., Ltd.* (深圳市新藝勞務有限公司), a company principally engaged in construction from November 2016 to December 2017 and was mainly responsible for on-site construction.

Mr. Zhang Lei (張磊) ("Mr. Zhang"), aged 43, joined our Group in November 2019. He currently serves as the operating manager and is mainly responsible for the overall operation and management of our Group.

Mr. Zhang obtained a bachelor's degree in project cost and management (self-education) from the Nanchang University (南昌大學) in December 2016. Mr. Zhang was qualified as a senior engineer under the Qualification Certificate of Senior Professional Technical Position in December 2016 by the Title Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Zhang has over 17 years of experience in construction operations sector. Prior to joining our Group, Mr. Zhang served as a marketing manager in Shenzhen Pengrunda Holding Group Co., Ltd.* (深圳市鵬潤達控股集團有限公司), a company principally engaged in civil engineering from January 2007 to September 2012 and was mainly responsible for business development. From October 2012 to March 2014, Mr. Zhang served as a market development manager in Zhongheng Construction Group Co., Ltd.* (中恒建設集團有限公司), a company principally engaged in housing construction engineering and was mainly responsible for business development and department personnel management and training. From April 2014 to December 2019, Mr. Zhang served as a marketing manager in Shenzhen Jianan Real Estate Engineering Co., Ltd.* (深圳建安置業工程有限公司), a company principally engaged in real estate development and construction and was mainly responsible for operation and market development.

Mr. Sang Yongwei (桑永威) ("Mr. YW Sang"), aged 33, joined our Group in March 2021. He currently serves as the human resources manager and is mainly responsible for the overall human resources and administrative management of our Group.

Mr. YW Sang obtained a bachelor's degree in human resources management from the Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in July 2015.

Mr. YW Sang was qualified as a third level corporate human resources professional in December 2013 by the Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑒定中心).

Mr. YW Sang has over 9 years of experience in human resources management. Prior to joining our Group, Mr. YW Sang served as human resources specialist (人事專員) in Shenzhen United-Bank Group Co., Ltd.* (深圳市中合銀融資擔保有限公司), a company principally engaged in provision of engineering financial services and was mainly responsible for recruitment and initial training of the new employees from June 2015 to May 2018. From April 2018 to February 2021, Mr. YW Sang served as a regional human resources and administration manager in Shenzhen Hude Engineering Guarantee Co., Limited* (深圳市赫德工程擔保有限公司), a company principally engaged in provision of engineering financial service and was mainly responsible for regional human resources and administration management.

Mr. YW Sang is the first cousin once removed of Mr. Sang (堂侄子).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Xuguang (王旭光) ("Mr. Wang"), aged 49, joined our Group in July 2018. He currently serves as the engineering manager and is mainly responsible for the overall project management construction matters of our Group.

Mr. Wang graduated from the Henan Radio & Television University (河南廣播電視大學) (now known as the Open University of Henan) (河南開放大學) majoring in industrial and civil construction (工業與民用建築專科學習) in July 1997. He was qualified as an assistant engineer on industrial and civil engineering in December 2000 by the Henan Construction Department* (河南省建設廳) and registered as an associate constructor (二級建造師) in construction engineering in January 2020 and municipal public works in April 2021 by the Department of Housing and Urban-Rural Development of Guangdong Province* (廣東省住房和城鄉建設廳). Mr. Wang possesses years of experience in the construction engineering industry.

Mr. Liu Chuanwen (劉傳文) ("Mr. Liu"), aged 54, joined our Group in July 2020. He currently serves as the manager in the technical department and is mainly responsible for providing technical support and research and development and quality management for projects of our Group.

Mr. Liu obtained a bachelor's degree in civil engineering (online education) from the China University of Geosciences, Beijing (中國地質大學(北京)) in January 2006. He was registered as a constructor (一級建造師) in construction engineering in June 2021 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).

Mr. Liu has over 19 years of experience in the construction industry. Prior to joining our Group, Mr. Liu served as project manager in China Construction Fourth Engineering Division Corp. Limited (中國建築第四工程局有限公司) from July 2005 to June 2020, a company principally engaged in housing construction engineering and municipal and public works construction and was mainly responsible for project management and coordination.

* For identification purpose only

CORPORATE GOVERNANCE PRACTICES

The Directors believe that good corporate governance must be driven by the tone at the top and must be due diligently executed and monitored in our day-to-day management. The Directors have reviewed the Company's corporate governance practices and are satisfied that the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") from 9 January 2024 (the "**Listing Date**") to 31 December 2024.

CORPORATE CULTURE

The Board values integrity, accountability and transparency and makes its effort to insert them into our business and corporate culture.

Our corporate culture is featured with:

- **Integrity**

  We must make decisions and take actions lawfully, ethically, and responsibly and in the interest of the Company and its shareholders.

- **Accountability**

  We must make decisions and take actions based on due diligence commensurate with the relevant risks and within risk tolerance level set out by the Board.

- **Transparency**

  We make decisions and take actions together based on information available to and shared among our Directors and management.

Our Directors and management have actively promoted, through setting policies and examples, our culture within our Group and to our business partners. We are also committed to measure the achievement of corporate culture against key factors, such as customers' complaints, compliance records and staff retention status.

The Board is of the view that our corporate culture is in line with our purpose, values and strategy.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the securities transactions of the Directors on terms no less exacting than the required standard set out in the model code in Appendix C3 of the Listing Rules (the "**Model Code**") as its code of conduct for dealings in securities of the Company by the Directors since the Listing Date and up to 31 December 2024.

The Company has made specific enquiries to all the Directors and they confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions since the Listing Date and up to 31 December 2024. The Company has also adopted the Model Code as the reference of dealings in the Company's securities by the relevant employees who are likely to possess inside information of the Company and/or its securities. The Company is not aware of any incident of non-compliance with the required standard set out in the Model Code by the Directors and employees.

BOARD OF DIRECTORS

• Board Composition and Meeting

The Board is comprised of two executive Directors and three independent non-executive Directors. Since the Listing Date and up to 31 December 2024, the Company has held four board meetings.

Individual attendance record of each Director at the board meetings is set out below:

Name of Directors	Role & Position	Gender	Attendance/ Number of board meeting	Attendance/ Number of general meeting
Mr. Sang Xianfeng	Executive Director and Chairman of the Board	Male	4/4	1/1
Mr. Xian Yurong	Executive Director	Male	4/4	1/1
Ms. Liu Zhihong	Independent non-executive Director	Female	4/4	1/1
Mr. Zeng Qingli	Independent non-executive Director	Male	4/4	1/1
Mr. Xie Huagang	Independent non-executive Director	Male	4/4	1/1

There are no relationships (including financial, business, family or other material/relevant relationship(s)) among the Directors. The Directors must disclose to the Company the number and nature of offices they hold in public companies or organizations and/or other significant commitments.

The Board is committed to regularly review the composition and contribution of the Directors in respect of their independence, fulfilment of directorial responsibilities, sufficiency of time and interest devotion on the Company, their diversity and attributes to the sustainable development of the Company.

• Independent non-executive Directors

Since the Listing Date, the Board has at all time met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has obtained a written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

• Terms of Directors

Each of the executive Directors and independent non-executive Directors had entered into a service agreement with the Company for an initial term of three years, unless terminated by either party by not less than three months' prior written notice.

Under the articles of association of the Company (the "**Articles of Association**"), at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at an annual general meeting at least once every three years.

- **General Meeting**

  During the year ended 31 December 2024, the Company held its annual general meeting on 29 May 2024 and was attended by all Directors in person or through video conferencing.

- **Respective responsibilities, accountabilities and contributions of the Board and management**

  The Board is ultimately responsible for making decisions with respect to the Company's strategic plans, ensuring sustainable development, maintaining a diversified board, presenting true and fair financial statements, and other functions and significant operational matters assigned to the Board as set out in the Listing Rules and the Articles of Association.

  The Directors acknowledge that:

  - they must, individually and collectively, make decisions and act in the best interest of the Company and its shareholders; and

  - they must, individually and collectively, make decisions and act due diligently within the power the Board assigned to them, and must obtain approval of important matters, such as entering material contracts and transactions, from the Board.

  The senior management is delegated with the duties for daily operations of the Company, the execution of the strategic plans, risk management and internal controls set out by the Board. The senior management is required to make decisions and act within their delegated duties and power and to report back to the Board from time to time.

- **Contribution and attributes**

  The Board is satisfied with the diversity, contribution and attributes of each Director as presented in the matrix below.

Experience, expertise or attribute	Mr. Sang Xianfeng	Mr. Xian Yurong	Ms. Liu Zhihong	Mr. Zeng Qingli	Mr. Xie Huagang
Strategy development	✓	✓			
Management & business operation	✓	✓			
Industry achievement & knowledge	✓	✓			✓
Finance & accounting knowledge			✓		
Regulatory compliance knowledge				✓	

  The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

• Continuous professional development of Directors

For the year ended 31 December 2024, all Directors had participated in continuous professional development with respect to directors' duties and responsibilities under the Listing Rules, applicable legal and regulatory requirements, and governance policies of the Company. In addition, relevant reading materials including anti-corruption materials have been provided to the Directors for their reference and studying. The Directors undertake to comply with the code provision C.1.4 of the CG Code.

During the year ended 31 December 2024, the trainings attend by each Directors are summarised as follows:

Name of Directors	Type A training(Note)	Type B training(Note)
Mr. Sang Xianfeng	✓	✓
Mr. Xian Yurong	✓	✓
Ms. Liu Zhihong	✓	✓
Mr. Zeng Qingli	✓	✓
Mr. Xie Huagang	✓	✓

Note:

Type A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

Type B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of chairman of the Board and chief executive officer (the "**CEO**") of the Company are held by Mr. Sang Xianfeng and Mr. Xian Yurong respectively.

The chairman of the Board is responsible for ensuring the overall corporate governance of the Company, managing the effective functioning and leadership of the Board, and encouraging directors to make full and active contribution to the Board's affairs. The CEO is responsible for overseeing the Company's daily operation and implementing the business strategy, policy and risk management control directed by the Board.

The Board considers that there is a clear and effective division of responsibilities and balance of power and authority between the chairman of the Board and the CEO.

CORPORATE GOVERNANCE FUNCTION

The Board confirms its ultimate responsibilities for acting as the corporate governance function of the Company and has performed and fulfilled, with the assistance from the Audit Committee, the Remuneration Committee and the Nomination Committee, the related duties set out in the code provision A.2.1 of the CG Code.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. All Board committees of the Company are established with specific written terms of reference which set forth their authorities and duties. The terms of reference of the Board committees are posted on the websites of the Company and the Stock Exchange.

• Audit Committee

The Audit Committee was established on 19 December 2023 and consists of three independent non-executive Directors. Ms. Liu Zhihong is the chairlady of the Audit Committee, who has appropriate professional qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Listing Rules. Since the Listing Date and up to 31 December 2024, the Company has held three Audit Committee's meetings to consider, review and approve the Group's results, review the internal control and risk management system, and to make proposals to the Board as to the appointment, re-appointment and removal of the Company's independent auditors and the related remuneration and appointment terms. The attendance of the members is as follows:

Members	Attendance/ Number of meeting
Ms. Liu Zhihong *(Chairlady)*	3/3
Mr. Zeng Qingli	3/3
Mr. Xie Huagang	3/3

The main responsibilities and duties of the Audit Committee as set out in the terms of reference and the CG Code, include, but not limited to the following:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The committee also discusses with the auditor the nature and scope of the audit and reporting obligations;

3. to develop and implement policy on engaging an external auditor for the provision of non-audit services;

4. to develop, review and monitor the code of conduct applicable to the Company's employees and the Board;

5. to review the Company's financial and accounting policies and practices;

6. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

7. to discuss the compliance and risk management and internal control system with management to ensure that management has performed its duty and have effective systems in place. This discussion also includes the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

9. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

The quorum of the Audit Committee meeting shall be two members of the Audit Committee. The company secretary of the Company (the "**Company Secretary**") is also the secretary of the Audit Committee.

- ## Remuneration Committee

The Remuneration Committee was established on 19 December 2023 and consists of three independent non-executive Directors. Mr. Xie Huagang is the chairman of the Remuneration Committee. Since the Listing Date and up to 31 December 2024, the Company has held one Remuneration Committee's meeting to review and make recommendations to the remuneration package of the Directors and the senior management of the Group reference to, inter alia, their duties, responsibilities, experience and qualifications. The attendance of the members is as follows:

Members	Attendance/ Number of meeting
Mr. Xie Huagang *(Chairman)*	1/1
Ms. Liu Zhihong	1/1
Mr. Zeng Qingli	1/1

The Remuneration Committee has adopted the recommendation model described in code provision E.1.2(c)(ii) of the CG code. The main responsibilities and duties of the Remuneration Committee as set out in the terms of reference and the CG Code, include, but not limited to the following:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

5. to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee has reviewed the remuneration of Directors and senior management which are disclosed in Note 7 to the consolidated financial statements. Details of the remuneration by band of the members of the senior management of the Company for the years ended 31 December 2024 and 2023 are set out below:

	Year ended 31 December	
	2024	2023
Remuneration band		
Nil — HK$500,000	**6**	6

The quorum of the Remuneration Committee meeting shall be two members of the Remuneration Committee and a majority of which shall be the independent non-executive Directors. The Company Secretary is also the secretary of the Remuneration Committee.

• Nomination Committee

The Nomination Committee was established on 19 December 2023 and consists of three independent non-executive Directors. Mr. Zeng Qingli is the chairman of the Nomination Committee. Since the Listing Date and up to 31 December 2024, the Company has held one Nomination Committee's meeting to review the structure, size and diversity of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board for consideration of the re-appointment of the retiring Directors at the annual general meeting. The attendance of the members is as follows:

Members	**Attendance/ Number of meeting**
Mr. Zeng Qingli *(Chairman)*	1/1
Ms. Liu Zhihong	1/1
Mr. Xie Huagang	1/1

The main responsibilities and duties of the Nomination Committee as set out in the terms of reference and the CG Code, include, but not limited to the following:

1. to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of the independent non-executive Directors;

4. to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive; and

5. to make recommendations to the Board on the policy concerning the diversity of Board members.

The quorum of the Nomination Committee meeting shall be two members of the Nomination Committee and a majority of which shall be the independent non-executive Directors. The Company Secretary is also the secretary of the Nomination Committee.

COMPANY SECRETARY

Mr. Ng Ka Chai ("**Mr. Ng**") is engaged, as an external professional company secretarial service provider, by the Company as the Company Secretary. Mr. Guo Tengfei, the financial manager, has been designated as the primary contact person of the Company who would communicate with Mr. Ng on the Company's matters.

Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants and he has taken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company make reference with the internationally recognized framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO framework**") in the design of its risk management and internal control framework, which has the following five elements:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information Communication; and
- Monitoring.

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems.

The Board has established policies and procedures for identifying, evaluating, and monitoring key risks associated with its financial, operational and compliance activities. The management meets regularly, assesses key risks encountered by the Group and designs and implements relevant internal controls.

The overall purpose of our risk management and internal control system is to manage, rather than eliminate, our key risks to an acceptable level and within risk tolerance level set out by the Board.

The Company has an internal audit department which is empowered by an internal audit charter. The internal audit department serves as an ongoing monitoring function and reports directly and independently to the Audit Committee. For the year ended 31 December 2024, the Company has also engaged an independent internal control consultant firm (the "**Internal Control Consultant**") to review the key business process and internal control systems, policies and procedures.

The Board has conducted an annual review of the effectiveness of the Company's and its subsidiaries' risk management and internal control system in accordance with the code provision D.2.1 of the CG Code through the review/approval of the Company's policies and procedures, the review of independent reports submitted by the Internal Control Consultant, discussion with external auditors and management and the analysis of the overall financial, operational and compliance performance of the Company. The Board is of the view that the risk management and internal control system of the Company is adequate and effective.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their obligations to prepare and present true and fair financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards in accordance with the code provision D.1.3 of the CG Code.

The Directors confirm that they are not aware of any material uncertainties that may affect the business of the Company or raise significant doubts about the Company's ability to operate on an on-going basis in accordance with the code provision D.1.3 of the CG Code.

REMUNERATION TO THE COMPANY'S AUDITOR

For the year ended 31 December 2024, the total remuneration paid or payable to the Company's auditor, Crowe (HK) CPA Limited, for audit and audit related services amounted to approximately RMB1,158,000 (equivalent to HKD1,250,000) and there was no non-audit service provided by Crowe (HK) CPA Limited.

GENDER DIVERSITY

We are dedicated in promoting a fair workplace practice and prohibiting all kinds of workforce discrimination, including disability, religion, and gender discrimination.

The Company has achieved gender diversity at Board level and is dedicated in maintaining a target gender ratio within a range of 14–30%.

As of 31 December 2024, the Group has maintained a gender diversity ratio of approximately 29% female and 71% male. The Board considers that this gender diversity ratio is a healthy and normal ratio that fits our business model and scale. The Board sets a gender diversity goal of maintaining our current workforce diversity rate with 10% standard deviation, exceeding which the Board will put an effort in analysing the situation and make timely adjustment.

The Board will review succession plan at Board level on an annual basis.

KEY GOVERNANCE POLICIES

• Nomination policy

The Company has established a nomination policy for the selection, nomination and appointment of Directors. Key criteria and factors to be considered include, but not limited to:

- Character, integrity and reputation;
- Skills, knowledge and experience that is relevant to the Group's business and corporate strategy;
- Academic achievement;
- Professional qualifications;
- Independence and objectivity;
- Time and interest commitment;
- Board's succession planning; and
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity.

