

Zhongtian Construction (Hunan) Group Limited

中天建設(湖南)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2433

INTERIM REPORT

2024



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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS:

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

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1197 East Xinhua Road
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Zhuzhou City
Hunan Province
PRC

COMPANY'S WEBSITE

www.ztcon.com

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITORS

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COMPLIANCE ADVISER

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LEGAL ADVISERS AS TO HONG KONG LAW

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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KY1-1106
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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

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

STOCK CODE

2433

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	356,507	681,356
Cost of sales		(317,772)	(601,869)
Gross profit		38,735	79,487
Other income and other gains, net	6	591	516
Administrative and other expenses		(34,936)	(37,228)
Listing expenses		—	(10,998)
Impairment on financial and contract assets, net		(28,492)	(5,771)
Finance costs	7	(2,741)	(4,054)
(Loss)/profit before income tax	8	(26,843)	21,952
Income tax credit/(expense)	9	4,130	(2,963)
(Loss)/profit and total comprehensive income for the period		(22,713)	18,989
(Loss)/profit and total comprehensive income for the period attributable to:			
Owners of the Company		(21,551)	18,824
Non-controlling interests		(1,162)	165
		(22,713)	18,989
(Loss)/earnings per share attributable to owners of the Company for the period			
Basic and diluted (expressed in RMB cents per share)	10	(4.23)	4.47

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	19,268	21,262
Investment properties		9,087	—
Deferred tax assets		11,500	6,843
Intangible assets		40	41
		39,895	28,146
Current assets			
Inventories		4,358	801
Trade, bills and other receivables	13	611,107	453,522
Contract assets		1,517,563	1,476,028
Amounts due from shareholders	15	316	—
Restricted bank deposits		10,467	19,061
Cash and cash equivalents		56,422	59,609
		2,200,233	2,009,021
Current liabilities			
Trade payables	14	857,438	808,587
Bills payables		76,933	15,000
Accruals and other payables		656,639	557,309
Contract liabilities		10,529	9,497
Amount due to a shareholder	15	100	—
Lease liabilities		349	338
Borrowings	16	108,147	108,362
Income tax payable		17,953	18,121
		1,728,088	1,517,214
Net current assets		472,145	491,807
Total assets less current liabilities		512,040	519,953
Non-current liabilities			
Lease liabilities		1,302	1,464
Borrowings	16	7,177	6,029
		8,479	7,493
NET ASSETS		503,561	512,460

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	5,132	4,245
Reserves		488,955	497,579
		494,087	501,824
Non-controlling interests		9,474	10,636
		503,561	512,460

The condensed consolidated financial statements were approved and authorised for issue by the board of the directors of the Company on 29 August 2024 and are signed on its behalf by:

Yang Zhongjie
Executive director

Liu Xiaohong
Executive director

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 June 2024

	Equity attributable to the owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Statutory special reserve	Statutory reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023									
(audited)	1	—	79,673	702	28,737	240,695	349,808	9,923	359,731
Issuance of shares upon listing	1,061	124,154	—	—	—	—	125,215	—	125,215
Capitalisation issue	3,183	(3,183)	—	—	—	—	—	—	—
Expenses attributed to issue of new shares upon listing	—	(18,378)	—	—	—	—	(18,378)	—	(18,378)
Profit and total comprehensive income for the period	—	—	—	—	—	18,824	18,824	165	18,989
Appropriation to statutory reserve	—	—	—	—	2,693	(2,693)	—	—	—
Transfer to special reserve	—	—	—	10,499	—	—	10,499	—	10,499
Utilisation of special reserve	—	—	—	(11,044)	—	—	(11,044)	—	(11,044)
At 30 June 2023 (unaudited)	4,245	102,593	79,673	157	31,430	256,826	474,924	10,088	485,012
Balance at 1 January 2024									
(audited)	4,245	102,792	79,673	405	35,772	278,937	501,824	10,636	512,460
Issuance of shares upon placing	887	13,493	—	—	—	—	14,380	—	14,380
Expenses attributed to placing shares	—	(217)	—	—	—	—	(217)	—	(217)
Loss and total comprehensive income for the period	—	—	—	—	—	(21,551)	(21,551)	(1,162)	(22,713)
Transfer to special reserve	—	—	—	5,683	—	—	5,683	—	5,683
Utilisation of special reserve	—	—	—	(6,032)	—	—	(6,032)	—	(6,032)
At 30 June 2024 (unaudited)	5,132	116,068	79,673	56	35,772	257,386	494,087	9,474	503,561