If a shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she should deposit (i) a written notice of the intention to propose the Candidate for election as a Director; and (ii) a written notice by the Candidate of his willingness to be elected at either of the principal place of business in Hong Kong: Room 1204, 12/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong at least seven (7) clear days before the date of the general meeting and the period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) clear days in length.

• Board diversity policy

The Company has adopted a board diversity policy which aims to attain a balanced diversity of the Board and enhance the quality of the Board's performance. Pursuant to the board diversity policy, the Nomination Committee will review the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

The Company aims to appoint at least one female Director at any given time. The Nomination Committee and the Board will take opportunities to increase the proportion of female Directors on the Board over time when selecting and making recommendations on suitable candidates as Directors if they consider appropriate. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to skills, professional experience, knowledge, age, gender, cultural and educational background.

The Nomination Committee is responsible for recommending measurable objectives to implement the board diversity policy and reviewing such objectives regularly to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Board will review the implementation and effectiveness of our policy on board diversity on an annual basis in accordance with the code provision B.1.3 of the CG Code.

- **Dividend policy**

  The Company does not have a dividend policy. The declaration of future dividends will be subject to the recommendation by the Board at its discretion in accordance with the Articles of Association and will depend on a number of factors, including market conditions, strategic plans and prospects, business opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, statutory and contractual restrictions on the payment of dividends and other factors that the Board considers relevant.

- **Inside information procedures**

  The Company has established an inside information policy pursuant to the Part XIVA of the Securities and Futures Ordinance (the "**SFO**"). Key provisions of such policy are:

  - the Board shall establish effective procedures to identify and report potential inside information;
  - the Board shall perform an evaluation of the information and document the evaluation process and result;
  - the Directors and management who might have access to the inside information shall implement confidentiality measures for unpublished inside information;
  - the Directors and management who might have access to the inside information shall not deal in the Company's securities; and
  - the Directors and management shall ensure timely, fair and comprehensive dissemination of inside information, in principle of maintaining a fair and informed market, including issuing announcements and/or requesting trading halt in situation of unexpected and significant event.

- **Whistleblowing policy and system**

  The Company has established a whistleblowing policy and system pursuant to the code provision D.2.6 of the CG code that is overseen by our Audit Committee where:

  - we encourage all kinds of stakeholders, including customers, suppliers, employees and investors to file their confirmed knowledge or reasonable suspicion over fraudulent or non-compliance acts to us;
  - we accept reporting in confidence and anonymity;
  - we establish a policy to protect all goodwill whistleblowers from act of discrimination or retaliation; and
  - we undertake to follow-up on all goodwill reporting and, when necessary, to investigate into any material confirmed or reasonably suspected fraudulent or non-compliance acts.

  Stakeholders are encouraged to file their reports to our headquarters in the PRC or to email their reports to tsjy@zsjy.top.

SHAREHOLDERS' RIGHTS

- ### Convening an extraordinary general meeting

The Board may whenever it thinks fit call extraordinary general meetings.

Any one or more shareholder(s) of the Company 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, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

If within twenty-one (21) 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.

- ### Making enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at the Company's principal place of business in Hong Kong: Room 1204, 12/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong.

- ### Procedures for putting forward proposals at shareholders' meetings

To put forward proposals at a shareholders' meeting of the Company, a shareholder should lodge a written notice of his/her proposal with his/her detailed contact information at the Company's principal place of business in Hong Kong. The request will be verified with the Company's share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the proposal in the agenda for the general meeting.

INVESTORS' RELATIONSHIP

• Shareholders' communication

The Company is committed to provide shareholders and investors with accurate and timely information regarding the Company's financial, operational and compliance performance, important development and major events through annual, interim reports and announcements.

The Board communicates with the Company's shareholders and investors through various channels, including:

- general meeting where (i) the Directors shall communicate directly with the shareholders and to answer questions that shareholders may raise; and (ii) all shareholders shall have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration

- corporate communications (such as interim and annual reports, notices, circulars and announcements)

The Company reviewed the implementation and effectiveness of the measures relating to shareholders' communication and considered them to be effective having considered the available channels of communication in place as detailed above.

• Constitutional documents

The amended and restated Articles of Association of the Company was adopted on 19 December 2023 and became effective on the Listing Date. There was no amendment made to the Articles of Association of the Company in the year ended 31 December 2024. A copy of the Articles of Association of the Company is posted on the designated websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This Environmental, Social and Governance Report (the "**ESG Report**") discloses the management approach and performance of the Group in environmental, social and governance ("**ESG**") aspects from 1 January 2024 to 31 December 2024 (the "**Reporting Period**").

This ESG Report is prepared and presented in the principle of "comply or explain" and in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") set out in Appendix C2 to the Listing Rules.

In preparing this ESG Report, the management also follows the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

The Board has reviewed and approved this ESG report and confirmed that material ESG issues, the Company's ESG management approach and related performance are fairly presented.

ESG GOVERNANCE STRUCTURE

The Board has the overall responsibility for the governance of ESG including identification of ESG related risks, evaluation of ESG impact, determining ESG strategy and scope, setting forth related risk management and internal control system and approving the disclosure in this ESG Report.

An ESG working team, consisting of four members including the CEO, a financial manager, an engineering manager and a human resources and administrative manager, is charged with duties by the Board to monitor the ESG risks, implement the ESG initiatives, collect ESG data and prepare this ESG report. The ESG working team meet regularly, no less than an interval of annually.

The key features, authorities and reporting responsibilities of the ESG working team include:

1. Day-to-day management

The members of the ESG working team are senior management of the Group who are responsible for day-to-day management of our businesses.

2. Right to exercise and access to information

The ESG working team has the rights to access to all ESG-related facts and information and to engage specialists to assist in the study and preparation of ESG matters at cost of the Company.

3. Independent reporting

The ESG working team has the rights and responsibilities to report to the Board independently on important ESG matters.

The Board has also established a grievance mechanism and welcome feedback from our stakeholders so as to improve our ESG initiatives from time to time.

REPORTING BOUNDARIES AND PRINCIPLES

The Board, with the assistance of the ESG working team, has identified key ESG risks of the Company based on the consideration of a series of factors such as business nature and scale, geographic location, regulatory requirements, operating practices and stakeholders' expectations.

With reference to the ESG principles, namely materiality, consistency, balance and quantitative, and based on our assessment, the reporting boundary for this report shall be set at areas below:

1. Our business is headquartered in Shenzhen;

2. Our operation involves various construction projects in China;

3. Our operation and logistic arrangement indirectly involve emissions and use of natural resources through deployment of subcontractors and outsourced suppliers;

4. Our operation is subject to the various work safety related regulations; and

5. Our operation is subject to the various environmental protection related regulations.

STAKEHOLDER ENGAGEMENTS

To determine important ESG issues of the Company, the Company must also understand the concerns of our stakeholders. We have identified the following key stakeholders in accordance with the mutual dependency and influence.

List of stakeholders' communication

Key stakeholders	Communication channels	Stakeholders' main concerns
Government departments & regulators	✓ Regulatory updates correspondence ✓ Interaction and visits ✓ Government inspections ✓ Policy issuance	• Work safety • Legal compliance • Environmental protection
Investors & shareholders	✓ Corporate website and emails ✓ Annual general meeting ✓ Announcements and disclosures ✓ Prospectus & interim/annual Reports	• Performance and profitability • Scale and capacity • Supply chain management • Reputation
Employees	✓ Regular management meetings ✓ Employee suggestion boxes ✓ Performance evaluation	• Work health and safety • Remuneration and benefits • Staff training

Key stakeholders	Communication channels	Stakeholders' main concerns
Customers	✓ Project management on-site inspection and communication ✓ Prospectus & interim/annual Reports	• Product quality and pricing • Work health and safety • Image and reputation • Environmental protection
Suppliers & sub-contractors	✓ Suppliers' code of conduct ✓ Suppliers' background check ✓ Project management on-site inspection and communication ✓ Product quality inspection	• Material pricing • Business stability and sustainability • Ethics and social responsibility
Media, community and the public	✓ Community events ✓ Employee voluntary activities ✓ Community welfare subsidies	• Community service • Environmental protection

The Board and ESG working team acknowledge that the stakeholders' engagement is an important step to obtain different views of sustainability development and to form a basis for us to provide feedback.

We are in the process of formulating plans to strengthen our stakeholders' engagement process, including the intended use of an ESG survey and interview program, from which the information and feedback to be collected and exchanged, will further enable us to take appropriate actions and enhance our ESG initiatives and reporting.

MATERIALITY ASSESSMENT

For our ESG report, our ESG working team gathers important facts and information mainly through studies by our internal stakeholders and general communication with certain stakeholders in the course of business.

The ESG working team has evaluated those facts and information, collated them with industry reference and evaluated them against materiality, quantitative measures, balance and consistency of this ESG report.

Based on that, the ESG working team identified 12 most concerned ESG issues for this ESG report as presented below. The Board has reviewed and approved the assessment of the ESG working team.

Environmental

- Environmental protection
- Efficiency use of energy
- Climate change impact on business

Social

- Quality product
- Sustainable income
- Work safety
- Labour standard
- Staff competency
- Supply chain management
- Care for community

Governance

- Anti-corruption
- Diversity and equity

A. PROTECT OUR ENVIRONMENT

We have maintained the Environmental Management System Certification in compliance with GB/T24001-2016/13014001:2015 standards. We are committed to minimizing any adverse impact on the environment resulting from our business activities.

The Company injects green concepts in our operations with the following three objectives:

1 Minimize the use of natural resources

2 Compliance with all applicable environmental laws and regulations

3 Minimize the impact of business on the environment

Overall environmental compliance status

We are subject to a number of environmental laws and regulations in the PRC including, among others, the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國噪聲污染防治法) and Law on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法).

During the Reporting Period, we have complied with all applicable laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. We have not been subjected to any material claims or penalties in relation to environmental protection.

Greenhouse gas emissions and exhaust emissions

Our Group has two main sources of direct greenhouse gas emissions, namely diesel and electricity consumption in projects.

During the course of a project, we typically use electricity at the construction site through the customer's electrical system for operating machinery and project workstations, etc. We promote green concepts and encourages employees to reduce energy consumption, including promoting electricity conservation (e.g. turning off lights in common areas during non-working hours) and minimising environmental impact.

Some of our projects obtain power supply through the use of diesel-fueled generators, so our gas emission intensity depends largely on the level of diesel fuel consumed to produce electricity at the sites primarily used for projects. Our Group has always used qualified diesel fuel.

Electricity is generally provided by the government-supervised power grid, so we have not experienced any difficulties in identifying suitable electricity supplies.

In measuring the consumption level, we take into consideration of the various consumption rate of our projects and the expected consumption rate of our subcontractors whose consumptions originate in our value chain, in accordance with the latest principles set out by the International Sustainability Standards Board.

In 2023, we set measurable targets to manage diesel consumption. Between 2022 and 2023, our diesel usage remained stable at 2.6 tonnes per million in revenue. We initially aimed to reduce this to 2.5 tonnes by 2025. For electricity consumption, our original goal was to cut usage to 3,600 kWh per million in revenue by 2025.

Both targets were achieved one year ahead of schedule in 2024. This acceleration resulted from market trends and operational shifts, including a greater focus on medium-sized projects like landscaping and renovation work (which require less fuel and electricity) and reduced reliance on heavy machinery for large-scale construction.

Due to ongoing changes in the business environment, we will reassess and update our emission-reduction goals based on 2025 conditions.

Water resources

We consume water to some extent during the course of our projects. At construction sites, water is used primarily for cleaning (e.g. trucks) and general use. Our projects generally do not involve the consumption of large amount of water for production and production of highly polluting wastewater. Water supplies are generally provided by government-supervised water systems, so have not experienced any difficulties in identifying suitable water resources.

Utilising wastewater filtration and sedimentation systems (e.g. sedimentation tanks) are utilised at construction sites to filter and sediment wastewater to an acceptable level and discharge the treated water to a suitable drainage system.

We have set quantitative targets for managing our water consumption at maintaining the volume (cubic meter) per million of revenue at rate of 120 in 2023 and 2024, and reducing it to 115 in 2025. Due to foreseeable shifts in the business environment, we will evaluate our current emission-reduction targets based on 2025 conditions.

Key ESG initiatives

For lowering the carbon emission and achieving the quantitative targets for diesel, electricity and water consumption, we undertake to implement the following initiatives:

1. **ESG working team**
   Discharge the duty of managing ESG matters to a group of management, as ESG working team, which shall execute our consumption saving measures, monitor the result and report to the Board regularly.

2. **Subcontractor selection**
   Engage subcontractors with a clean environment record or certification, in a higher priority, to ensure the consumption saving practices are efficiently executed.

3. **Training**
   Provide consumption saving training to our project team to ensure they are aware of latest consumption saving technique and technologies.

4. **Specific measures**
   Direct the ESG working team to research and implement specific measures, such as use of better quality of diesel, regular maintenance of machinery to reduce inefficient consumption of diesel and related emission, and better work scheduling as to avoid unnecessary consumption of electricity.

5. **ESG-related general practice**
   Continue to commit to good ESG-related general practice, such as requesting our subcontractors to better plan their logistic route so as to lower the use of resources; switching off equipment and machinery when they are not in operation; using energy-saving lighting devices, such as LED lighting; and turning off lighting facilities during idle time.

6. **Public policy on green transportation**
   Continue to actively follow and respond to public policy on green transportation. There are public policies, such as the Notice regarding the Implementation Plan for the Promotion and Use of Pure Electric Dump Trucks in Shenzhen* (《深圳市純電動泥頭車推廣使用實施方案》的通知) issued by Shenzhen Municipal Transportation Bureau* (深圳市交通運輸局), Shenzhen Municipal Development and Reform Commission* (深圳市發展和改革委員會), Shenzhen Municipal Finance Bureau* (深圳市財政局) and Shenzhen Municipal Housing and Construction Bureau* (深圳市住房和建設局), that promote the use of new energy dump truck and suggest the fade out of aged and energy-inefficient trucks. On that, we have encouraged our suppliers in echoing to such policies and adopt the use of new energy transportation and have incorporated such factors in the selection or prioritization of suppliers.

7. **Subcontractor equipment**
   Continue to actively supervise the subcontractors to carry out comprehensive inspection and maintenance of their equipment and machinery on site to ensure that their equipment and machinery are always in good working condition, thus reducing the ineffective energy consumption of the project.

8. **Equipment and machinery**
   Prioritize the use of energy-saving and low-energy-consuming operating equipment and machinery where conditions permit. For individual models where diesel equipment is indispensable, we give priority to environmentally friendly emission equipment and machinery.

Our measures to reduce Scope 3 emissions are as follows:

1. By our policy, we are required to consider the environmental compliance history and certification in the selection process of our suppliers and subcontractors.

2. At execution level, our engineering department is responsible for on-going monitoring at project sites, and inspecting environmental compliance situations of our subcontractors from time to time. The engineering department would propose and monitor remedial actions taken by our subcontractors while relevant environmental performance of subcontractors is counted to our regular evaluation over subcontractors.

3. We have a long practice of encouraging our employees to make their travelling and commuting as energy efficient as possible. For instance, our practice requires our employees to select economy class as a preference for business travel.

4. We select suitable suppliers according to the characteristics, complexity and geographic location of the project, and confirms the on-site technical conditions of the disposal unit before disposing of waste equipment and scrap metal with no use value. Our engineering department is responsible for supervising and managing the qualifications of the suppliers and the compliance of the disposal process.

   For driving our suppliers, inclusive of raw material suppliers and subcontractors, to assist our Group in achieving the quantitative targets, we have designed and implemented the following qualitative initiatives:

   a. We have conducted background and performance evaluation on our major suppliers at inception and on on-going basis. The evaluation includes an assessment of the environmental and work safety related history and qualifications/certifications. It is set out in our policy that the management shall take into such ESG factors in selecting or using our suppliers.

   b. We have established a procedure to circulate a suppliers' code of conduct to our major suppliers who shall actively confirm their understanding, through stamping on the code, on our ethical and ESG expectation on their behaviour and performance.

   c. At execution level, the performance of suppliers, inclusive ESG-related activities, has been monitored by our project manager at site and has been subject to regular inspection conducted by our engineering department. The project manager and the engineering department are responsible for reporting material ESG issues and related solutions to the executive Directors upon discovery.

During the Reporting Period, we have not discovered any material ESG issues among our suppliers.

Waste management

We do not generate hazardous waste, but we do generate minimal level of non-hazardous industrial wastes, including solid and liquid waste during our production process

Solid and liquid waste

Our Group generates construction waste and wastewater during the course of our projects. Our Group has established internal waste management policy. A team led by a project manager is responsible for handling construction waste and wastewater in accordance with local construction waste management practices, including key procedures below:

- **For construction waste**
  Generally, our customers, as project owners, engage qualified environmental protection disposal companies to collect and dispose hazardous construction waste at the construction site. We have a practice of pulling our construction waste, mainly those remains or nonreusable of our non-hazardous raw materials to the designated areas. Our project managers at site are responsible for monitoring the process.

- **For wastewater**
  Utilising wastewater filtration and sedimentation systems (e.g. sedimentation tanks) are utilised at construction sites to filter and sediment wastewater to an acceptable level and discharge the treated water to a suitable drainage system. The risk control team is responsible for overseeing overall compliance in this area.

Project noise control

At a construction site, the project management team has basic noise control equipment. In addition, our Group implements project noise control primarily by appropriately scheduling project works within the time periods allowed by law and more acceptable to the community. It is our policy that the levels of noise emission in decibels (dB) at construction sites are set at a limit of 70 dB during daytime and 55 dB during nighttime.

Considering the overall compliance status regarding noise control, our Directors are of the view that the level of noise emissions has been controlled under the abovesaid limits in all material time in the Reporting Period. We undertake to continuing implement our policy and related noise emission control level in the future. The ESG working team will continue to monitor the related compliance status.