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	145	(180,319)
Cash flows from investing activities		
Purchase of property, plant and equipment	(446)	(87)
Proceeds on disposal of property, plant and equipment	116	4
Interest received	85	276
Advances to related companies	—	(12,339)
(Advance to)/repayments from shareholders	(391)	5,492
Net cash used in investing activities	(636)	(6,654)
Cash flows from financing activities		
Proceeds from new borrowings	72,733	97,700
Repayments of borrowings	(71,800)	(97,128)
Interest paid	(2,741)	(4,054)
Repayments of lease liabilities	(151)	—
Advances from related companies	—	1,303
Advance from/(repayments to) shareholders	100	(5,806)
Repayments to directors	—	(748)
(Repayments)/advance of bills payable	(15,000)	8,804
Proceeds from issue of new shares	14,380	125,215
Payment of share issue expenses	(217)	(18,378)
Net cash (used in)/generated from financing activities	(2,696)	106,908
Net decrease in cash and cash equivalents	(3,187)	(80,065)
Cash and cash equivalents at the beginning of the period	59,609	151,661
Cash and cash equivalents at the end of the period	56,422	71,596

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2023 (the “**Annual Report 2023**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the Annual Report 2023 except for the adoption of new or amended HKFRSs as mentioned in note 3.

In preparing the unaudited condensed consolidated interim financial information, the significant judgment made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the Annual Report 2023.

The unaudited condensed consolidated interim financial information has been prepared under the historical cost basis and presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

3. ADOPTION OF HKFRSs

Except as described below, the accounting policies applied are consistent with those of the 2023 financial statements as described therein.

New and amendments to standards and interpretation adopted by the Group

The following amendments are effective for the period beginning 1 January 2024:

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

None of the amendments to standards have a material effect on the reported results or financial position of the Group for both current and prior reporting periods. The Group has not early applied any amendments to standards or interpretations that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

(a) Operating segment information

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

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

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

The major operating entities of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the periods ended 30 June 2024 and 2023.

As at 30 June 2024 and 31 December 2023, all of the non-current assets were located in the PRC.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

4. SEGMENT INFORMATION *(Continued)*

(b) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the periods ended 30 June 2024 and 2023, is set out below:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	35,883	N/A*

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

5. REVENUE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from construction contracts		
Civil building construction	190,329	320,311
Municipal works construction	88,683	243,920
Foundation works	4,289	7,654
Prefabricated steel structure construction works	29,433	91,303
Other specialised contracting works	42,138	15,000
	354,872	678,188
Revenue from provision of construction machinery and equipment service		
	1,635	3,168
	356,507	681,356

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

5. REVENUE *(Continued)*

Timing of revenue recognition:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
— Transferred over time	356,507	681,356

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Hunan	257,348	487,436
Hainan	50,168	172,615
	307,516	660,051
Others	48,991	21,305
	356,507	681,356

6. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	85	276
Government grants (Note)	507	205
Gain on disposal of property, plant and equipment	1	—
Others	(2)	35
	591	516

Note:

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

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest charge on lease liabilities	39	—
Interest charge on borrowings	2,702	4,054
	2,741	4,054

8. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging the followings:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories	145,446	268,658
Auditors' remuneration	300	329
Depreciation of owned property, plant and equipment	2,325	1,815
Depreciation of right-of-use assets	155	—
Depreciation of investment properties	50	—
Amortisation of intangible assets	1	2
Gain on disposal of property, plant and equipment	(1)	—
Research costs	9,352	17,987
Short-term leases expenses		
— Office premises	2	214
— Machinery and equipment	19,120	41,491
Staff costs (including directors' emoluments):		
— Salaries and wages	10,927	10,856
— Retirement scheme contributions	3,878	3,173
Listing expenses	—	10,998

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

9. INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
Current period	527	3,832
Deferred tax	(4,657)	(869)
	(4,130)	2,963

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the Group is 25% for the six months ended 30 June 2024 and 2023, except for the following subsidiaries:

A subsidiary of the Company has been certified as new high technology enterprise in the PRC and enjoyed a preferential enterprise income tax rate of 15% for the six months ended 30 June 2024 and 2023.

Two subsidiaries of the Company were qualified as small enterprise and are eligible for preferential tax rate of 5% for the six months ended 30 June 2024 and 2023.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company (RMB'000)	(21,551)	18,824
Weighted average number of shares in issue (note)	508,917,000	440,697,000
Basic (loss)/earnings per share (RMB cents)	(4.23)	4.27

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

10. (LOSSES)/EARNINGS PER SHARE *(Continued)*

Note:

The weighted average number of ordinary shares derived from the calculation of the basic loss per share for the six months ended 30 June 2024, includes 480,000,000 ordinary shares of the Company in issue as at 1 January 2024, in addition to 96,000,000 ordinary shares of the Company issued under the placing completed in June 2024.

The weighted average number of ordinary shares derived from the calculation of basic earnings per share for the six months ended 30 June 2023 is 440,697,000 ordinary shares in issue.

Diluted (loss)/earnings per share presented is the same as the basic (loss)/earnings per share as the Group has no dilutive potential ordinary share outstanding for the six months ended 30 June 2024 (2023: same).

The basic and diluted (loss)/earnings per share for the six months ended 30 June 2024 and the six months ended 30 June 2023 have been adjusted to reflect the bonus element in the placing of shares of the Company during the period.

11. DIVIDENDS

No dividends were paid or declared by the Company for the six months ended 30 June 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately RMB446,000 (six months ended 30 June 2023: RMB87,000). In addition, during the six months ended 30 June 2024, the Group disposed property, plant and equipment of approximately RMB115,000 (six months ended 30 June 2023: RMB133,000).

As at 30 June 2024, certain plant and machinery with carrying amount of approximately RMB16,774,000 (31 December 2023: approximately RMB8,966,000) were pledged as securities for the Group's borrowings (note 16).

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

13. TRADE, BILLS AND OTHER RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables		
— Related parties	34,894	17,421
— Third parties	332,980	366,606
	367,874	384,027
Bills receivables	2,911	1,700
Impairment provision for		
— Trade receivables	(18,318)	(17,867)
— Bills receivables	(37)	(19)
	(18,355)	(17,886)
Trade and bills receivables, net	352,430	367,841
Deposits and other receivables	197,837	69,642
Prepayments	96,531	26,041
Impairment provision for deposits and other receivables	(35,691)	(10,002)
Other receivables, prepayments and deposits, net	258,677	85,681
	611,107	453,522

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables, aged		
0–90 days	42,978	85,709
91–180 days	72,230	40,055
181–365 days	81,365	79,264
1–2 years	96,672	107,112
2–3 years	27,522	35,554
Over 3 years	28,789	18,466
	349,556	366,160

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

13. TRADE, BILLS AND OTHER RECEIVABLES *(Continued)*

Trade receivables are generally due within 10 to 90 days from the date of billing.

As at 30 June 2024, trade and bills receivables arising from provision of construction services of RMB33,750,000 were pledged as securities for the Group's borrowings (31 December 2023: nil) (note 16).

14. TRADE PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables		
— Related parties	22,505	49,348
— Third parties	834,933	759,239
	857,438	808,587

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0–90 days	92,746	180,297
91–180 days	77,542	105,303
181–365 days	218,541	96,191
1–2 years	353,294	318,410
Over 2 years	115,315	108,386
	857,438	808,587

15. AMOUNTS DUE FROM/(TO) SHAREHOLDERS

As at 30 June 2024, the amounts due from/(to) shareholders are unsecured, interest free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current		
— Bank borrowings, secured/guaranteed	51,535¹	50,055 ²
— Bank borrowings, unsecured	55,644¹	57,162 ²
— Other borrowings, secured	968	1,145
	108,147	108,362
Non-current		
— Bank borrowings, secured	7,177¹	5,634 ²
— Other borrowings, secured	—	395
	7,177	6,029
	115,324	114,391

Notes:

- As at 30 June 2024, bank loans with principal amount of RMB29,000,000 were pledged by the intangible assets and properties of the Group; bank loans with principal amount of RMB55,644,000 were unsecured; bank loans with principal amount of RMB8,430,000 were guaranteed by the Group; bank loans with principal amount of RMB2,000,000 were guaranteed by the Group and secured by the properties of the Group; bank loans with principal amount of RMB10,000,000 were guaranteed by the Group and secured by the trade receivables of the Group; bank loans with principal amount of RMB2,830,000 were secured by bank deposits; bank loans with principal amount of RMB6,452,000 were guaranteed by director.
- As at 31 December 2023, bank loans with principal amount of RMB30,000,000 were pledged by the Group's intangible assets; bank loans with principal amount of RMB57,162,000 were unsecured; bank loans with principal amount of RMB7,000,000 were guaranteed by the Group; bank loans with principal amount of RMB2,000,000 were guaranteed by the Group and secured by the properties of the Group; bank loans with principal amount of RMB4,725,000 were secured by bank deposits; bank loans with principal amount of RMB11,964,000 were guaranteed by director.