Packaging material

Due to the nature of our business, we use minimal level of packaging materials. Hence, the Company believes such effect on environment is immaterial.

B. MANAGING CLIMATE CHANGES IMPACT

Climate change assessment

In assessing the impact of climate change on our Group, the risk control team has taken into account the recommendations and methodology of the Financial Stability Board's ("**FSB**") Task Force on Climate-related Financial Disclosures ("**TCFD**") to assess the impact of climate change on the Group in terms of risks and opportunities.

Climate change risk

Based on TCFD's recommendations and methodology, our Group classifies climate change-related risks into two main categories: (a) physical risks related to the physical impacts of climate change and (b) transition risks which are associated with the transition to the low carbon economy.

- *Physical risks*
  Physical risks that result from acute events or long-term chronic transitions and that have a financial impact on our Group.

- *Transition risks*
  During the transition to a low carbon economy, there may be certain changes that may have impacts on our Group, mainly related to four key areas, namely policy and law, technology, markets and reputation.

On this basis, the Company considers the following specific factors related to climate change:

1. Country and industry policies—"Annual Report on China's Policies and Actions to Address Climate Change 2020" issued by the Ministry of Ecology and Environment and the "14th Five-Year Plan" Construction Industry Development plan issued by The Ministry of Housing and Urban-Rural Development.

2. Events and incidents — Recent incidents apparently caused by climate change and their impact on our Group's business, such as the heavy rainfall events in China, especially in Henan Province, in 2021. While 2024 had not experienced a disaster of the same magnitude as the catastrophic Henan floods of 2021, regional extreme rainfall events have continued to worsen in both frequency and intensity across China.

Our Group is subject to the following relevant climate change impacts and the relevant mitigation measures are listed in the table below.

Associated risk (by TCFD standards)		**Impact of climate change on the Group**	**Potential level of impact**	**Mitigation measure**
Heavy rainfall events that are clearly caused by climate change	Physical risk	Heavy rainfall (class 6 or above) will affect our client's project schedule or may, to certain extent, cause physical damage to the works at the construction site	Medium	Our Group has been monitoring the trends of physical risks and will further enhance monitoring and disclosure controls
	Physical risk	Heavy rainfall may, to certain extent, affect the stability of our main material supply chain	Low	Our Group has maintained and will continue to maintain a diversified supplier base to maintain a resilience level and to mitigate the impact
"14th Five-Year Plan" Construction Industry Development Plan	Transition risk (medium to long term)	Our major customers are governments, state-owned enterprises ("**SOEs**"), and large developers, who may prefer green construction teams over time and as required by the national policy	Low	Our Group has maintained and will continue to maintain valid environmental qualifications and will devote the necessary resources for obtaining newly required qualifications in the future
	Transition risk (medium to long term)	The relevant government bureau will be organising more inspection and tightening licensing conditions which may affect the basis for our selection of suppliers	Low	Our Group has conducted and will continue to conduct effective supplier evaluation system, including the programme to monitor its key suppliers from an environmental perspective on a regular basis, no less than once a year

The Company believes that physical risks are inherent and that our Group cannot completely control this external and inherent impact of climate change. However, our Group is committed to monitoring and, where necessary, disclosing the impacts to the market through our disclosure systems, such as the weekly project reporting system at project level and the monthly management reporting system at Board level, for those acute events, such as heavy rainfall.

The Board believes that transition risks, driven primarily by policy changes and market expectations, are more manageable and that there is a buffer time for our Group to adopt or adjust new procedures to address these changes.

Climate change-related opportunities

Based on TCFD's recommendations, the Company also considered and categorised the following five broad categories of climate change-related opportunities:

1. resource efficiency and cost savings;
2. adoption of low-emission energy;
3. development of new products and services;
4. access to new markets; and
5. building resilience in the supply chain.

The Company believes that, in the context of our Group, the opportunities for climate change impacts should have the following two refined areas. The Company has also assessed the status in which our Group can capture these opportunities.

1. Our Group has maintained and will continue to maintain a diversified supplier base in a way that our Company should have a stable competitive edge in building resilience in the supply chain.
2. Our Group has maintained and will continue to maintain relevant product quality assurance procedures and relevant environmental related certificates in a way our Company should have a stable competitive edge in the market that will tend to purchase from more environmentally friendly companies.

C. SUPPLY CHAIN MANAGEMENT

For the Reporting Period, we have a total number of 38 critical suppliers (2023: 34).

Our critical suppliers are referred to raw materials suppliers, machinery and equipment leasing service suppliers, labour subcontractors and specialised construction subcontractors we engaged in the ordinary course of business that have a relatively larger impact on us. They are all located in China, mainly in Shenzhen.

In managing our critical suppliers, we have adopted the following measures:

Supplier's selection	Suppliers' code of conduct	Supplier's due diligence check & inspection
Obtain necessary business license and certificate	Set out our expectation on suppliers regarding their ethical and compliance acts	Perform background check of critical suppliers regarding their business and compliance status
Inspect and examine samples provided by raw material suppliers		Perform regular assessment on labour subcontractors and specialised construction subcontractors

Our Group places great emphasis on the potential environmental and social risk management of its supply chain.

Our Group has adopted a rigorous and standardised sourcing system and supplier selection process, which includes regular assessment of suppliers' compliance with environmental, quality, social, corporate governance and business ethics standards through background checks and annual quality assessments.

In this process, our Group's management generally evaluates suppliers' ESG-related qualifications, licenses and compliance records and prefers to select suppliers that do not commit significant violations or unethical behaviour. We will consider terminating or not renewing relationships with companies or suppliers that may result in, or have resulted in, significant ESG impacts.

Our Group places a high priority on ethical standards and ESG awareness among its suppliers and has therefore established and distributed a supplier code of conduct to its more strategic suppliers and obtained their confirmation of understanding. We require our suppliers to meet our Group's expectations for human rights, anti-corruption and environmental protection.

Under the standard subcontracting agreements, the subcontractors are required to comply with the relevant regulations regarding safe and civilised construction (安全文明生產) and shall be responsible for all injuries and/or monetary loss suffered by any third party in connection with the subcontractors' non-compliance.

D. COMMITMENT TO PRODUCT QUALITY

We have maintained Quality Management System Certificates (質量管理體系認證證書) GB/T19001-2016/ISO9001: 2015 GB/T50430-2017 and GB/T19001-2016/ISO9001: 2015.

We are committed to delivering high quality product and service.

Due to the nature of business, our operation and products are subject to high product responsibilities, particularly over timely and reliable basis to meet customer's safety and regulatory requirements. On top of our standard formula and safety measure, we manage our product quality concern through quality control and operation management.

Quality control management

We endeavour to deliver quality services to our customers.

Our project management team, supported by our engineering department, is responsible for quality management and overseeing the quality of works of our construction projects.

Our Directors believe that the provision of timely, safe and quality construction services is crucial to the reputation and success of our Group. As such, we have implemented rigorous quality control procedures and kept relevant reports and records covering all aspects and stages of the construction project lifecycle, from selection of suppliers and services providers, procurement of raw materials, implementation to project completion.

We have implemented a number of key measures in various stages of operation to ensure our products are safe and meet the requirements of customers and our product responsibility can be substantially discharged, as tabled below.

Stages of operation	Key measures
Inspection of raw materials	We inspect incoming raw materials to ensure they meet our project requirements, technical specifications, and applicable national and/or industrial quality standards. Our Group typically inspects the product certificates and/or quality assaying reports of such raw materials and undertake sampling and testing of certain raw materials to ensure their quality before utilising in our construction projects. Raw materials that are defective or do not meet our requirements, specifications or standards will be returned to suppliers.
Subcontractors	We require subcontractors to abide by our quality control measures and meet our quality standards during the course of their performance in our construction projects.
Internal records	We have established project management and control procedures and conduct construction works in accordance with such procedures to ensure that we comply with the construction contract requirements as well as the applicable PRC legal requirements. Our project management team is required to keep the relevant reports and records during construction process to document construction progress, inspection results, quality and issues for internal records and external submissions to independent qualified laboratories or institutions and the relevant government authorities.
Quality control of projects	Our project management team closely monitors the project quality control throughout the construction projects to ensure timely and satisfactory completion. After the completion of our projects but before our customers accept the finished project, we will internally conduct quality and safety inspections to ensure that all works comply with the contractual specifications and technical specifications.

For the Reporting Period, we did not experience any material quality issues or receive any material complaints from our customers about the quality of our construction projects.

Intellectual property rights, consumer data and privacy policy

The Company highly respects Intellectual property rights protection and consumer data. In the course of operation, we might have access to the intellectual properties or confidential data of customers, such as patents, trademark, copyrights and trade secrets (e.g. design of products), personalized information or contractual documents.

It is our policy that we will only use and/or store these intellectual properties or customer data in accordance with the purpose they are originally provided to us or collected by us. We prohibit all kinds of unauthorized use or leakage of intellectual properties by the Company's employees. The Company will take appropriate actions against breach of intellectual property rights and consumer data, including termination of employment or legal proceeding.

Advertising and labelling

The Company takes a prudent approach in advertising itself, particularly in the tendering process. There is a designated tendering team to prepare and review the tendering documents in which our profile would be carefully documented and reviewed.

Our compliance status

During the Reporting Period, we have complied with all applicable laws and regulations in relation to product liabilities, advertising and labelling and privacy matters. For the Reporting Period, we have not been subjected to any material product recall, liabilities claim or failed regulatory inspection in relation to our product quality.

E. CARE FOR OUR EMPLOYEES

We are committed to providing our employees with a safe and fair working environment.

Diversity

As at 31 December 2024, we employed a total of 237 employees (2023: 225). By geographical region, all full-time workforce is basically residing and operating in China. During the Reporting Period, the Company employed no part-time and temporary works.

The overall employee turnover rate in the Reporting Period is 42.7% (2023: 30%). Frontline workers accounted for 94% of staff attrition in the sector, a turnover rate considered within light industry norms due to typical reliance on temporary/seasonal labor pools.

Equal opportunity

We are committed to building and maintaining a fair workplace and valuing equal opportunity and diversity in the all stages of employment, including remuneration, recruitment, training and promotion of staff.

Our employee will not be discriminated against on grounds of gender, age, disability, marital status, sexual orientation, race, religion, materiality, nationality or ethnic origin.

Employment and remuneration

We enter into a standard form of employment contract with our employees, which contain confidentiality clauses and standard covenants.

We endeavor to provide competitive remuneration package and various benefits to attract and retain talents. Our employees are remunerated according to their job scope, responsibilities, and performance and are entitled to discretionary performance bonus.

Labour standards

We are committed to upholding our labour standards and we encourage our employees to engage in candid and respectful dialogue to explore and identify feasible solutions. We prohibit the use of child labour and forced labour. We strictly abide by relevant national legal requirements such as the Protection Law for Minors and Prohibition on the Use of Child Labor.

Our recruitment process requires us to inspect the identity documents and conduct interviews with the applicants. In case that we identify any forms of forced or child labor, we would disengage with such activities immediately, investigate into the causes and take legal actions against involved persons.

Our compliance status

During the Reporting Period, we have been in compliance with the laws and regulations in PRC relevant to the labour standards such as relating to compensation and dismissal, recruitment and promotion, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

F. DEVELOPMENT AND TRAINING

The Company encourages and supports our Directors and employees to receive training to promote operational compliance and sustainable development of the staff and the Company.

At inception, our new employees are required to participate in orientation training before starting their work and undergo on-the-job training. Generally, the training areas are related to their work scope and duties of their respective department. The typical training topics usually involve code of conducts, work duties and work safety, and employee illness and communicable disease.

All our Directors, including the independent non-executive Directors, have attended training provided by legal professionals, mainly covering the topics of directors' duties and listing rules compliance.

Our staff training mainly covers the areas of work safety, occupational skills and knowledge, accounting and compliance, such as construction safety. Illustrated below is the training data by gender and ranking.

G. SAFETY COMES FIRST

We have obtained the Occupational Health and Safety Management System certification in compliance with GB/T45001-2020/13045001:2018 standards.

Our senior management from engineering department is responsible for developing and overseeing our occupational health and safety policies and to ensure we comply with national standard, and the respective project managers of our construction projects are responsible for monitoring and supervising the implementation of work safety measures throughout the project lifecycle.

Our three-tier occupational system

Due to the nature of the industry we operate in, we have inherently high occupational safety risks at construction sites. We place a high priority on occupational safety for our employees and have therefore established a three-tier occupational safety system.

1. Standard setting

- ✓ We have developed internal safety policies, such as the safety management protocol, which sets out our key requirements and standards for occupational safety.

- ✓ We have systems in place that require our subcontractors to comply with our requirements and standards for occupational safety. Under our typical subcontracting agreement entered with our subcontractors, our subcontractors are primarily responsible for complying with the safety standards, conducting training to their workers and monitoring their adherence to the safety measures and procedures.

- ✓ Prior to the commencement of project works, we provide necessary and relevant work safety training and related testing to our employees and the workers of our subcontractors and obtain their confirmation of their understanding of the relevant safety standards.

2. Specific safety protection measures

- ✓ We provide our employees and subcontractors' workers with the necessary work safety tools, such as helmets and safety harnesses before the project work begins.

- ✓ We inspect the necessary safety facilities and measures of our Group or subcontractors during the project, and issue inspection and follow-up reports regularly.

- ✓ We conduct higher level or relatively more independent site inspection or thematic inspections for larger or higher risk projects and closely monitor the progress of the project, including engineering safety issues, and issues inspection and follow-up reports.

3. Incident reporting

- ✓ Our project managers must report any serious incidents, including safety-related issues, to the risk control team within 24 hours of occurrence.

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents* (生產安全事故報告和調查處理條例), issued by the State Council on 9 April 2007 and effective on 1 June 2007, reportable construction accidents are divided into four categories:

(i) Particularly significant accidents

(ii) Significant accidents

(iii) Relatively significant accidents

(iv) General accidents

In the Reporting Period, our Group did not have any reportable accidents within these four categories of accidents. As a result, our reportable accident rate and related lost time injury frequency rate for the Reporting Period were nil and nil, respectively.

Our compliance status

During the Reporting Period, we have been in compliance with the laws and regulations in People's Republic of China relating to occupational health and safety, including, but not limited to the Occupational Disease Prevention and Control Law of the People's Republic of China, the Regulations on Occupational Health Supervision and Management in the Workplace, and the Work Injury Insurance Regulations.

We did not encounter any incidents and accidents that led to serious work injury or fatalities, and we did not receive any material staff claims in relation to work safety and health.

H. STAND WITH INTEGRITY

Anti-corruption

We have established an anti-corruption policy as to maintain a high-standard for honesty, integrity and trust and to prohibit all forms of bribes and kickbacks. We prohibit our Directors and employees to offer or accept excessive gifts and benefits in the course of conducting business. In situation where there are conflicts of interest, we require our employees to disengage with such activities or to report to our Directors on a timely and complete basis.

The Company has rolled out a rotation plan of anti-corruption trainings.

As of the date of this report, we intend to provide anti-corruption trainings, through professional organization, to our Directors and management and front-line project management personnel first. We will also extend such training to our staff on a 2-years rotation plan targeting to attain at 100% training coverage in 2-years.

Nevertheless, all our Directors and senior management are provided, as a training material and as a reference material for enhancing our ethical operation, with anti-corruption guidelines published by a statutory independent anti-corruption body of Hong Kong.

Whistleblowing policy

Our human resources department acts as first-line communication channels through which our employee can file matters they would like to communicate with the management.

We have also implemented a whistleblowing policy that serves as a deterrence and monitoring over fraud, misconduct, malpractices and non-compliance with our internal policy, or laws and regulations. Goodwill whistleblowers can also submit their reports to us at email: tsjy@zsjy.top. Whistleblowing reports will be first reviewed by our internal audit department and, if stand, will be escalated to the Audit Committee.

Our whistleblowing policy has a protection clause under which we prohibit all kinds of harassment and discrimination of goodwill whistleblowers on the grounds of their goodwill whistleblowing.

During the Reporting Period, we have not received any whistleblowing reports in material aspects.

Our compliance status

During the Reporting Period, we have been in compliance with the laws and regulations relating to bribery, extortion, fraud and money laundering. We did not encounter any anti-corruption confirmed cases, incidents, reporting, enforcements and/or legal proceedings against the Company, directors and employees.

I. CARE FOR OUR COMMUNITY

In 2024, our board directed the ESG team to prioritize community contributions through:

(1) strategic budgeting for key initiatives;

(2) promoting employee participation in community care programs; and

(3) embedding this ethos into corporate culture.

In 2024 we donated RMB997,000 across poverty alleviation, vulnerable group support, and public health campaigns, with plans to sustain these efforts through 2025.

APPENDIX 1

Key Sustainability Performance Indicators (KPIs)

Key Performance Indicators		Unit	2023	2024
A1.1	NO_x emissions	tCO_2e	79	37
	So_x emissions	tCO_2e	4	2
	Particulate matters	tCO_2e	2	1
A1.2	Greenhouse Gas emissions (Scope 1)[4]	tCO_2e	2,583	995
	Greenhouse Gas emissions (Scope 2)	tCO_2e	974	1,034
	Greenhouse Gas emissions (Scope 3)[7]	tCO_2e	12,332	30,465
	Total Greenhouse Gas emissions (Scope 1 + 2 + 3)	tCO_2e	15,888	32,494
	Greenhouse Gas emissions intensity (Total Greenhouse Gas emissions/number of employees)	tCO_2e/staff	71	137
A2.1	Total energy consumption	kWh	1,390,915	1,292,454
	Energy consumption intensity (Total energy consumption/ number of employees)	kWh/staff	6,181	5,453
	Total diesel consumption[4]	Liter	856	425
	Diesel consumption intensity (Total diesel consumption/ number of employees)	Liter/staff	4	2
A2.2	Total water consumption[7]	Cubic metre	10,618	92,836
	Water consumption intensity (Total water consumption/ number of employees)	Cubic metre/staff	47	391

Notes to environmental KPIs:

1. The time range for the disclosure of environmental KPIs covers 1 January 2024 to 31 December 2024.

2. The entity scope of the disclosure of environmental KPIs covers the Group's headquarters, and all office areas of its subsidiaries located in People's Republic of China.