Bank borrowings were repayable as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	107,179	107,217
1–2 years	4,387	2,834
2–5 years	2,790	2,800
	114,356	112,851

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

16. BORROWINGS (Continued)

Other borrowings were repayable as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	968	1,145
1–2 years	—	395
	968	1,540

The borrowings were secured by the following assets:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Property, plant and equipment (note 12)	16,774	8,966
Trade and bills receivables (note 13)	33,750	—
Bank deposit	3,000	5,000
Intangible assets	40	41

As at 30 June 2024, the Group's aggregate available unutilised banking facilities amounted to approximately RMB10,763,000 (2023: approximately RMB90,000,000).

As at 30 June 2024, the Group could not fulfil certain financial covenants as set out in the loan facility agreements by the banks on the bank borrowings in the total amount of RMB79,000,000, which were classified as current liabilities of the Group. Subsequent to the reporting period, the Group had obtained waivers from the banks for the breach of the financial covenants (the "**Waivers**"). The Group did not receive any demand notice for repayment of any bank loans as a result of the aforementioned breach of financial covenants. In the opinion of the directors, based on the Waivers obtained, the Group is no longer in breach of any covenants or cross-default provisions under the Group's loan facility agreements.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000	Amount RMB'000
Authorised			
Ordinary shares of HK\$0.01 each			
At 1 January 2023	38,000,000	380	342
Increase in authorised share capital (note (ii))	4,962,000,000	49,620	44,658
	5,000,000,000	50,000	45,000
Issued and fully paid			
Ordinary shares of HK\$0.01 each			
At 1 January 2023	101,100	1	1
Issuance of shares upon Listing (note (iii))	120,000,000	1,200	1,061
Issuance of shares for Capitalisation Issue (note (iii))	359,898,900	3,599	3,183
	480,000,000	4,800	4,245
Issuance of shares upon placing (note (iv))	96,000,000	960	887
	576,000,000	5,760	5,132

Notes:

- (i) The Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability, with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and issued 101,100 shares of HK\$0.01 each.
- (ii) On 10 March 2023, an ordinary resolution of the Company was passed, pursuant to which the authorised share capital of the Company was increased from RMB342,000 (equivalent to approximately HK\$380,000) to RMB45,000,000 (equivalent to approximately HK\$50,000,000) by the creation of additional 4,962,000,000 shares of HK\$0.01 each.
- (iii) In connection with the Company's issuance of new shares upon Listing, the Company allotted and issued 120,000,000 shares of HK\$0.01 each at a price of HK\$1.18 per share on 30 March 2023. The gross proceeds from issuance of new shares of approximately RMB125,215,000 (equivalent to approximately HK\$141,600,000) of which approximately RMB1,061,000 (equivalent to approximately HK\$1,200,000) was credited to the Company's share capital, and the remaining balance of approximately RMB124,154,000 (equivalent to approximately HK\$140,400,000) before deduction of share issuance expenses, was credited to share premium account. The share premium account can be used for deduction of share issuance expenses. After the share premium account of the Company being credited as a result of the issuance of new shares upon Listing, RMB3,183,000 (equivalent to approximately HK\$3,599,000) was capitalised from the share premium account and applied in paying up in full at par 359,898,900 new shares for allotment and issue to shareholders whose names appear on the register of members of the Company at the close of business on 30 March 2023 in proportion to their respective shareholdings.
- (iv) On 7 June 2024, the Company and the placing agent entered into the placing agreement, pursuant to which the Company has conditionally agreed to place, on a best effort basis, of up to 96,000,000 placing shares, to not less than six places who and whose ultimate beneficial owners shall be independent third parties at the placing price of HK\$0.162 per placing share. The placing was completed on 18 June 2024.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Rental expenses paid/accrued to a related company	208	211
Purchase of materials from related companies	50,625	46,682
Construction services income earned from related companies	24,643	45,328
Sub-contracting service fee paid to related companies	—	3,796

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

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE OUTLOOK

The Group is a general contracting construction group in Hunan Province with over 45 years of operating history and is principally engaged in the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consist of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting.

During the six months ended 30 June 2024 (“1H2024”), the PRC construction market was significantly and adversely affected by the continued decline in the property market and the economic downturn in China, which impacted investments in real estate and municipal works in both the private and public sectors. Our overall revenue from civil building construction, municipal works construction, and prefabricated steel structure construction was significantly affected during the period as a result. The adverse business environment in our upstream market and the tightened budgets of our customers put pressure on our business operations, unavoidably affecting our cash flow and operating results. We have, however, adapted to the changing business environment and prioritised our resources on sectors that are less affected by the market downturn. Our other specialised contracting works saw a 180.9% increase in revenue and reached approximately RMB42.1 million for 1H2024 as compared to the six months ended 30 June 2023 (“1H2023”).