3. Sources of emission factors: when calculating emissions, the emission factors for piped natural gas were applied with reference to the "Manual on methods and coefficients for calculating pollution production and emission from emission source statistics survey" issued by the Ministry of Ecology and Environment, and emission factors for company cars were applied with reference to the Reporting Guidance on Environmental KPIs of the Stock Exchange; when calculating greenhouse gas emissions, the emission factors for piped natural gas and thermal emission factors were applied with reference to the Guidance on Accounting Methods and Reporting of Greenhouse Gas Emissions by Public Building Operating Companies issued by the National Development and Reform Commission of the People's Republic of China, the emission factors for electricity were applied with reference to the grid emission factors in the Notice on the Management of Greenhouse Gas Emission Reporting of Enterprises in the Power Generation Industry in 2023–2025 issued by the Ministry of Ecology and Environment, while the emission factors for other energy resources were applied with reference to the Reporting Guidance on Environmental KPIs of the Stock Exchange; and the conversion factors of energy consumption were applied with reference to the Guidance on Accounting Methods and Reporting of Greenhouse Gas Emissions by Public Building Operating Companies issued by the National Development and Reform Commission of the People's Republic of China.

4. Heavy equipment operations decreased significantly in 2024 as projects shifted toward green renovation and outdoor maintenance or upgrades, driving a sharp decline in diesel consumption.

5. Hazardous waste includes used batteries and printer cartridges/toners, with very low annual quantities and minimal environmental impact. No specialized management is needed, as disposal follows general municipal guidelines.

6. Non-hazardous waste includes general office trash and paper materials from administrative work, but their annual amount is minimal due to the gradual shift to paperless operations.

7. Our water comes from government supplies. This year's water usage increased significantly due to newly added greening projects

Social Key Performance Indicators (KPIs)

B1 Total number of employees and turnover rate by gender, employee ranking, age group and geographical region

Employee statistics

Category		B1.1 Number of employees as of year end (Unit: person)	B1.2 Employee turnover rate[3]
By gender	Male	168	71%
	Female	69	29%
By age group	30 and below	33	8%
	Between 30 and 50	184	78%
	50 and above	20	14%
By employee ranking	Middle and senior management	19	8%
	Ordinary staff	218	92%
By geographical region of working place	Shenzhen, PRC	237	100%

Notes to Social KPIs B1:

1. Social Key Performance Indicators (KPIs) data covers all entities included in the group's financial statements.

2. We do not have any part-time or temporary employees.

3. Employee turnover rate equals the number of departing employees divided by total employees multiplied by 100%.

B2 health and safety

	2022	2023	2024
Number of work-related fatalities			
Related to machinery	0	0	0
Related to heavy object	0	0	0
Other minor injury	0	4	7
Number of lost days due to work injury	0	0	0

B3 Development and training

Category		Percentage of staff trained[1]	Average training hours completed per staff (hour/staff)[2]
By gender	Male	74%	0.7
	Female	81%	0.8
By employee ranking	Middle and senior management	100%	5.4
	Ordinary staff	35%	0.4

Notes to Social KPIs B3

1. Percentage of trained employees in a category equals the number of trained employees in that category divided by the total number of trained employees.

2. Average training hours per employee in a category equals total training hours for that category divided by the number of employees in the category.

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2024.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 2 February 2021 as an exempted company with limited liability.

The Company completed the corporate reorganisation (the "**Reorganisation**") on 30 June 2022 in preparation for its listing, pursuant to which the Company became the holding company of the Group. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure — Corporate Reorganisation" of the Company's prospectus dated 28 December 2023 (the "**Prospectus**").

The shares of the Company were listed on the Main Board of the Stock Exchange on 9 January 2024 (the "**Listing Date**") by way of placing and public offer of shares.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in the provision of construction services in the PRC.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, are set out in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report — Risk Management and Internal Controls" of this annual report, and the discussion on the Group's environmental policies and performance, compliance with relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with its employees, customers and suppliers are set out in the section headed "Environmental, Social and Governance Report" of this annual report. Those discussion and analysis form part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated financial statements on pages 62 to 133 of this annual report. The Directors do not recommend the payment of any final dividend for the year (2023: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the five largest customers in aggregate and the largest customer of the Group accounted for approximately 34.1% and 8.0%, respectively, of the Group's total revenue.

For the year ended 31 December 2024, the five largest suppliers in aggregate and the largest supplier of the Group accounted for approximately 16.0% and 6.4%, respectively, of the Group's total purchases.

None of the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued shares of the Company) had any interest in any of these major customers or suppliers during the year ended 31 December 2024.

DIRECTORS

The directors of the Company during the year ended 31 December 2024 and up to the date of this report are:

Executive Directors

Mr. Sang Xianfeng, *Chairman*
Mr. Xian Yurong, *Chief Executive Officer*

Independent non-executive Directors

Ms. Liu Zhihong
Mr. Zeng Qingli
Mr. Xie Huagang

In accordance with Articles 84(1) of the Company's Articles of Association, Mr. Zeng Qingli and Mr. Xie Huagang will retire from office by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from the Listing Date. Each of them is entitled to their respective remuneration and benefits under statutory retirement scheme which have been agreed with the Company. In addition, each of them will be entitled to a discretionary bonus to be recommended by the Remuneration Committee of the Company and determined by the Board, the amount of which is to be determined with reference to the operating results of the Group and the performance of the relevant executive Director.

Each of the independent non-executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from the Listing Date. Each of them is entitled to their respective remuneration which has been agreed with the Company.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

None of the Directors waived or agreed to waive any emolument during the year ended 31 December 2024.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, the interest or short positions of the Directors or chief executives in the shares, underlying share or debentures of the Company and the associated corporations (within the meaning of Part XV of the 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 (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code required to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in Shares

Name of Director	Capacity	Number of Shares[(1)]	Approximate percentage of shareholding
Mr. Sang Xianfeng	Interest in a controlled corporation	284,172,240 (L)[(2)]	55.20%
Mr. Xian Yurong	Interest in a controlled corporation	71,040,560 (L)[(3)]	13.80%

Notes:

1. The letter "L" denotes long position in our Shares.

2. These represent the shares held by Zhongshen Hengtai Capital Limited ("**Zhongshen Hengtai**"), a company wholly-owned by Mr. Sang Xianfeng.

3. These represent the shares held by Zhongshen Chitai Capital Limited ("**Zhongshen Chitai**"), a company wholly-owned by Mr. Xian Yurong.

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

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding
Mr. Sang Xianfeng	Zhongshen Hengtai	Beneficial owner	100[(Note)]	100%

Note: Mr. Sang Xianfeng beneficially owns the entire issued share capital of Zhongshen Hengtai. He is also the sole director of Zhongshen Hengtai.

Save as disclosed herein, as at 31 December 2024, none of the Directors or chief executives of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of the SFO) which required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2024, so far as is known to our Directors, the following persons (not being a Director or chief executive of our Company) had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Number of Shares[1]	Approximate percentage of shareholding
Zhongshen Hengtai	Beneficial owner	284,172,240 (L)	55.20%
Zhongshen Chitai	Beneficial owner	71,040,560 (L)	13.80%
Ms. Jin Wei	Interest of spouse	71,040,560 (L)[2]	13.80%

Notes:

1. The letter "L" denotes long position in our Shares.

2. Ms. Jin Wei is the spouse of Mr. Xian Yurong. By virtue of the SFO, Ms. Jin Wei is deemed to be interested in all the Shares in which Mr. Xian Yurong is interested.

Save as disclosed herein, as at 31 December 2024, none of the Directors knows of any person (not being a Director or chief executive of our Company) who had any interest in the shares or underlying shares which fall to be disclosed to our Company 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 by the Company pursuant to section 336 of the SFO.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director (has the meaning given by section 486 of the Companies Ordinance of Hong Kong) had a material interest, whether directly or indirectly, subsisted at 31 December 2024 or at any time during the reporting period. There was no contract of significance or any arrangement between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries for the year ended 31 December 2024.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2024, the Group had not entered into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

During the year ended 31 December 2024, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the Listing Rules) or any of its subsidiaries, including for the provision of services to the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands which oblige the Company to offer new shares on pro rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

A directors' and officers' liability insurance is currently in place to protect the Directors against potential costs and liabilities arising from claims brought by third parties against them.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any exemption or relief from taxation available to the Shareholders by reason of their holdings of the Shares.

COMPETING INTERESTS

None of the controlling shareholders, namely Zhongshen Hengtai and Mr. Sang Xianfeng, the Directors or their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which comprises or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2024 and up to the date of this report.

EMOLUMENT POLICY

The remuneration of the Group's employees is primarily determined based on the job responsibilities, work experience, qualification, job performance and length of service of each employee and the prevailing market condition. On top of basic salaries, bonuses may be paid with reference to the Group's performance as well as individual employees' performance. Other staff benefits include provision of retirement benefits and medical benefits. The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Kingsway Capital Limited as its compliance adviser (the "**Compliance Adviser**"). Except for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors the confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors are independent.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group has been entered into or existed during the year ended 31 December 2024.

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

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

SHARE CAPITAL

Detailed of movements during the year in the share capital of the Company are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 65 and Note 21 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the shareholders of the Company as at 31 December 2024 amounted to approximately RMB387.3 million.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules since the Listing Date and up to the date of this report.

EVENT AFTER THE REPORTING DATE

On 10 January 2025, the Company entered into six separate subscription agreements with six subscribers in respect of the subscription of an aggregate of 102,960,000 shares of the Company at the subscription price of HK$0.50 per Share. Such subscription was completed on 6 February 2025. For further details, please refer to the announcements of the Company dated 10 January 2025, 20 January 2025 and 6 February 2025. Save as disclosed in this report, there were no significant events which had material effect on the Group subsequent to the end of the reporting period of the Company and up to the date of this report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company is scheduled to be held on Friday, 16 May 2025 ("**2025 AGM**"). For determining the entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2025 AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Monday, 12 May 2025.

AUDITOR

PricewaterhouseCoopers resigned as the auditor of the Company with effect from 30 September 2024. The Board resolved to appoint Crowe (HK) CPA Limited ("**Crowe**") with effect from 30 September 2024 to fill the casual vacancy arising from said resignation and to hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcement of the Company dated 30 September 2024. The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Crowe.

Crowe retires and, being eligible, has offered themselves for re-appointment. A resolution for the re-appointment of Crowe as auditor of the Company will be proposed at the 2025 AGM.

By Order of the Board

Sang Xianfeng
Chairman

Hong Kong, 27 March 2025

INDEPENDENT AUDITOR'S REPORT

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

To the Shareholders of Zhongshen Jianye Holding Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

Our opinion

We have audited the consolidated financial statements of Zhongshen Jianye Holding Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 62 to 133, which comprise the consolidated balance sheet as at 31 December 2024, and the consolidated statement of 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 balance sheet of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting 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 the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") 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.

The key audit matter identified in our audit is related to revenue recognition on construction contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition on construction contracts	
Refer to Notes 2.17 and 5 to the consolidated financial statements. For the year ended 31 December 2024, revenue from construction contracts amounted to RMB750,556,000. Revenue from construction contracts is recognised over the period of the contract using input method by measuring the progress towards complete satisfaction of performance obligation on the basis of actual construction costs incurred by the Group as a percentage of total budgeted costs for each project. We focused on auditing revenue recognition on construction contracts because of the management judgement involved in estimating the total budgeted cost.	Our procedures in relation to revenue recognition on construction contracts included: • obtained an understanding of management's internal controls and processes of revenue and cost recognition from construction contracts, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as subjectivity; • evaluated and tested, on a sample basis, the key controls over revenue and budgeted costs including management's approval of project budgets; • agreed, on a sample basis, the contract sum to the contract with customers; • compared, on a sample basis, the actual contract costs of projects completed during the year to the budgeted costs at the end of the prior year in order to assess the effectiveness of management's estimation process; • tested, on a sample basis, the actual construction costs incurred during the year by tracing to supporting documents such as invoices received from suppliers, and performed cut-off tests on construction costs; • tested, on a sample basis, the estimated remaining costs to complete a construction project by tracing to supporting documents such as the quotations from the subcontractors and suppliers; • performed, on a sample basis, site visits on selected construction projects to observe the progress of construction works; and • tested, on a sample basis, the mathematical accuracy of the computations of progress towards completion and revenue recognised. Based on our audit procedures performed, we found that the judgement made by management in the recognition of revenue of construction contracts was supported by the evidence obtained.

OTHER MATTER

The consolidated financial statements for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified option on those statements on 27 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than 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.

If, 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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 requirements 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE 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 solely to you, as a body, in accordance with our agreed terms of engagements, 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 HKSAs 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 HKSAs, we exercise professional judgment and maintain professional scepticism 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Chiu Lung Sang.

Crowe (HK) CPA Limited
Certified Public Accountants

Hong Kong, 27 March 2025

Chiu Lung Sang
Practising Certificate Number P08091

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Year ended 31 December **2024** **RMB'000**	2023 RMB'000
Revenue	5	**750,556**	1,530,919
Cost of revenue	6	**(709,215)**	(1,441,773)
Gross profit		**41,341**	89,146
Administrative expenses	6	**(40,030)**	(41,210)
Reversal of impairment losses/(impairment losses) on financial assets and contract assets	3.1(b)	**1,221**	(146)
Other income, (losses)/gains — net		**(217)**	11
Operating profit		**2,315**	47,801
Finance income		**720**	912
Finance costs		**(2,996)**	(2,177)
Finance costs — net	8	**(2,276)**	(1,265)
Profit before income tax		**39**	46,536
Income tax credit/(expense)	9	**1,905**	(14,722)
Profit and total comprehensive income for the year attributable to owners of the Company		**1,944**	31,814
Earnings per share attributable to owners of the Company for the year (expressed in RMB cents per share)			
— Basic	10	**0.38**	8.24

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousands unless otherwise stated)

		As at 31 December	
		2024	2023
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**48,423**	42,441
Right-of-use assets	13	**337**	1,173
Intangible assets	14	**7,056**	9,151
Financial asset at fair value through other comprehensive income	15	**5,000**	—
Deposits and prepayments	18	**—**	305
Deferred income tax assets	24	**10,028**	10,333
		70,844	63,403
Current assets			
Inventories		**158**	362
Contract assets	17	**1,016,678**	1,209,485
Trade and bills receivables	17	**240,360**	157,270
Deposits, other receivables and prepayments	18	**198,128**	80,318
Amounts due from related parties	18	**443**	—
Restricted bank deposits	19	**24,864**	24,738
Cash and cash equivalents	19	**96,653**	147,140
		1,577,284	1,619,313
Total assets		**1,648,128**	1,682,716
EQUITY			
Share capital	20	**4,681**	9
Other reserves	21	**432,164**	332,631
Retained earnings	21	**39,131**	39,784
Total equity		**475,976**	372,424

CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	13	**43**	76
Bank borrowings	23	**23,346**	26,295
		23,389	26,371
Current liabilities			
Trade and other payables	22	**1,104,475**	1,248,869
Amount due to a related party	22	**—**	7
Contract liabilities	5	**11,019**	21,987
Bank borrowings	23	**33,008**	2,989
Current income tax liabilities		**—**	8,914
Lease liabilities	13	**261**	1,155
		1,148,763	1,283,921
Total liabilities		**1,172,152**	1,310,292
Total equity and liabilities		**1,648,128**	1,682,716

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 62 to 133 were approved by the board of directors on 27 March 2025 and were signed on its behalf.

Sang Xianfeng
Director

Xian Yurong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts expressed in RMB thousands unless otherwise stated)

		Attributable to owners of the Company			
	Note	**Share capital (Note 20)** RMB'000	**Other reserves (Note 21)** RMB'000	**Retained earnings (Note 21)** RMB'000	**Total equity** RMB'000
As at 1 January 2023		9	314,647	12,406	327,062
Total comprehensive income					
Profit for the year		—	—	31,814	31,814
Transactions with owners in their capacity as owners					
Appropriation to statutory reserves	21(a)	—	4,436	(4,436)	—
Capitalisation of amount due to shareholder	21(b)	—	13,548	—	13,548
As at 31 December 2023		9	332,631	39,784	372,424
As at 1 January 2024		9	332,631	39,784	372,424
Total comprehensive income					
Profit for the year		—	—	1,944	1,944
Transactions with owners in their capacity as owners					
Appropriation to statutory reserves	21(a)	—	2,597	(2,597)	—
Issue of shares upon placing of shares	20(c)	702	69,518	—	70,220
Issue of shares pursuant to a public offer	20(c)	468	46,345	—	46,813
Issue of shares by capitalisation of share premium account	20(b)	3,502	(3,502)	—	—
Expenses incurred in connection with issue of shares		—	(15,425)	—	(15,425)
As at 31 December 2024		4,681	432,164	39,131	475,976

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	25(a)	**(146,152)**	66,497
Income tax paid		**(6,704)**	(16,501)
Net cash (used in)/generated from operating activities		**(152,856)**	49,996
Cash flows from investing activities			
Interest received		**720**	912
Addition to financial asset at fair value through other comprehensive income		**(5,000)**	—
Repayment from related parties		**—**	47
Purchases of property, plant and equipment	12	**(8,410)**	(41,956)
Net cash used in investing activities		**(12,690)**	(40,997)
Cash flows from financing activities			
Interest paid	25(b)	**(2,984)**	(2,047)
Advances from related parties	25(b)	**—**	2,070
Repayment of related parties	25(b)	**(7)**	—
Proceeds from bank borrowings	25(b)	**30,026**	29,490
Repayment of bank borrowings	25(b)	**(2,949)**	(246)
Listing expenses paid (equity portion)		**(9,971)**	(1,898)
Payment of principal elements of lease liabilities	25(b)	**(645)**	(1,267)
Payment of interest portion of lease liabilities	25(b)	**(19)**	(90)
Proceeds from issuance of shares		**117,033**	—
Expenses incurred in connection with issue of shares		**(15,425)**	—
Net cash generated from financing activities		**115,059**	26,012
Net (decrease)/increase in cash and cash equivalents		**(50,487)**	35,011
Cash and cash equivalents at beginning of year	19	**147,140**	112,117
Exchange differences on cash and cash equivalents		**—**	12
Cash and cash equivalents at end of year	19	**96,653**	147,140

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

Zhongshen Jianye Holding Limited (the "**Company**") was incorporated in the Cayman Islands on 2 February 2021 as an exempted company with limited liability. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of construction services in the People's Republic of China (the "**PRC**").

Mr. Sang Xianfeng ("**Mr. Sang**") and Mr. Xian Yurong ("**Mr. Xian**") are the co-founders of the Group. Mr. Sang is the ultimate controlling shareholder of the Group. The controlling shareholder of the Company is Zhongshen Hengtai Capital Limited ("**Zhongshen Hengtai**"), a company incorporated in British Virgin Islands with limited liabilities.

The Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 January 2024.

The consolidated financial statements for the year ended 31 December 2024 are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 27 March 2025.

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below), Zhongshen Jianye Construction Group Co., Ltd. ("**Zhongshen Jianye**") was owned by Mr. Sang and Mr. Xian as to 80% and 20% respectively.

In preparation for the listing (the "**Listing**") of the Company's shares on the Stock Exchange, a group reorganisation (the "**Reorganisation**") was undertaken pursuant to which Zhongshen Jianye and its business were transferred to the Company. The Reorganisation mainly involved the following steps:

(a) **Incorporation of the Company**

On 2 February 2021, the Company was incorporated in the Cayman Islands with 1 subscriber share allotted, issued and then transferred to Zhongshen Hengtai, which is wholly owned by Mr. Sang. On the same date, 20 shares and 79 shares of the Company were allotted and issued to Zhongshen Chitai Capital Limited ("**Zhongshen Chitai**"), which is wholly owned by Mr. Xian, and Zhongshen Hengtai, respectively. The Company was then indirectly owned as to 80% by Mr. Sang and 20% by Mr. Xian.

(b) **Incorporation of intermediate holding companies by the Company**

On 22 February 2021, Zhongshen Xihe Enterprise Limited ("**Zhongshen Xihe**") was incorporated in the British Virgin Islands (the "**BVI**") with 100 shares allotted and issued to the Company. Since then, Zhongshen Xihe has become a direct wholly owned subsidiary of the Company.

On 2 March 2021, Zhongshen Ximing Capital Limited ("**Zhongshen Ximing**") was incorporated in Hong Kong with 100 shares allotted and issued to Zhongshen Xihe. Since then, Zhongshen Ximing has become an indirectly wholly owned subsidiary of the Company.

1 GENERAL INFORMATION AND REORGANISATION (Continued)

1.2 Reorganisation (Continued)

(b) Incorporation of intermediate holding companies by the Company (Continued)

On 2 December 2021, Shenzhen Zhongshen Mingye Information Consulting Co., Ltd. ("**Zhongshen Mingye**") was established in the PRC by Zhongshen Ximing. Since then, Zhongshen Mingye has become an indirectly wholly owned subsidiary of the Company.

On 3 December 2021, Zhongshen Jianye (Shenzhen) Construction Co., Ltd. ("**Zhongshen Jianye (Shenzhen)**") was incorporated in the PRC by Zhongshen Mingye. Since then, Zhongshen Jianye (Shenzhen) has become an indirectly wholly owned subsidiary of the Company.

(c) Transfer of the equity interests of Zhongshen Jianye to the Company

(i) Acquisition of 8% equity interest in Zhongshen Jianye by a new shareholder

Pursuant to a capital increase agreement dated 19 November 2021 entered into among Zhongshen Jianye, Lefu Capital Limited ("**Lefu Capital**"), Mr. Sang and Mr. Xian, a new shareholder, namely Xinyao Investment Limited ("**Xinyao Investment**") which is directly wholly owned by Ms. Hou Ling ("**Ms. Hou**"), subscribed 8% equity interest in Zhongshen Jianye through Lefu Capital which is directly wholly owned by Xinyao Investment, by contributing RMB32 million for an increase in the registered capital of Zhongshen Jianye. In December 2021, March 2022 and June 2022, Xinyao Investment, through Lefu Capital, injected cash amounting to RMB9,565,000, RMB12,515,000 and RMB9,920,000 to Zhongshen Jianye, respectively. As a result, Xinyao Investment owned 8% equity interest in Zhongshen Jianye through Lefu Capital and the remaining 92% equity interests in Zhongshen Jianye was owned by Mr. Sang and Mr. Xian as to 73.6% and 18.4%, respectively.

(ii) Transfer of 92% equity interests in Zhongshen Jianye to the Group

Pursuant to an equity transfer agreement dated 21 December 2021 entered into among Mr. Xian, Mr. Sang and Zhongshen Jianye (Shenzhen), Mr. Sang and Mr. Xian transferred their respective 73.6% and 18.4% equity interests in Zhongshen Jianye to Zhongshen Jianye (Shenzhen) in return for 0.8% and 0.2% equity interests in Zhongshen Jianye (Shenzhen), respectively, thereby Mr. Sang and Mr. Xian subscribed for the increased registered capital of Zhongshen Jianye (Shenzhen) in the aggregate amount of RMB10,100 and 0.8% and 0.2% of the equity interests of Zhongshen Jianye (Shenzhen), respectively. On 24 December 2021, the registered capital of Zhongshen Jianye (Shenzhen) was increased from RMB1,000,000 to RMB1,010,100 and Zhongshen Jianye (Shenzhen) was owned by Zhongshen Mingye as to 99%, Mr. Sang as to 0.8% and Mr. Xian as to 0.2%.

On 5 January 2022, Zhongshen Mingye acquired from Mr. Sang and Mr. Xian 0.8% and 0.2% equity interests in Zhongshen Jianye (Shenzhen) at cash considerations of RMB976,000 and RMB244,000, respectively. Since then, Zhongshen Jianye (Shenzhen) was an indirectly wholly owned subsidiary of the Company.

1 GENERAL INFORMATION AND REORGANISATION (Continued)

1.2 Reorganisation (Continued)

(c) Transfer of the equity interests of Zhongshen Jianye to the Company (Continued)

(iii) Acquisition of 100% equity interests in Lefu Capital by Zhongshen Xihe

On 29 June 2022, 29 June 2022 and 30 June 2022, the Company issued and allotted 7,280, 1,820 and 800 new shares at par to Zhongshen Hengtai, Zhongshen Chitai and Xinyao Investment, respectively. On 30 June 2022, Zhongshen Xihe acquired the entire 100% interests in Lefu Capital from Xinyao Investment in consideration for the allotment and issue of the above mentioned 800 shares by the Company.

Since then, the Company was ultimately owned by Mr. Sang, Mr. Xian and Ms. Hou as to 73.6%, 18.4% and 8%, respectively. Upon completion of the Reorganisation on 30 June 2022, the Company has become the holding company of the companies now comprising the Group.

(d) Capitalisation issue of shares to shareholders

(i) Subdivision of authorised and issued shares

Pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, ordinary share of the Company of HKD1.00 par value each was subdivided into 100 shares of HKD0.01 par value each. The authorised share capital of the Company of HKD380,000 was divided into 38,000,000 shares of HKD0.01 par value each, and the issued share capital of HKD10,000 was divided into 1,000,000 shares of HKD0.01 par value each.

(ii) Increase of authorised shares

In addition, pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, the total number of authorised shares of the Company was increased to 2,000,000,000 ordinary shares of par value HKD0.01 each by the creation of an additional 1,962,000,000 ordinary shares.

(iii) Capitalisation issue of shares

Pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, conditional on the listing, an aggregate of 385,100,000 ordinary shares of HKD0.01 par value each was allotted to the shareholders whose names appear on the register of members of the Company as at the date of these resolutions. The capitalisation issue was completed on 9 January 2024.

(e) Listing on the Stock Exchange

On 9 January 2024, the Company successfully listed its shares on the Stock Exchange and issued 128,700,000 shares by way of share offering at a price of HKD1.00 per offer share. Total gross proceeds from the share offering were HKD128.7 million.

2 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of this consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The material accounting policies set out below have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention except for the financial asset at fair value through other comprehensive income ("**FVOCI**") which has been measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs for the first time for the annual reporting year commencing 1 January 2024.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The adoption of these amended standards disclosed did not have any significant impact on the Group's consolidated financial statements.

(All amounts expressed in RMB thousands unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments not yet effective for the financial period beginning on 1 January 2024 and not early adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — Dependent electricity	1 January 2026
Annual Improvements to HKFRS Accounting Standards 2024	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18 and consequential amendments to other HKFRSs	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined

Except for the new and amendments to HKFRSs mentioned below, the directors anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements and consequential amendments to other HKFRSs

HKFRS 18 replaces HKAS 1 Presentation of Financial Statements ("**HKAS 1**"). It carries forward many requirements from HKAS 1 unchanged. HKFRS 18 brings major changes to the consolidated statement of comprehensive income and notes to the consolidated financial statements as follows:

(a) HKFRS 18 requires an entity:

(i) to classify income and expenses into operating, investing and financing categories in the consolidated statement of comprehensive income, plus income taxes and discontinued operations;

(ii) to present two new defined subtotals, namely, operating profit or loss and profit or loss before financing and income taxes.

(b) It requires an entity to disclose management-defined performance measures ("**MPM**") and reconciliations between MPM and subtotals listed in HKFRS 18 or totals or subtotals required by HKFRSs.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments not yet effective for the financial period beginning on 1 January 2024 and not early adopted by the Group (Continued)

HKFRS 18 Presentation and Disclosure in Financial Statements and consequential amendments to other HKFRSs (Continued)

(c) It sets out requirements to help an entity determine whether information about items should be in the primary financial statements or in the notes and provides principles for determining the level of detail needed for the information.

HKFRS 18 also set out classification requirements for foreign exchange differences, the gain or loss on the net monetary position, and gains and losses on derivatives and designated hedging instruments.

In addition, some paragraphs in HKAS 1 have been moved to HKAS 8 Basis of Preparation of Financial Statements and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18 and consequential amendments to other HKFRSs are effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the consolidated statement of comprehensive income and disclosures in the future consolidated financial statements. The Group is in the process of assessing the detailed impact on the consolidated financial statements.

2.2 Principles of consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.3 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from the investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements of the Group are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "**CODM**").

The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.6 Property, plant and equipment

Property, plant and equipment, other than assets under construction, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

When the Group makes payments for ownership interest of a property which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payment can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated balance sheet. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire property is classified as property, plant and equipment.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Land and building	20 years
Computers and office equipment	3 years
Furniture and fixtures	3–6 years
Motor vehicles	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises development expenditures incurred and other direct costs attributable to the development. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8)

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.7 Intangible assets

The Group's intangible assets include construction licences and software.

Acquired construction licences and software are initially recognised at cost. If the relevant assets were contributed by the controlling shareholders, the fair value of the assets at the day of contribution is deemed as the cost of the assets recognised by the Group. Intangible assets are stated at cost less accumulated amortisation and impairment losses after initial recognition.

Amortisation is calculated on a straight-line basis over their estimated useful lives follows:

Construction licences	10 years
Software	10 years

The estimated useful lives of the construction licences and the software of the Group have been determined based on the period during which such assets are expected to bring economic benefits to the Group, with reference to the useful lives of similar assets used by the industry peers and the relevant laws and regulations in the PRC.

2.8 Impairment of non-financial assets other than goodwill

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment loss recognised in respect of cash-generating unit is allocated to reduce the carrying amounts of the assets in the unit on a pro rata basis, except that the carrying value of an asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if determinable) and zero.

2.9 Investment and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Investment and other financial assets (Continued)

(a) Classification (Continued)

For assets measured at fair value, fair value gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value (except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from contracts with customers”) plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade and bills receivables, other receivables 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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) (if any), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income .

Expected credit loss (“**ECL**”) is remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Investment and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost. Except the trade receivables, the impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents and restricted bank deposits, the Group only transacts business with reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

Impairment losses on contract assets, as stated in note 2.11 below, and trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in a financial instrument's external credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or forecast changes in the technological, market, economic or legal environments that have a significant adverse effect on the debtor's ability to meet its obligation to the Group;
- an actual or expected internal credit rating downgrade for the borrower;
- significant increases in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- significant adverse changes in the expected performance and behaviour of the borrower.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Investment and other financial assets (Continued)

(d) Impairment (Continued)

Significant increase in credit risk (Continued)

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; 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).

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.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.9 Investment and other financial assets (Continued)

(d) Impairment (Continued)

Credit-impaired financial assets

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor 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, whichever occurs sooner. 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.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.9(d) and Note 3.1(b)(ii) for further information about the Group's impairment policies for trade receivables.

Bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

For non-recourse factoring arrangements entered into by the Group pursuant to which the Group has transferred substantially all the risks and rewards of ownership of receivables to financial institutions, the Group de-recognises the receivables in their entirety.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.11 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations related to the same contract gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract asset if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liability if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group assesses on a forward looking basis the ECL associated with its contract assets. The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of contract assets.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration or an amount of consideration is due from the customer.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with financial institutions. Bank deposits which are restricted to use are included in "restricted bank deposits" in the consolidated balance sheet. Restricted bank deposits are excluded from cash and cash equivalents.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.15 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees, which include short-term employee benefits and post-employment benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences and etc. The short-term employee benefits actually occurred are recognised as a liability in the period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(b) Post-employment benefits

The Group operates post-employment schemes via defined contribution pension plans. For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.16 Provisions

Provisions for legal claims, warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.17 Revenue recognition

Revenues are recognised when or as the control of goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of goods or services may transfer over time or at a point in time. Control of goods or services is transferred over time if the Group's performance:

- provides the benefits received and consumed simultaneously by the customer; or
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of goods or services.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation that best depict the Group's performance in satisfying the performance obligation.

Revenue is measured at the transaction price agreed under the contract. Revenue is shown, net of discounts and after eliminating sales within the Group. The Group considers the effects of variable consideration, constraining estimates of variable consideration and the existence of a significant financing component in the contract to determine the transaction price.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.17 Revenue recognition (Continued)

Revenue from construction services

For construction services contracts, 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 progress towards complete satisfaction of that performance obligation which is measured using input method on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Such method best depicts the Group's performance in satisfying the performance obligation because there is a direct relationship between the Group's effort and the transfer of construction services to the customer.

The Group's construction activities under construction contracts with customers for office premises and residential buildings create or enhance real estate assets controlled by the customers.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time during the construction process using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires customers to provide upfront deposits. When the Group receives a deposit before construction commences, this will give rise to contract liability at the commencement of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Retention receivables, prior to expiration of defect liability period, are classified as contract asset, which ranges from one to two years from the date of the practical completion of the construction. The relevant amount of contract asset is reclassified to trade receivable when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

The likelihood of the Group suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group applies the most likely amount approach to estimate such variable consideration by considering the single most likely amount in a limited range of possible consideration amounts, taking into account the Group's current progress and future performance expectations compared to the agreed completion timeline.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.17 Revenue recognition (Continued)

Contract modification

Contract modification arising from change in the scope or price or both of a construction contract (e.g. variation orders) is accounted for as a separate contract if the scope of the contract increases because of the addition of construction services that are distinct; and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional construction services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

For contract modification that is not accounted for as a separate contract, the Group accounts for the construction services not yet transferred at the date of the contract modification as follows:

(a) if the remaining construction services are distinct from the services transferred on or before the date of the contract modification, the contract modification is accounted for as if it were a termination of the existing contract and the creation of a new contract. The amount of consideration to be allocated to the remaining performance obligations (or to the remaining distinct services in a single performance obligation) is the sum of (i) the consideration promised by the customer (including amounts already received from the customer) that was included in the estimate of the transaction price and that had not been recognised as revenue; and (ii) the consideration promised as part of the contract modification.

(b) if the remaining construction services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification, the contract modification is accounted for as if it were a part of the existing contract. The effect that the contract modification has on the transaction price, and on the Group's 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).

(c) If the remaining construction services are a combination of items (a) and (b), the Group accounts for the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified contract in a manner that is consistent with the above objectives.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.20 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and do not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and do not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2.21 Fair value measurement

The Group measures its financial asset at FVOCI at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements and measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Liquidity risk

Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents or where appropriate adjust financing arrangements to meet the Group's liquidity requirements. The Group's liquidity risk management also takes into account all available information on business environment, including, among others, the macro-economic environment affecting the economies of the region in which the Group and its customers and suppliers operate.

Contract assets consist of unbilled revenue and retention monies receivables and account for 64% of the Group's current assets at 31 December 2024 (2023: 75%). In line with industry practice, the Group is only entitled to bill and receive payments from the customers when milestone for payments as set out in the construction services contract is reached. Cash flow mismatch may arise during the construction period when the payments by the Group for construction costs exceed the amount the Group collects from the customers.