Looking ahead, the PRC construction industry will continue to face significant challenges in 2024. Industry players will strive to compete for the limited number of new projects and maintain their liquidity to weather through the market decline and economic downturn. In the face of the unprecedented challenges brought by the market environment, the Company is committed to navigating these exceptional market conditions with resilience by constantly reviewing and adjusting its customer mix, project portfolio and cost structure and carefully managing its cash flow to ensure the long-term stability and development of our Company.

FINANCIAL REVIEW

Revenue

Our Group’s revenue plummeted by approximately 47.7% from approximately RMB681.4 million for 1H2023 to approximately RMB356.5 million for 1H2024, due to the shrinkage in overall investments in construction projects in both the private and the public sectors.

Construction contracts

For 1H2024, our revenue generated from construction contracts plummeted by approximately RMB323.3 million or 47.7% from approximately RMB678.2 million in 1H2023 to approximately RMB354.9 million in 1H2024. In 1H2024, our customers were very prudent in launching new projects. The sharp fall in revenue was mainly due to the decrease in revenue generated from civil building construction, municipal works construction, foundation works and prefabricated steel structure construction works, which decreased by approximately RMB130.0 million, RMB155.2 million, RMB3.4 million and RMB61.8 million respectively while partially net-off by the increment in revenue generated from other specialised contracting works of approximately RMB27.1 million.

Civil building construction

For 1H2024, our revenue generated from civil building construction decreased by approximately RMB130.0 million or 40.6% from approximately RMB320.3 million in 1H2023 to RMB190.3 million in 1H2024, which was mainly attributable to the decrease in revenue from Hainan Lixun•Meilun Innovation Park Project (海南力迅•美倫科創園項目) and Hainan Zhongyuan Guosheng Plaza (海南省中源國盛廣場) after completing major phases in 2023. Besides, the overall demand from the market decreased during 1H2024 resulting in the drop of revenue.



Management Discussion and Analysis

Municipal works construction

Our revenue generated from municipal works construction decreased by approximately RMB155.2 million or 63.6% from approximately RMB243.9 million in 1H2023 to RMB88.7 million in 1H2024, which was mainly due to decrease in revenue contributed by the completion of Sanya Shi Third Ring Road Baopo Section Project* (三亞市三環路抱坡段工程), Hunan Province Huaihua Shi Tongdao Coliseum (湖南省懷化市通道體育館) and Liling Shi Yuci Road Project* (醴陵市玉瓷路) which totally contributed over RMB100 million in 1H2023. New projects commenced in 1H2024 are relatively small in contract sum compared to those commenced in 1H2023.

Foundation works

Our revenue generated from foundation works substantially decreased by approximately RMB3.4 million or 44% from approximately RMB7.7 million in 1H2023 to approximately RMB4.3 million in 1H2024, mainly due to our foundation works being mostly ancillary work to civil building construction or municipal works construction and we usually do not undertake isolated foundation works as a subcontractor.

Prefabricated steel structure construction works

For 1H2024, our revenue generated from prefabricated steel structure construction works decreased from approximately RMB91.3 million for 1H2023 to approximately RMB29.4 million for 1H2024, mainly due to the decrease in revenue generated from Zhongtian Lutai* (中天•麓台) project by approximately RMB16.5 million compared with 1H2023 as the project has approached its later stage of construction and integration in 1H2023. The Group was not awarded new material projects of prefabricated steel structure construction works during 1H2024.

Other specialised contracting works

During 1H2024, we have prioritised our resources on sectors that are less affected by the market downturn and explored further business opportunities in the other specialised contracting works. As a result of the Company's effort, our revenue from other specialised contracting works increased by approximately 180.9% from approximately RMB15.0 million in 1H2023 to approximately RMB42.1 million in 1H2024 as the Group has undertaken 17 decoration and renovation projects.

Provision of construction machinery and equipment service

Our revenue from this sub-segment decreased from RMB3.2 million in 1H2023 to RMB1.6 million in 1H2024.

Cost of sales

Our cost of sales decreased by approximately 47.2% from approximately RMB601.9 million in 1H2023 to approximately RMB317.8 million in 1H2024, which is in line with the decrease in revenue of approximately 47.7%.

Gross profit and gross profit margin

With the decline in revenue, our gross profit fell sharply from approximately RMB79.5 million for 1H2023 to approximately RMB38.7 million for 1H2024. Our overall gross profit margin also dropped slightly from approximately 11.7% for 1H2023 to approximately 10.9% for 1H2024.

Other income and other gains

The other income and gains in 1H2024 slightly increased by approximately RMB0.1 million as compared to 1H2023 mainly due to the increase in government grants which were one-off in nature.