Furthermore, a large number of the Group's customers are Government-related entities which may require complex internal settlement procedures and generally take more time to settle their trade payables, and therefore, there may exist a cash flow mismatch when the Group makes payments to its vendors before the Group can collect from these customers. The collection cycle from these Government-related customers is generally longer.

Meanwhile, since the second half of 2021, the domestic real estate industry has experienced drastic challenges, leading to a significant deterioration of the liquidity of non-state-owned property developers. It is uncertain if and when the difficult business environment confronting the real estate industry could subside. Amid the severe challenges faced by the industry, the Group actively maintains its relationship with customers from the real-estate industry in order to minimise the impact on the Group's liquidity and financial performance. The Group also seeks to reduce the level of contract assets and trade receivables with non-state-owned property developers to abate operational risks, while maintaining business volume. The total balance of contract assets and trade receivables with the non-state-owned real estate developers was RMB142 million as at 31 December 2024 (2023: RMB160 million).

The directors of the Company have given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient resources to continue as a going concern. For this purpose, the directors have prepared a cash flow forecast covering a period of 12 months from 31 December 2024 taken into account of the anticipated cash flows to be generated from the Group's operations. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2024. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Liquidity risk (Continued)

The preparation of the cash flow forecast is based on the directors' estimation of future transactions and cash flows and other assumptions about the future. Actual cash flows may be different from those estimated since anticipated events may not occur as expected and unforeseen events may arise, and their impact on the cash flow forecasts may be material.

The table below sets out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Over 2 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
As at 31 December 2024					
Trade and other payables (excluding other taxes payables) (Note 22)	**1,097,410**	**–**	**–**	**1,097,410**	**1,097,410**
Bank borrowings (Note 23)	**34,465**	**3,819**	**23,222**	**61,506**	**56,354**
Lease liabilities (Note 13)	**255**	**58**	**–**	**313**	**304**
	1,132,130	**3,877**	**23,222**	**1,159,229**	**1,154,068**
As at 31 December 2023					
Trade and other payables (excluding other taxes payables and provisions) (Note 22)	1,216,535	–	–	1,216,535	1,216,535
Bank borrowings (Note 23)	4,225	4,087	27,609	35,921	29,284
Amount due to a related party (Note 27)	7	–	–	7	7
Lease liabilities (Note 13)	1,239	75	12	1,326	1,231
	1,222,006	4,162	27,621	1,253,789	1,247,057

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its trade, bills and other receivables, amounts due from related parties, contract assets, cash and cash equivalents and restricted bank deposits. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets and contract assets.

(i) Credit risk of cash and cash equivalents, restricted bank deposits and bills receivables

To manage the risk arising from cash and cash equivalents, restricted bank deposits and bills receivables, the Group only transacts business with and accepts bills issued by reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. The Group assessed that the expected credit losses rate for cash and cash equivalents, restricted bank deposits and bills receivables from the banks are immaterial, and thus the loss allowance for these assets is immaterial.

(ii) Credit risk of trade receivables and contract assets

For trade receivables, the Group has monitoring procedures in place to ensure that follow-up action is taken to recover overdue amounts. In addition, the Group reviews the recoverability of these trade receivables and contract assets at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to provide for expected credit loss prescribed by the accounting standards, which require the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the expected credit loss, trade receivables and contract assets have been grouped into four categories based on similar credit risk characteristics as follows:

- Group 1: governmental departments and institutional bodies established under regulations set by the PRC government with funding from the PRC government

- Group 2: Chinese central state-owned enterprises, which are established under the Law of the People's Republic of China on State-owned Assets in Enterprises, as well as under the arrangements made by the State-owned Assets Supervision and Administration Commission of the State Council

- Group 3: non-state-owned real estate developers

- Group 4: other enterprises engaging in various industries

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables and contract assets (Continued)

Expected credit loss of certain individually significant customers with higher credit risk characteristics is analysed and determined separately from the above grouping.

The expected loss rates are determined based on the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institutions, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle.

The Group has primarily identified the consumer price index and broad money supply under M2 in the Chinese mainland to be the relevant macroeconomic factors for the purpose of assessing forward looking information, and accordingly adjusts the loss rates based on expected changes in these factors.

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2024 and 2023 were determined based on provision matrix as follows:

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Net carrying amount RMB'000
As at 31 December 2024				
Collective basis				
Group 1				
• Contract assets	0.05%	383,460	209	383,251
• Trade receivables				
— Within 1 year	0.03%	38,151	16	38,135
— Between 1 year and 2 years	3.47%	10,323	357	9,966
— Over 2 years	14.89%	1,620	241	1,379
Group 2				
• Contract assets	0.08%	116,354	97	116,257
• Trade receivables				
— Within 1 year	0.67%	88,948	594	88,354
— Between 1 year and 2 years	3.64%	15,355	559	14,796
— Over 2 years	8.74%	24,146	2,109	22,037

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables and contract assets (Continued)

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2024 and 2023 were determined based on provision matrix as follows: (Continued)

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Net carrying amount RMB'000
Group 3				
• Contract assets	3.41%	101,129	3,444	97,685
• Trade receivables				
– Within 1 year	0.04%	6,541	2	6,539
– Between 1 year and 2 years	3.35%	1,437	48	1,389
Group 4				
• Contract assets	3.41%	403,663	13,747	389,916
• Trade receivables				
– Within 1 year	1.49%	43,692	651	43,041
– Between 1 year and 2 years	14.39%	16,064	2,311	13,753
– Over 2 years	69.38%	3,170	2,200	970
Individual basis				
Customer 1 (Note (a))				
• Contract assets	9.77%	32,770	3,201	29,569
• Trade receivables				
– Over 2 years	25.8%	1	–*	1
Customer 2 (Note (b))				
• Contract assets	100%	2,038	2,038	–
Others-individually insignificant				
• Contract assets	100%	165	165	–
• Trade receivables	100%	160	160	–

* Below RMB1,000.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables and contract assets (Continued)

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2024 and 2023 were determined based on provision matrix as follows: (Continued)

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Net carrying amount RMB'000
As at 31 December 2023				
Collective basis				
Group 1				
• Contract assets	0.08%	264,651	209	264,442
• Trade receivables				
— Within 1 year	0.16%	18,089	29	18,060
— Between 1 year and 2 years	0.91%	2	—*	2
— Over 2 years	4.89%	1,084	53	1,031
Group 2				
• Contract assets	0.03%	267,134	86	267,048
• Trade receivables				
— Within 1 year	0.07%	55,321	38	55,283
— Between 1 year and 2 years	1.17%	20,921	245	20,676
— Over 2 years	0.76%	3,667	28	3,639
Group 3				
• Contract assets	1.86%	99,298	1,849	97,449
• Trade receivables				
— Within 1 year	1.86%	5,258	98	5,160
Group 4				
• Contract assets	2.51%	559,947	14,045	545,902
• Trade receivables				
— Within 1 year	3.30%	23,218	767	22,451
— Between 1 year and 2 years	22.48%	3,656	822	2,834
— Over 2 years	100.00%	100	100	—

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables and contract assets (Continued)

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2024 and 2023 were determined based on provision matrix as follows: (Continued)

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Net carrying amount RMB'000
Individual basis				
Customer 1 (Note (a))				
• Contract assets	24.97%	46,173	11,529	34,644
• Trade receivables				
— Within 1 year	12.00%	9,242	1,109	8,133
— Between 1 year and 2 years	12.00%	1	—*	1
Customer 2 (Note (b))				
• Contract assets	100.00%	2,038	2,038	—
Others-individually insignificant				
• Contract assets	100.00%	165	165	—
• Trade receivables	100.00%	160	160	—

* Below RMB1,000.

(a) Customer 1 is one of the largest PRC residential property developers listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group entered into three construction contracts at a total contract price of RMB738,659,000 with the subsidiaries of Customer 1 in 2019 and 2020. The principal construction works for two of the three contracts have been completed in 2022 and are under final settlement audit with the customer, and the remaining project is expected to be completed in 2025. As at 31 December 2024, the total gross balance of trade receivables and contract assets from Customer 1 was RMB32,771,000 (2023: RMB55,416,000) against which an impairment provision of RMB3,201,000 was made (2023: RMB12,638,000).

The many factors challenging the liquidity of PRC property developers have intensified significantly since 2021. In particular, the large-scale property developers used to having easier and cheaper access to capital in the form of equity or borrowing have been facing stronger headwind relative to those smaller-scale developers during this liquidity crisis. Accordingly, the directors of the Company have decided to evaluate, and monitor, the credit risk of Customer 1 separately from other Group 3 customers starting from the year ended 31 December 2022. After careful consideration, the weighted average expected credit loss rate of Customer 1 as at 31 December 2024 was determined to be 9.77% (2023: 22.82%).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Credit risk of trade receivables and contract assets (Continued)

(b) Customer 2 is an enterprise set up by a city government in Shenzhen. In 2019, the Group entered into a contract with Customer 2 for a municipal and public construction project at a contract price of RMB19,183,000, of which RMB17,384,000 has been recognised by the Group as revenue and RMB15,346,000 has been collected by 31 December 2023. In 2022, the Group took legal action against the customer for failing to pay the remaining unsettled balance, and the customer counter-sued the Group claiming it has overpaid the Group by RMB1,479,000. As at the date of this report, the legal proceedings are on-going. A full impairment provision of RMB2,038,000 was made against the contract assets of this customer as at 31 December 2024 (2023: RMB2,038,000).

Movements on the Group's credit loss allowance for contract assets are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**29,921**	26,875
Credit loss allowance (reversed)/recognised, net	**(7,020)**	3,046
At the end of the year	**22,901**	29,921

Movements on the Group's credit loss allowance for trade receivables are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**3,449**	5,974
Credit loss allowance recognised/(reversed), net	**5,799**	(2,525)
At the end of the year	**9,248**	3,449

(iii) Credit risk of other receivables

For other receivables, the impairment loss is measured based on 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group monitors the exposures and manages the other receivables based on historical settlement records and past experience. When there is a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2024 and 2023, other receivables mainly comprise tender deposits, guarantee deposits, bank deposits restricted for use under court orders and amounts due from related parties and other third parties.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Credit risk of other receivables (Continued)

Movements on the Group's credit loss allowance for other receivables are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**2,051**	2,426
Credit loss allowance reversed, net	**–**	(375)
At the end of the year	**2,051**	2,051

A full impairment provision of RMB2,000,000 was made as at 31 December 2024 and 2023 against the tender deposit provided by the Group to a tenderee, which failed to refund the deposit when the Group decided not to proceed with the tender. The Group has taken legal action against the tenderee to recover the deposit, and a full provision was made after considering the financial capability of the tenderee.

(c) Market risk

(i) Foreign exchange risk

The Group mainly operates in the Chinese mainland and the functional currency of the majority of the entities within the Group is RMB. The transfer of funds to and from the Chinese Mainland is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

Most of the Group's transactions, assets and liabilities were denominated in RMB and therefore are not subject to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The fair value interest rate risk relates primarily to the Group's financial assets at amortised cost. The cash flow interest rate risks of the Group related primarily to floating-rate bank borrowing. The cash flow and fair value interest rate risk on bank deposits and fixed rate borrowings is insignificant as the fixed rate deposits and fixed rate borrowings were short-term. Other financial assets and liabilities do not have material interest rate risk.

The management of the Group considers that the foreign exchange risk and interest rate risk are immaterial and sensitivity analysis is not presented.

(iii) Equity price risk

Equity price risk is the risk that the fair values of equities change as a result of changes in the price of individual securities. The Group is exposed to equity price risk arising from financial asset at FVOCI. Financial asset at FVOCI was held for strategic rather than trading purposes. The Group does not actively trade this investment.

Management considers that the effect of equity price change does not have significant impact on the Group and no sensitivity analysis is prepared.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, raise new capital or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings divided by total equity. The gearing ratios as at 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Total borrowings (Note 23)	**56,354**	29,284
Total equity	**475,976**	372,424
Gearing ratio	**11.8%**	7.9%

The increase in gearing ratio is due to the increase in total bank borrowings during the year.

3.3 Fair value and fair value hierarchy of financial instruments

Fair value hierarchy

The fair value of the Group's financial asset at FVOCI is categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair Value Measurement and note 2.21.

The Group's finance manager is responsible for the fair value measurements of financial assets at FVOCI for financial reporting purposes, including level 3 fair value measurements. The finance manager reports directly to the directors for these fair value measurements. Discussions of valuation processes and results are held between the finance manager and the directors at least twice a year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value and fair value hierarchy of financial instruments (Continued)

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2)** RMB'000	**Significant unobservable inputs (Level 3)** RMB'000	**Total** RMB'000
At 31 December 2024:				
Financial asset at FVOCI	—	—	5,000	5,000

The Group did not have any financial liabilities measured at fair value at 31 December 2024 and 2023.

During the year ended 31 December 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2023: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Information about Level 3 fair value measurement

The Group determined the fair value of the unlisted equity investment (classified as financial asset at FVOCI) at 31 December 2024 by reference to the recent transaction price.

The following table presents the changes in level 3 financial asset:

	Financial asset at FVOCI RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	—
Addition	5,000
At 31 December 2024	5,000

The carrying amounts of the other Group's financial assets and financial liabilities carried at amortised cost approximated their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Revenue recognised for provision of construction services

For construction services contracts, 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 progress towards complete satisfaction of that performance obligation which is measured on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each construction contract. Total estimated costs are prepared by the management on the basis of contract concluded with and/or quotations provided by the major sub-contractors, suppliers or vendors involved and the experience of the management. The profitability of each project is dependent on the estimation of the total outcome of the contract, as well as the work done up to date. The Group's management reviews and revises the contract revenue and budgeted cost as the construction service progresses. Significant judgement is required in estimating the budgeted cost which may have an impact in terms of progress towards complete satisfaction of the performance obligations and recognition of revenue. Actual outcomes of total contract costs may be higher or lower than estimated at the end of the reporting period, which would affect the revenue to be recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of trade and other receivables and contract assets

The Group makes allowances on trade and other receivables and contract assets based on assumptions about risk of default and expected credit loss rates. The Group uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and contract assets and impairment charge in the periods in which such estimate has been changed. For details of the key assumptions and inputs used in the impairment assessment, see Note 3.1(b).

5 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries now comprising the Group principally engage in the provision of construction services.

The CODM has been identified as the executive directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one operating segment being the provision of construction services.

Information relating to segment assets and liabilities is not disclosed as the Group monitors its assets and liabilities in one operating segment.

(a) Revenue

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from provision of construction services	**750,556**	1,530,919

All of the Group's revenue is recognised over time.

(b) Revenue from major customers

No customer contributes over 10% of the total revenue of the Group during the year ended 31 December 2024.

There was one customer who contributed 10% or more of the Group's total revenue for the year ended 31 December 2023. Revenue from this customer amounted to RMB197,907,000 for the year ended 31 December 2023.

(c) Segment revenue by customers' geographical location

All revenue was derived from external customers in Chinese Mainland during the years ended 31 December 2024 and 2023.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(d) Details of contract liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract liabilities	**11,019**	21,987

(i) Contract liabilities of the Group mainly arose from advance payments made by customers while the underlying services are yet to be provided.

(ii) The decrease in contract liabilities at 31 December 2024 was mainly due to the decrease in advances received from customers in relation to the provision of construction project at the end of the reporting period.

(iii) During the year ended 31 December 2024, brought-forward contract liabilities of approximately RMB19,635,000 at the beginning of the year were recognised as revenue (2023: RMB20,525,000).

(iv) As at 1 January 2023, contract liabilities amounted to RMB21,917,000.

(e) Unsatisfied contracts related to construction services:

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**219,012**	773,782
After one year	**1,112,661**	1,081,013
	1,331,673	1,854,795

(f) Non-current assets by geographical location

As at 31 December 2024 and 2023, all of the Group's non-current assets were located in the PRC.

6 EXPENSES BY NATURE

Expenses included in cost of revenue and administrative expenses are analysed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	**349,231**	638,525
Employee benefit expenses and labour subcontracting costs (Note 7)	**239,410**	513,690
Specialised construction subcontracting costs	**78,969**	176,392
Equipment and machinery usage costs	**54,663**	120,059
Design and testing service costs	**4,549**	4,350
Depreciation and amortisation expenses	**5,108**	3,535
— Depreciation of property, plant and equipment (Note 12)	**2,428**	167
— Depreciation of right-of-use assets (Note 13)	**585**	1,273
— Amortisation of intangible assets (Note 14)	**2,095**	2,095
Listing expenses	**1,563**	10,099
Bank charges	**683**	1,456
Insurance expenses	**980**	1,503
Taxes, surcharge and levies	**2,767**	3,098
Professional fees	**3,910**	787
Travelling and entertainment expenses	**2,211**	908
Auditors' remuneration	**1,305**	2,250
Other expenses	**3,896**	6,331
	749,245	1,482,983

7 EMPLOYEE BENEFIT EXPENSES AND LABOUR SUBCONTRACTING COSTS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Employee benefit expenses (including directors' remuneration)		
Wages, salaries and bonuses	**19,562**	16,446
Pension costs — defined contribution plans (a)	**2,168**	2,260
Other employee benefits	**2,592**	1,775
	24,322	20,481
Labour subcontracting costs (b)	**215,088**	493,209
	239,410	513,690

(a) Pension costs — defined contribution plans

The employees of the Group's subsidiaries established in the PRC participate in defined contribution retirement benefit plans organised by the relevant provincial governments under which the Group is required to make monthly contributions to these plans at certain percentages of the employees' monthly salaries and wages, and has no obligations for the actual payment of pensions or post-retirement benefits beyond the contribution.

(b) Labour subcontracting costs arose from the Group's arrangements with labour subcontractors to gain access to construction workers without operational complexity for the Group's construction projects.