Management Discussion and Analysis

Administrative expenses

Our administrative expenses mainly consisted of research and development costs, salaries and other benefits, depreciation and amortisation, repair and maintenance expenses, office administration expenses and other expenses. For 1H2024, our administrative expenses decreased from approximately RMB37.2 million to approximately RMB34.9 million mainly due to (i) the decrement in research and development costs of approximately RMB8.6 million; and (ii) the decrement in office expenses of approximately RMB1.6 million in 1H2024.

Listing expenses

Listing expenses represented professional services fees incurred for the purpose of the listing of the shares of the Company (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited on 30 March 2023 (the “**Listing Date**”). The Group incurred Listing expenses of approximately RMB11.0 million for 1H2023. No such expense was recorded in 1H2024.

Impairment on financial and contract assets, net

Our impairment on financial and contract assets (net) represents the expected credit losses on our trade receivables, other receivables and contract assets. We conducted impairment analysis at the end of each year using a provision matrix to measure expected credit losses. For 1H2023 and 1H2024, our impairment on financial and contract assets was approximately RMB5.8 million and RMB28.5 million, respectively.

For 1H2024, impairment losses on financial and contract assets surged by approximately RMB22.7 million or 393.7% from approximately RMB5.8 million in 1H2023 to approximately RMB28.5 million for 1H2024. Such increase was mainly due to the increase in contract assets, trade receivables, deposits and other receivables as at 30 June 2024 and reassessment of expected recoverable values in light of current market conditions. Our gross amounts of deposits and other receivables increased from approximately RMB69.6 million as at 31 December 2023 to approximately RMB197.8 million as at 30 June 2024 mainly due to increase in other receivables due from customers, leading to the significant increase in the impairment provision for deposits and other receivables from approximately RMB10.0 million as at 31 December 2023 to approximately RMB35.7 million as at 30 June 2024.

Finance costs

Our finance costs in 1H2024 decreased by approximately RMB1.3 million as compared to 1H2023, which was a decrease in average bank and other borrowings as at 30 June 2024, comparing to the last period.

Income tax (credit)/expense

Our income tax (credit)/expense consist principally of enterprise income tax and movements in deferred tax assets. For 1H2023 and 1H2024, our income tax was RMB3.0 million and tax credit was RMB4.1 million, respectively, and our effective tax rate for the corresponding periods was 13.5% and 15.4%, respectively. Since 1 January 2018, Hunan Zhongtian Construction Group Corporation* (湖南中天建設集團股份有限公司) (“**Zhongtian Construction**”), our principal operating subsidiary has been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulation and was entitled to a preferential tax treatment of 15%, which is lower than the statutory rate of 25%. The preferential tax treatment in relation to the High and New Technology Enterprise Certificate (高新技術企業證書) will expire on 17 September 2024 unless the High and New Technology Enterprise Certificate (高新技術企業證書) is renewed.

Net (loss)/profit

The Group recorded a net loss of approximately RMB22.7 million in 1H2024, as compared to a net profit of approximately RMB19.0 million for the six months ended 30 June 2023, which was attributable to the decrease in gross profit of approximately RMB40.8 million and increase in impairment on financial and contract assets of approximately RMB25.0 million.



Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our sources of funds are a combination of internal generated funds, bank and other borrowings as well as proceeds from equity fund raising activities. As at 30 June 2024, the capital structure of the Company comprised mainly issued share capital and reserves. During 1H2024, the Group held no treasury shares and did not sell any treasury shares.

Reference is made to the Company's announcements dated 7 June 2024 and 18 June 2024. On 18 June 2024, the Company completed placing of 96,000,000 placing shares, representing (i) 20% of the existing issued share capital of the Company of 480,000,000 shares before the completion of the placing; and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares at the placing price of HK\$0.162 per placing share under general mandate (the "**Placing**"). The gross proceeds from the Placing amounted to approximately HK\$15.6 million, and the net proceeds arising from the Placing amounted to approximately HK\$15.2 million.

As at 30 June 2024, the Group had net current assets of approximately RMB472.1 million (31 December 2023: RMB491.8 million). The Group's current ratio decreased from approximately 1.32 as at 31 December 2023 to approximately 1.27 as at 30 June 2024 due to the increase in trade payables, bill payables and accruals and other payables in total of approximately RMB210.1 million, which is greater than the increase of trade, bills and other receivables and contract assets of approximately RMB199.1 million.