(c) Five highest paid individuals

For the years ended 31 December 2024, the five individuals whose emoluments were the highest in the Group include two (2023: two) directors, whose emoluments are reflected in the analysis presented in Note 7(d). Emoluments to the remaining individuals during the years ended 31 December 2024 and 2023 were as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	**755**	771
Pension costs — defined contribution plans	**62**	93
Other employee benefits	**—**	61
	817	925

7 EMPLOYEE BENEFIT EXPENSES AND LABOUR SUBCONTRACTING COSTS (Continued)

(c) Five highest paid individuals (Continued)

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 December	
	2024	2023
Emolument band		
Nil — HKD1,000,000	**3**	3

(d) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2024:

Name of director	**Fee RMB'000**	**Wages, salaries and bonuses RMB'000**	**Pension costs — defined contribution plans RMB'000**	**Other social security costs, housing benefits and other employee benefits RMB'000**	**Total RMB'000**
Chairman					
Mr. Sang	**—**	**362**	**24**	**—**	**386**
Executive director and CEO					
Mr. Xian	**—**	**360**	**25**	**—**	**385**
Independent non-executive directors					
Ms. Liu Zhihong	**107**	**—**	**—**	**—**	**107**
Mr. Zeng Qingli	**107**	**—**	**—**	**—**	**107**
Mr. Xie Huagang	**107**	**—**	**—**	**—**	**107**
Total	**321**	**722**	**49**	**—**	**1,092**

7 EMPLOYEE BENEFIT EXPENSES AND LABOUR SUBCONTRACTING COSTS (Continued)

(d) Directors' emoluments (Continued)

For the year ended 31 December 2023:

Name of director	Fee RMB'000	Wages, salaries and bonuses RMB'000	Pension costs — defined contribution plans RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
Chairman					
Mr. Sang	—	359	27	13	399
Executive director and CEO					
Mr. Xian	—	360	40	34	434
Total	—	719	67	47	833

The emoluments to the Chairman and executive director were for their services in connection with the management of the affairs of the Company and the Group. The emoluments to the independent non-executive directors were for their services to the Company.

(i) Ms. Liu Zhihong, Mr. Zeng Qingli and Mr. Xie Huagang were appointed as the Company's independent non-executive directors on 19 December 2023, and their service periods started from 9 January 2024 according to the relevant service agreements. During the year ended 31 December 2023, the independent non-executive directors did not receive directors' remuneration.

(e) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the years ended 31 December 2024 and 2023.

No payment was made to the directors as compensation for early termination of appointment during the years ended 31 December 2024 and 2023.

(f) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services at the end of each reporting period or at any time during the years ended 31 December 2024 and 2023.

7 EMPLOYEE BENEFIT EXPENSES AND LABOUR SUBCONTRACTING COSTS (Continued)

(g) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities

Save as disclosed in Note 27, there were no loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities at the end of each reporting period or at any time during the years ended 31 December 2024 and 2023.

(h) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 27, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the years ended 31 December 2024 and 2023.

8 FINANCE COSTS — NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income		
— Interest income from bank deposits	**720**	912
Finance costs		
— Interest expense on factoring	**(1,469)**	(1,918)
— Interest expense on borrowings	**(1,508)**	(169)
— Interest expense on lease liabilities (Note 13(b))	**(19)**	(90)
	(2,996)	(2,177)
Finance costs — net	**(2,276)**	(1,265)

9 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax expense	**727**	14,589
Overprovision in prior years	**(2,937)**	—
	(2,210)	14,589
Deferred income tax expense (Note 24)	**305**	133
Income tax (credit)/expense	**(1,905)**	14,722

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

(a) Cayman Islands and BVI Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, members of the Group incorporated in the Cayman Islands and the BVI are not subject to any income tax.

(b) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2024 and 2023.

(c) PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of its operations in Mainland China was calculated at the rate of 25% on the assessable profits for the year presented, based on the existing legislation, interpretations and practices in respect thereof.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	**39**	46,536
Tax calculated at applicable corporate income tax rate	**476**	12,720
Tax effects of:		
— Tax losses for which no deferred income tax asset was recognised	**1,251**	520
— Expenses not deductible for tax purposes	**1,142**	1,482
— Income not taxable for tax purposes	**(2,142)**	—
— Deductible temporary difference not recognised	**305**	—
— Overprovision in prior years	**(2,937)**	—
Income tax (credit)/expense	**(1,905)**	14,722

9 INCOME TAX (CREDIT)/EXPENSE (Continued)

(c) PRC Corporate Income Tax ("CIT") (Continued)

The Group only recognises deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilise those tax losses. The Group did not recognise deferred income tax assets for subsidiaries in Mainland China of RMB1,518,000 (2023: RMB747,000) in respect of losses amounting to RMB6,071,000 (2023: RMB2,988,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

(d) PRC withholding income tax

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the subsidiaries in Mainland China are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between Mainland China and Hong Kong.

At 31 December 2024, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to RMB23,015,000 (2023: RMB66,260,000). Deferred tax liabilities of RMB1,151,000 (2023: RMB3,313,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group does not have a plan to distribute these earnings out of Mainland China in the foreseeable future.

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

In the calculation of weighted average number of ordinary shares outstanding during the year ended 31 December 2023, the 385,100,000 shares capitalised on 9 January 2024 (Note 1.2(d)) had been adjusted retrospectively as if those shares had been issued since 1 January 2023.

	Year ended 31 December	
	2024	2023
Profit attributable to owners of the Company (RMB'000)	**1,944**	31,814
Weighted average number of ordinary shares in issue	**511,986,885**	386,100,000
Basic earnings per share (expressed in RMB cents per share)	**0.38**	8.24

(b) Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential shares outstanding as at 31 December 2024 and 2023.

11 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2024 (2023: nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Land and building RMB'000	Computers and office equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Assets under construction (i) RMB'000	Total RMB'000
As at 1 January 2023						
Cost	—	92	253	494	—	839
Accumulated depreciation	—	(59)	(102)	(26)	—	(187)
Net book amount	—	33	151	468	—	652
Year ended 31 December 2023						
Opening net book amount	—	33	151	468	—	652
Additions	—	52	23	496	41,385	41,956
Depreciation (Note 6)	—	(20)	(59)	(88)	—	(167)
Closing net book amount	—	65	115	876	41,385	42,441
As at 31 December 2023						
Cost	—	144	276	990	41,385	42,795
Accumulated depreciation	—	(79)	(161)	(114)	—	(354)
Net book amount	—	65	115	876	41,385	42,441
Year ended 31 December 2024						
Opening net book amount	**—**	**65**	**115**	**876**	**41,385**	**42,441**
Additions	**—**	**235**	**1,573**	**1,316**	**5,286**	**8,410**
Transfer	**46,671**	**—**	**—**	**—**	**(46,671)**	**—**
Depreciation (Note 6)	**(2,009)**	**(104)**	**(158)**	**(157)**	**—**	**(2,428)**
Closing net book amount	**44,662**	**196**	**1,530**	**2,035**	**—**	**48,423**
As at 31 December 2024						
Cost	**46,671**	**379**	**1,849**	**2,306**	**—**	**51,205**
Accumulated depreciation	**(2,009)**	**(183)**	**(319)**	**(271)**	**—**	**(2,782)**
Net book amount	**44,662**	**196**	**1,530**	**2,035**	**—**	**48,423**

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

In November 2023, the Group acquired a commercial property in Guangming District in Shenzhen for office purpose, and the property was under renovation which was not ready for use as at 31 December 2023.

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Administrative expenses	**2,428**	167

At 31 December 2024, the Group's land and building with a net carrying amount of RMB44,662,000 (2023: assets under construction with a net carrying amount of RMB41,385,000) were pledged to secure certain interest-bearing bank borrowings (note 23).

13 LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets		
Offices	**337**	1,173
Lease liabilities		
Current	**261**	1,155
Non-current	**43**	76
	304	1,231

Additions to the right-of-use assets during the year ended 31 December 2024 were RMB371,000 (2023: RMB140,000).

During the year ended 31 December 2024, the Group has early terminated certain lease of buildings with carrying amount of RMB622,000 (2023: RMB31,000). Such termination resulted into decognition of right-of-use assets of RMB622,000 (2023: RMB31,000) and the lease liabilities of RMB653,000 (2023: RMB39,000), resulting a gain on early termination of leases recognised in "other income, (losses)/gains — net" of RMB31,000 (2023: RMB8,000).

13 LEASE (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Offices	**585**	1,273
Interest expense (included in finance costs)	**19**	90
Expense relating to short-term leases (included in cost of revenue)	**54,663**	120,569

The total cash outflow for leases during the years ended 31 December 2024 was RMB55,327,000 (2023: RMB121,926,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, equipment and machineries. Rental contracts for equipment and machinery are typically made for a lease period of less than one year or without a fixed lease period. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security purposes.

The Group regularly entered into short-term leases for equipment and machinery. At 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed above.

14 INTANGIBLE ASSETS

	Construction licences RMB'000	**Software** RMB'000	**Total** RMB'000
As at 1 January 2023			
Cost	20,000	944	20,944
Accumulated amortisation	(9,500)	(198)	(9,698)
Net book amount	10,500	746	11,246
Year ended 31 December 2023			
Opening net book amount	10,500	746	11,246
Amortisation charge (Note 6)	(2,000)	(95)	(2,095)
Closing net book amount	8,500	651	9,151
As at 31 December 2023			
Cost	20,000	944	20,944
Accumulated amortisation	(11,500)	(293)	(11,793)
Net book amount	8,500	651	9,151
Year ended 31 December 2024			
Opening net book amount	**8,500**	**651**	**9,151**
Amortisation charge (Note 6)	**(2,000)**	**(95)**	**(2,095)**
Closing net book amount	**6,500**	**556**	**7,056**
As at 31 December 2024			
Cost	**20,000**	**944**	**20,944**
Accumulated amortisation	**(13,500)**	**(388)**	**(13,888)**
Net book amount	**6,500**	**556**	**7,056**

(a) Amortisation has been charged to administrative expenses in the consolidated statement of comprehensive income.

15. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current:		
Unlisted equity security in the PRC	**5,000**	—

The unlisted equity investment is equity interest in a company incorporated in PRC and engaged in solar photovoltaic business. The Group designated its investment at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the year.

At 31 December 2024, the directors considered that the carrying amount of the investment was approximately RMB5,000,000 which was determined with reference to the recent transaction price. No fair value gain or loss to other comprehensive income was recognised during the year ended 31 December 2024.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets at amortised cost		
Trade receivables (Note 17)	**240,360**	137,270
Bills receivables (Note 17)	**—**	20,000
Other receivables (Note 18)	**7,259**	7,250
Amounts due from related parties (Note 27)	**443**	—
Restricted bank deposits (Note 19)	**24,864**	24,738
Cash and cash equivalents (Note 19)	**96,653**	147,140
	369,579	336,398
Financial liabilities at amortised cost		
Trade payables (Note 22)	**1,086,289**	1,203,236
Other payables (excluding other taxes payables and provisions) (Note 22)	**11,121**	13,299
Amount due to a related party (Note 27)	**—**	7
Bank borrowings (Note 23)	**56,354**	29,284
Lease liabilities (Note 13)	**304**	1,231
	1,154,068	1,247,057

17 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES

(a) Contract assets

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Unbilled revenue (i)	**949,284**	1,097,905
Retention monies (ii)	**90,295**	141,501
	1,039,579	1,239,406
Less: provision for impairment of contract assets	**(22,901)**	(29,921)
	1,016,678	1,209,485

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date on construction. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain milestones are reached. The Group typically achieves specified milestones and thus has the right to bill the customers when the progress certificate, settlement letter or payment notice is obtained.

As at 1 January 2023, contract assets amounted to RMB1,019,851.

Decrease (2023: increase) in contract assets was a result of the decrease of non-completed contracts (2023: increase in provision of construction services).

(i) Unbilled revenue is initially recognised for revenue earned from the provision of construction services as the billing of consideration is conditional on the acceptance by the customer. As the progress of construction is accepted by the customer, the amounts recognised as unbilled revenue can be billed and are reclassified to trade receivables.

(ii) Retention monies are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated balance sheet, retention monies were classified as current assets based on its normal operating cycle.

17 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES (Continued)

(b) Trade and bills receivables

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables (i)	**249,608**	140,719
Less: allowance for impairment of trade receivables	**(9,248)**	(3,449)
Trade receivables — net	**240,360**	137,270
Bills receivables (ii)	**—**	20,000
	240,360	157,270

(i) The Group normally allows credit terms to its customers within one month. Ageing analysis of trade receivables, based on invoice date, was as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**177,332**	111,128
1 year to 2 years	**43,179**	24,580
Over 2 years	**29,097**	5,011
	249,608	140,719

(ii) Bills receivables mature within one year.

(iii) The Group's trade and bills receivables were denominated in RMB.

(iv) The Group does not hold any collateral as security.

(v) The Group entered into non-recourse factoring arrangements with financial institutions pursuant to which the Group has transferred substantially all the risks and rewards of ownership of certain receivables to the financial institutions without the Group having continuing involvement. During the year ended 31 December 2024, trade receivables of RMB76,711,000 were derecognised from the consolidated balance sheet under such non-recourse factoring arrangements (2023: RMB60,809,000).

18 DEPOSITS, OTHER RECEIVABLES, PREPAYMENTS AND AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments to suppliers	**190,869**	66,102
Prepayments for listing expenses	**—**	7,271
Deposits (a)	**3,967**	6,519
Amounts due from other third parties (b)	**5,343**	742
Bank deposits restricted for use under court orders (c)	**—**	2,040
Less: allowance for impairment of other receivables (Note 3.1(b)(iii))	**(2,051)**	(2,051)
	198,128	80,623
Amounts due from related parties (b) (Note 27)	**443**	—
	198,571	80,623
Less: non-current portion	**—**	(305)
Current portion	**198,571**	80,318

As at 31 December 2024 and 2023, the deposits, amounts due from related parties and amounts due from other third parties were denominated in RMB.

(a) As at 31 December 2024 and 2023, the carrying amounts of deposits mainly includes tender deposits and guarantee deposits.

(b) As at 31 December 2024 and 2023, the amounts due from related parties and amounts due from other third parties were unsecured, interest free and recoverable on demand.

(c) As at 31 December 2023, the Group had bank deposits of RMB2,040,000 restricted for use under the court orders applied by two suppliers which made legal claims against the Group in respect of trade disputes. In January 2024, the bank deposits restricted for use under court orders were released upon settlement of the legal claims.

19 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash at banks and on hand	**121,517**	171,878
Less: restricted bank deposits (a)	**(24,864)**	(24,738)
Cash and cash equivalents	**96,653**	147,140

The cash at banks and on hand were denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**121,091**	171,245
HKD	**426**	633
	121,517	171,878

(a) Restricted bank deposits represented deposits in designated bank accounts confined to be used for the settlement of the wages of peasant labours deployed for construction projects.

20 SHARE CAPITAL

Movements in share capital of the Group during the years ended 31 December 2024 and 2023 comprised:

	Number of ordinary shares	Nominal value of ordinary shares HKD'000
Authorised		
As at 1 January 2023	380,000	380
Effect of subdivision (Note a)	37,620,000	—
Increase (Note a)	1,962,000,000	19,620
As at 31 December 2023, 1 January 2024 and 31 December 2024	**2,000,000,000**	**20,000**

	Number of ordinary shares	Share capital	
		HKD'000	RMB'000
Issued			
As at 1 January 2023	10,000	10	9
Effect of subdivision (Note a)	990,000	—	—
As at 31 December 2023	1,000,000	10	9
As at 1 January 2024	1,000,000	10	9
Issue of shares by capitalisation of share premium account (Note b)	385,100,000	3,851	3,502
Issue of shares upon placing of shares (Note c)	77,220,000	772	702
Issue of shares pursuant to a public offer (Note c)	51,480,000	515	468
As at 31 December 2024	514,800,000	5,148	4,681

20 SHARE CAPITAL (Continued)

(a) Pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, ordinary share of the Company of HKD1.00 par value each was subdivided into 100 shares of HKD0.01 par value each. The authorised share capital of the Company of HKD380,000 was divided into 38,000,000 shares of HKD0.01 par value each, and the issued share capital of HKD10,000 was divided into 1,000,000 shares of HKD0.01 par value each.

In addition, pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, the total number of the authorised shares of the Company was increased to 2,000,000,000 ordinary shares of par value HKD0.01 each by the creation of an additional 1,962,000,000 ordinary shares.

(b) Pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, conditional on the listing, an aggregate of 385,100,000 ordinary shares of HKD0.01 par value each was, through capitalisation of share premium account, allotted to the shareholders whose names appear on the register of members of the Company as at the date of these resolutions. The capitalisation issue was completed on 9 January 2024.

(c) On 9 January 2024, the Company's shares were listed on the Stock Exchange. 77,220,000 new ordinary shares with a nominal value of HK$0.01 each were allotted and issued to independent investors or connected persons of the Company at HK$1.00 per share and 51,480,000 new ordinary shares with a nominal value of HK$0.01 each were issued to investors by way of public offering at HK$1.00 per share. Gross proceeds from the placing and public offering of HK$76,447,800 and HK$50,965,200 were credited to the share premium account.

21 OTHER RESERVES AND RETAINED EARNINGS

	Share premium RMB'000	Statutory reserves RMB'000	Capital reserves (Note) RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2023	—	9,947	304,700	12,406	327,053
Profit for the year	—	—	—	31,814	31,814
Appropriation to statutory reserves (a)	—	4,436	—	(4,436)	—
Capitalisation of amount due to shareholder (b)	—	—	13,548	—	13,548
As at 31 December 2023	—	14,383	318,248	39,784	372,415
As at 1 January 2024	**—**	**14,383**	**318,248**	**39,784**	**372,415**
Profit for the year	**—**	**—**	**—**	**1,944**	**1,944**
Appropriation to statutory reserves (a)	**—**	**2,597**	**—**	**(2,597)**	**—**
Issue of shares upon placing of shares (Note 20(c))	**69,518**	**—**	**—**	**—**	**69,518**
Issue of shares pursuant to a public offer (Note 20(c))	**46,345**	**—**	**—**	**—**	**46,345**
Issue of shares by capitalisation of share premium account (Note 20(b))	**(3,502)**	**—**	**—**	**—**	**(3,502)**
Expenses incurred in connection with issue of shares	**(15,425)**	**—**	**—**	**—**	**(15,425)**
As at 31 December 2024	**96,936**	**16,980**	**318,248**	**39,131**	**471,295**

Note: Capital reserves of the Group represented the net assets value of the subsidiaries acquired pursuant to the reorganisation and deemed contribution of shareholder.

21 OTHER RESERVES AND RETAINED EARNINGS (Continued)

(a) In accordance with the relevant laws and regulations in the PRC and the Articles of Association of the subsidiaries, the Group's entities established in the PRC are required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the contributed capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into contributed capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of contributed capital.

(b) Pursuant to the agreements dated 19 December 2023 entered into among the Company and its shareholder Zhongshen Hengtai the shareholder resolved to settle the advance from the shareholder by capitalising the amount of RMB13,548,000 into equity.

22 TRADE AND OTHER PAYABLES AND AMOUNT DUE TO A RELATED PARTY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables (a)	**1,086,289**	1,203,236
Other payables and accruals (b)	**18,186**	45,633
	1,104,475	1,248,869
Amount due to a related party (Note 27)	**—**	7
	1,104,475	1,248,876

22 TRADE AND OTHER PAYABLES AND AMOUNT DUE TO A RELATED PARTY (Continued)

The trade and other payables and amount due to a related party were denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	**1,102,548**	1,242,611
HKD	**1,927**	6,265
	1,104,475	1,248,876

(a) The ageing analysis of the trade payables based on invoice date were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**284,479**	571,640
1 year to 2 years	**369,326**	278,790
Over 2 years	**432,484**	352,806
	1,086,289	1,203,236

(b) Other payables and accruals

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Accrued taxes and surcharges	**1,908**	26,596
Listing expenses payables	**–**	7,165
Employee benefits accruals	**3,975**	3,602
Advance from a customer (i)	**3,000**	3,000
Other operating expenses payables and accruals	**9,303**	5,270
	18,186	45,633

(i) Advance from a customer represented guarantee deposits for the settlement of the wages of peasant labours (Note 19(a)) paid by a customer to one of the Group's designated bank account. Such advance was unsecured, interest free and would be settled when the project is completed.

23 BANK BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current bank borrowings:		
— Secured	**56,354**	29,284
Less: current portion of non-current bank borrowings	**(33,008)**	(2,989)
	23,346	26,295
Current bank borrowings:		
Add: current portion of non-current bank borrowings	**33,008**	2,989
Total bank borrowings	**56,354**	29,284

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bank borrowings:		
— Fixed rates	**30,028**	—
— Variable rates	**26,326**	29,284
	56,354	29,284

At 31 December 2024 and 2023, the Group's borrowings were repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**33,008**	2,989
Between 1 and 2 years	**2,949**	2,949
Between 2 and 5 years	**8,847**	8,847
Over 5 years	**11,550**	14,499
	56,354	29,284

(i) As at 31 December 2024, bank borrowings of RMB26,326,000 (2023: RMB29,284,000) were guaranteed by Mr. Sang, Mr. Xian and Ms. Jin Wei ("**Ms. Jin**") (Note 27(d)) and secured by pledges over the Group's land and building with a net carrying amount of RMB44,662,000 (2023: assets under construction with a net carrying amount of RMB41,385,000) as at 31 December 2024.

(ii) As at 31 December 2024 and 2023, all borrowings were denominated in RMB.

(iii) The Group's bank borrowings are with effective interest rates ranging from 3% to 4.5% (2023: 4.5%).

24 DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Deferred income tax assets	**10,028**	10,333
Deferred income tax liabilities	**—**	—
	10,028	10,333

The movement in deferred income tax assets during the years ended 31 December 2024 and 2023, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Provision for impairment	**Others**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	8,819	1,647	10,466
Credited/(charged) to profit or loss (Note 9)	36	(169)	(133)
As at 31 December 2023	8,855	1,478	10,333
As at 1 January 2024	**8,855**	**1,478**	**10,333**
Charged to profit or loss (Note 9)	**(305)**	**—**	**(305)**
As at 31 December 2024	**8,550**	**1,478**	**10,028**

25 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	**39**	46,536
Adjustments for:		
— Depreciation of property, plant and equipment (Note 6)	**2,428**	167
— Depreciation of right-of-use assets (Note 6)	**585**	1,273
— Amortisation of intangible assets (Note 6)	**2,095**	2,095
— (Reversal of impairment losses)/impairment losses on financial assets and contract assets	**(1,221)**	146
— Finance income (Note 8)	**(720)**	(912)
— Finance costs (Note 8)	**2,996**	2,177
— Foreign exchange gains	**—**	(12)
— Gains on early termination of leases	**(31)**	(8)
	6,171	51,462
Changes in working capital:		
— Inventories	**204**	(58)
— Restricted bank deposits	**(126)**	3,239
— Trade and bills receivables	**(61,857)**	60,638
— Deposits, other receivables and prepayments	**(107,534)**	30,477
— Amounts due from related parties	**(443)**	—
— Contract assets	**199,827**	(192,680)
— Contract liabilities	**(10,968)**	70
— Trade and other payables	**(171,426)**	113,349
Cash (used in)/generated from operations	**(146,152)**	66,497

25 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings	Lease liabilities	Amounts due to related parties (non-trade in nature)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	—	2,397	11,485	13,882
Financing cash flows				
— Principal	29,244	(1,267)	2,070	30,047
— Interest	(2,047)	(90)	—	(2,137)
Non-cash items:				
— Acquisition — leases	—	140	—	140
— Interest expenses recognised	2,087	90	—	2,177
— Capitalisation of amounts due to shareholders (Note 21(b))	—	—	(13,548)	(13,548)
— Early termination of a lease	—	(39)	—	(39)
As at 31 December 2023	29,284	1,231	7	30,522
As at 1 January 2024	**29,284**	**1,231**	**7**	**30,522**
Financing cash flows				
— Principal	**27,077**	**(645)**	**(7)**	**26,425**
— Interest	**(2,984)**	**(19)**	**—**	**(3,003)**
Non-cash items:				
— Acquisition — leases	**—**	**371**	**—**	**371**
— Interest expenses recognised	**2,977**	**19**	**—**	**2,996**
— Early termination of a lease	**—**	**(653)**	**—**	**(653)**
As at 31 December 2024	**56,354**	**304**	**—**	**56,658**

25 CASH FLOW INFORMATION (Continued)

(c) Significant non-cash transactions

During the years ended 31 December 2024 and 2023, the Group has entered the following major non-cash transactions:

(i) During the year ended 31 December 2024, the Group entered into new and renewal of lease agreements in respect of offices and non-cash addition of right-of-use assets of approximately RMB371,000 (2023: RMB140,000) and lease liabilities of approximately RMB371,000 (2023: RMB140,000) were recognised.

(ii) During the year ended 31 December 2024, the Group, a customer and several suppliers have entered into tripartite agreements, pursuant to which trade receivables of RMB27,032,000 was used to settle trade payables of RMB27,032,000.

(iii) During the year ended 31 December 2023, the Company and its shareholder Zhongshen Hengtai the shareholder resolved to settle the advance from the shareholder by capitalising the amount of RMB13,548,000 into equity (Note 21(b)).

26 COMMITMENTS

Capital commitment outstanding at 31 December 2024 and 2023 not provided for in the consolidated financial statements was as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Contracted for:		
Unlisted equity security	**5,000**	—

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) Name and relationship with related parties

The following individuals/entities are related parties of the Group that had balances and/or transactions with the Group as at/during the years ended 31 December 2024 and 2023.

Name	Relationship
Mr. Sang	Director and ultimate controlling shareholder of the Company
Mr. Xian	Director and substantial shareholder of the Company

27 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances with related parties

Non-trade in nature:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
(i) Amounts due from related parties: (Note 18)		
— Mr. Sang	**384**	—
— Mr. Xian	**59**	—
	443	—
(ii) Amount due to a related party: (Note 22)		
— Mr. Xian	**—**	7

The above balances with related parties were non-trade in nature, unsecured, interest-free and recoverable/repayable on demand. In December 2023, amounts due to Zhongshen Hengtai of RMB13,548,000 were capitalised into equity (Note 21(b)).

(c) Key management compensation

Key management includes executive directors and senior management of the Group.

The compensation paid or payable to the key management during the years ended 31 December 2024 and 2023, including those paid or payable to the executive directors disclosed in Note 7, are shown as below.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,106**	2,082
Pension costs — defined contribution plans	**160**	227
Other employee benefits	**—**	155
	2,266	2,464

(d) Guarantee provided from related parties in respect of the bank borrowing of the Group:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Guarantees		
— Mr. Sang, Mr. Xian and Ms. Jin	**26,326**	29,284

(All amounts expressed in RMB thousands unless otherwise stated)

28 SUBSIDIARIES

The Company had direct or indirect interests in the following subsidiaries:

Name	Date and place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/issued and paid-in capital	Attributable equity of the Group as at 31 December 2024	2023
Directly owned:					
Zhongshen Xihe Enterprise Limited 中深熙和實業有限公司	22 February 2021, the BVI, limited liability company	Investment holding in Hong Kong	HKD100/ HKD100	**100%**	100%
Indirectly owned:					
Zhongshen Jianye Construction Group Co., Ltd* 中深建業建設集團有限公司	8 June 2017, the PRC, limited liability company	Provision of construction services in the PRC	RMB400,000,000/ RMB285,920,016	**100%**	100%
Zhongshen Ximing Capital Limited 中深熙明資本有限公司	2 March 2021, Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100/ HKD100	**100%**	100%
Lefu Capital Limited 樂福資本有限公司	17 December 2020, Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100 and RMB32,105,370/ HKD100 and RMB32,105,370	**100%**	100%
Shenzhen Zhongshen Mingye Information Consulting Co., Ltd.* 深圳市中深明業信息諮詢有限公司#	2 December 2021, the PRC, limited liability company	Investment holding in the PRC	RMB1,000,000/Nil	**100%**	100%
Zhongshen Jianye (Shenzhen) Construction Co., Ltd.* 中深建業(深圳)建設有限公司	3 December 2021, the PRC, limited liability company	Investment holding in the PRC	RMB1,010,100/Nil	**100%**	100%
Shenzhen Zhongye Building Materials Co., Ltd.* 深圳市中業建材有限公司	12 June 2019, the PRC, limited liability company	Inactive	RMB1,000,000/Nil	**100%**	100%

(All amounts expressed in RMB thousands unless otherwise stated)

28 SUBSIDIARIES (Continued)

The Company had direct or indirect interests in the following subsidiaries (continued):

Name	Date and place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/issued and paid-in capital	Attributable equity of the Group as at 31 December	
				2024	2023
Indirectly owned:					
Zhongshen Jianye Technology (Shenzhen) Co., Ltd.* 中深建業科技(深圳)有限公司	12 June 2019, the PRC, limited liability company	Inactive	RMB1,000,000/Nil	**100%**	100%
Zhongshen Jianye Ecological Construction (Shenzhen) Co., Ltd.* 中深建業生態建設(深圳)有限公司	9 June 2017, the PRC, limited liability company	Provision of construction services in the PRC	RMB 80,000,000/Nil	**100%**	100%
Zhongshen (Zhuhai) Construction Co., Ltd.* 中深(珠海)建設有限公司	18 September 2021, the PRC, limited liability company	Inactive	RMB5,000,000/Nil	**100%**	100%
Zhongshen Jianye (Huizhou) Construction Co., Ltd.* 中深建業(惠州) 建設有限公司	3 August 2022, the PRC, limited liability company	Inactive	RMB10,000,000/Nil	**100%**	100%
Zhongshen Jianye Architectural Design (Shenzhen) Co., Ltd.* 中深建業建築設計(深圳)有限公司	26 September 2022, the PRC, limited liability company	Inactive	RMB1,000,000/Nil	**100%**	100%
Shenzhen New Idea Project Management Co, Ltd.* (previously known as "Zhongshen Jianye Project Management (Shenzhen) Co., Ltd.*") 深圳市新思路項目管理有限公司 (前稱中深建業項目管理(深圳)有限公司)	26 September 2022, the PRC, limited liability company	Inactive	RMB1,000,000/Nil	**100%**	100%

(All amounts expressed in RMB thousands unless otherwise stated)

28 SUBSIDIARIES (Continued)

The Company had direct or indirect interests in the following subsidiaries (continued):

Name	Date and place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/issued and paid-in capital	Attributable equity of the Group as at 31 December 2024	2023
Zhongshen Jianye Energy Construction (Shenzhen) Co., Ltd.* (previously known as "Guangdong Jibei Construction Engineering Co., Ltd.*") 中深建業能源建設(深圳)有限公司 (前稱廣東集倍建築工程有限公司)	22 February 2023, the PRC, limited liability company	Inactive	RMB4,060,000	**100%**	100%
Zhongshen Jianye New Energy (Shenzhen) Co., Ltd.* 中深建業新能源(深圳)有限公司	24 June 2024, the PRC, limited liability company	Inactive	RMB2,000,000	**100%**	N/A
Zhongshen Jianye (Shenzhen) Co., Ltd.* 中深建業投資(深圳)有限公司	17 June 2024, the PRC, limited liability company	Investment holding in the PRC	RMB2,000,000	**100%**	N/A
Zhongshen Jianye Industrial Park (Shenzhen) Co., Ltd.* 中深建業產業園(深圳)有限公司	17 June 2024, the PRC, limited liability company	Inactive	RMB2,000,000	**100%**	N/A

* The English name of certain subsidiaries referred to above represented the best efforts by management in translating their Chinese names as they do not have official English names.

Registered as wholly foreign owned enterprises under PRC law.

None of the subsidiaries had issued any debt securities at the end of the year.

29 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSET			
Non-current asset			
Investment in a subsidiary		**306,336**	306,336
Current assets			
Prepayments		**254**	7,310
Amount due from a subsidiary		**89,029**	205
Cash and cash equivalents		**485**	580
		89,768	8,095
Total assets		**396,104**	314,431
EQUITY			
Share capital	20	**4,681**	9
Other reserves	Note (a)	**416,820**	319,884
Accumulated losses	Note (a)	**(29,570)**	(24,158)
Total equity		**391,931**	295,735
LIABILITIES			
Current liabilities			
Other payables		**4,173**	7,463
Amounts due to subsidiaries		**–**	11,233
Total liabilities		**4,173**	18,696
Total equity and liabilities		**396,104**	314,431

The balance sheet of the Company was approved by the board of directors on 27 March 2025 and were signed on its behalf.

Sang Xianfeng
Director

Xian Yurong
Director

29 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Note	Share premium RMB'000	Other reserves (Note) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
As at 1 January 2023		—	306,336	(13,686)	292,650
Total comprehensive income					
Loss for the year		—	—	(10,472)	(10,472)
Transactions with owners in their capacity as owners					
Capitalisation of amount due to shareholder	21(b)	—	13,548	—	13,548
As at 31 December 2023		—	319,884	(24,158)	295,726
As at 1 January 2024		**—**	**319,884**	**(24,158)**	**295,726**
Total comprehensive income					
Loss for the year		**—**	**—**	**(5,412)**	**(5,412)**
Transactions with owners in their capacity as owners					
Issue of shares upon placing of shares	20(c)	**69,518**	**—**	**—**	**69,518**
Issue of shares pursuant to a public offer	20(c)	**46,345**	**—**	**—**	**46,345**
Issue of shares by capitalisation of share premium account	20(b)	**(3,502)**	**—**	**—**	**(3,502)**
Expenses incurred in connection with issue of shares		**(15,425)**	**—**	**—**	**(15,425)**
As at 31 December 2024		**96,936**	**319,884**	**(29,570)**	**387,250**

Note: Other reserves of the Company represented the net assets value of the subsidiaries acquired pursuant to the reorganisation and deemed contribution of shareholder.

30 EVENT AFTER THE BALANCE SHEET DATE

On 10 January 2025, the Company entered into six separate subscription agreements with six subscribers in respect of the subscription of an aggregate of 102,960,000 subscription shares at the subscription price of HK$0.50 per share (the "Subscription"). The Subscription was completed on 6 February 2025.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	For the year ended 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	1,331,204	1,346,219	1,378,055	1,530,919	**750,556**
Gross profit	66,439	71,248	78,925	89,146	**41,341**
Profit before income tax	19,200	39,095	38,262	46,536	**39**
Income tax (expense)/credit	(5,641)	(11,019)	(12,937)	(14,722)	**1,905**
Profit and total comprehensive income for the year attributable to the owners of the Company	13,559	28,076	25,325	31,814	**1,944**

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2021	2022	2023	**2024**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	26,632	25,592	24,915	63,403	**70,844**
Current assets	947,584	1,192,393	1,484,292	1,619,313	**1,577,284**
Current liabilities	(874,263)	(1,081,004)	(1,180,996)	(1,283,921)	**(1,148,763)**
Non-current liabilities	(1,001)	(388)	(1,149)	(26,371)	**(23,389)**
Net Assets	98,952	136,593	327,062	372,424	**475,976**
Total equity attributable to the owners of the Company	98,952	136,593	327,062	372,424	**475,976**