We had lower cash and cash equivalents of approximately RMB56.4 million as at 30 June 2024, which were principally denominated in RMB, as compared with cash and cash equivalents of RMB59.6 million as at 31 December 2023. Our cash and cash equivalents dropped mainly because (i) more working capital was used for settling trade payables; (ii) the increase in contract assets due to reasons stated above; and (iii) the increase in outstanding trade receivables due to the worsened business environment of the real estate industry in the PRC and the longer settlement process of government-related entities.

Our aggregate indebtedness (total interest-bearing borrowings), which were principally denominated in RMB, increased slightly from approximately RMB114.4 million as at 31 December 2023 to approximately RMB115.3 million as at 30 June 2024. Our gearing ratio increased from approximately 22.7% as at 31 December 2023 to approximately 23.2% as at 30 June 2024, mainly because our equity decreased by approximately 2% between 31 December 2023 and 30 June 2024 due to the net loss.

FUNDING AND TREASURY POLICY

The Group maintains a prudent funding and treasury policy that no unnecessary risk is taken with respect of the Group's assets. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had approximately RMB14.5 million (31 December 2023: RMB14.5 million) of capital commitments in respect of the acquisition of property, plant and equipment. The Company proposes to settle the capital commitments by the net proceeds from the Listing and its internal resources.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed 295 employees in the PRC (30 June 2023: 332 employees). The total staff costs incurred by the Group for 1H2024 was approximately RMB14.8 million compared to approximately RMB14.0 million for 1H2023. Our Group's employees may be remunerated by way of fixed salary, hourly wage or on a project-by-project basis, depending on their job nature. Our Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary review and determining the amount of bonuses. Our employees are also entitled to a number of fringe benefits and welfare, including transportation allowance, health care allowance and paid leave. Our Group provides trainings to our employees, which includes induction training which is held by our human resources department, on-board training, and sometimes education opportunities depending on the job function of the employees. Our Group will hold seminars and events occasionally for our employees, in order for them to catch up with market trends.

SHARE OPTION SCHEME

The share option scheme (the **"Share Option Scheme"**) was conditionally adopted by written resolutions of the Company's shareholders passed on 10 March 2023. The principal terms of the Share Option Scheme are summarised in the paragraph headed **"Share Option Scheme"** in the report of the Directors in the annual report of the Company for the year ended 31 December 2023.

From the Listing Date and up to 30 June 2024, no share option has been granted by the Company. The outstanding number of Share options available for grant under the Share Option Scheme is 48,000,000 share options to subscribe for the shares, representing 10% and 8.33% of the issued share capital of the Company at the beginning and at the end of 1H2024, respectively, out of which the number of share options available for grant under the service provider sublimit is 4,800,000 shares options to subscribe for the shares, representing 1% and 0.83% of the issued share capital of the Company at the beginning and at the end of 1H2024, respectively.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during 1H2024 and there was no outstanding option as at 30 June 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed **"Future Plans and Use of Proceeds"** of the Company's prospectus dated 20 March 2023 (the **"Prospectus"**), the Group does not have other plans for material investments and capital assets as at 30 June 2024.

CONTINGENT LIABILITIES

Other than a number of lawsuits and claims arising from the normal course of business were lodged against our Group which remained outstanding as at 30 June 2024, the Group had no material contingent liability as at 30 June 2024.

FOREIGN EXCHANGE RISK

The assets, liabilities and transactions of the Group are principally denominated in RMB. As at 30 June 2024, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. The Directors consider the impact of foreign exchange exposure to the Group is minimal.



Management Discussion and Analysis

GEARING RATIO

As at 30 June 2024, the gearing ratio, which is calculated as total interest-bearing debt divided by total equity, is 23.2%. (31 December 2023: 22.7%).

PLEDGE OF ASSETS

As at 30 June 2024, fixed deposits of approximately RMB3.0 million (31 December 2023: approximately RMB5.0 million), certain plant and machinery with carrying amount of approximately RMB16.8 million (31 December 2023: approximately RMB9.0 million), trade and bills receivables of approximately RMB33.8 million arising from provision of construction services (31 December 2023: nil) and intangible assets of approximately RMB40,000 (31 December 2023: approximately RMB41,000) were pledged as securities for the Group's borrowings.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

For 1H2024, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities (including treasury shares).

RETIREMENT BENEFIT SCHEME

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "**Retirement Benefit Scheme**") organized by the relevant local government authorities in the PRC, whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the wages determined by the relevant authorities in the PRC during 1H2024. Contributions to the Retirement Benefit Scheme vest immediately. During 1H2024, the costs charged under the Retirement Benefit Scheme for the Group's PRC subsidiaries amounted to approximately RMB3.9 million (1H2023: approximately RMB3.2 million). There was no forfeited contribution under the Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years (1H2023: RMB Nil). There were no forfeited contributions which were utilised during 1H2024 for reducing future contributions (1H2023: RMB Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company has been listed on the Stock Exchange since the Listing Date following the completion of the global offering (the "**Global Offering**") of 120,000,000 new ordinary shares of the Company (the "**Shares**"). The amount of net proceeds from the Global Offering amounted to approximately RMB76.6 million (equivalent to approximately HK\$84.1 million), after deduction of the underwriting commission and other expenses. The Company has applied and will apply the proceeds from the Global Offering in accordance with the purposes as set out in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus, details of utilisation of the proceeds are set out below. During 1H2024, net proceeds of approximately RMB2.9 million (equivalent to approximately HK\$3.2 million) were used.

Management Discussion and Analysis

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

Purpose	Intended use of proceeds	Utilised amount as at 31 December 2023	Net proceeds utilised during 1H2024	Utilised amount as at 30 June 2024	Unutilised amount as at 30 June 2024	Estimated timeline for utilising the unutilised net proceeds
To fund our upfront expenditure of three projects on hand	38.3	38.3	—	38.3	—	Before December 2023
To acquire and/or replace our construction machinery and equipment	15.3	—	—	—	15.3	Before December 2024
To fund the establishment and operation of our know-how centre	15.3	12.4	2.9	15.3	—	Before December 2024
Working capital and general corporate purposes	7.7	7.7	—	7.7	—	N/A
Total	76.6	58.4	2.9	61.3	15.3	

THE PLACING AND USE OF PROCEEDS

On 7 June 2024, the Company announced (the “**Placing Announcement**”) that it proposed to raise approximately HK\$15.6 million, before expenses, by issuing 96,000,000 placing Shares (“**Placing Share(s)**”) with nominal value of HK\$960,000 of HK\$0.01 each, which ranked pari passu with the ordinary Shares, by way of placing (the “**Placing**”) to not less than six independent placees at the subscription price of HK\$0.162 per Placing Share. The net price of each Placing Share was approximately HK\$0.159. The closing price of the Shares quoted on the Stock Exchange on 7 June 2024, which was the date on which the placing agreement was signed, was HK\$0.195 per Share, and the Placing Shares had an aggregated market value of approximately HK\$18.2 million.

The Placing Shares were issued under the general mandate (the “**General Mandate**”) approved by the Shareholders at the annual general meeting of the Company held on 25 May 2023, pursuant to which the Company was authorised to allot and issue up to 96,000,000 Shares. The 96,000,000 Placing Shares constituted 100% of the General Mandate and, upon completion of the Placing, the General Mandate was fully utilised. The Placing was completed on 18 June 2024.

As disclosed in the Placing Announcement, the gross proceeds from the Placing were approximately HK\$15.6 million and the net proceeds from the Placing, after deducting the related expenses and underwriting commission, were approximately HK\$15.2 million. The reason for undertaking the Placing was to raise funds for the upfront expenditure of a newly awarded project and for general working capital of the Group.

Management Discussion and Analysis

During 1H2024, the net proceeds from the Placing have been applied as follows:

	Planned use of proceeds as stated in the Placing Announcement (HK\$' million)	Actual use of proceeds from the Placing during 1H2024 (HK\$' million)	Unutilised balance of the net proceeds from the Placing as at 30 June 2024 (HK\$' million)	Expected timeline of utilisation
Funding the upfront expenditure of a newly awarded project of a cultural exhibition and intangible cultural heritage inheritance centre	13.7	—	13.7	31 December 2024
Working Capital	1.5	—	1.5	31 December 2024
Total	15.2	—	15.2	

The net proceeds from the Placing will be utilised in the manner set out in the disclosure in the Placing Announcement. For further information in relation to the Placing, please refer to the Placing Announcement and the completion announcement of the Placing issued by the Company on 18 June 2024.

SIGNIFICANT INVESTMENTS HELD, ACQUISITION AND DISPOSALS

The Group did not have any material acquisitions or disposal of subsidiaries, associates or joint ventures during 1H2024.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for 1H2024 (1H2023: Nil).

AUDIT COMMITTEE

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

REVIEW OF INTERIM FINANCIAL RESULTS BY AUDIT COMMITTEE

The unaudited consolidated interim financial information of the Group for 1H2024 and the accounting information given in this report has not been reviewed by the external auditor of the Company but has been reviewed by the Audit Committee, which agreed with the accounting treatment adopted by the Company, and was of the opinion that the preparation of such accounting information complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

Corporate Governance and Other Information

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

As at 30 June 2024, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix C3 of the Listing Rules, were as follows:

(i) Interest in our Shares

Name of Director/ chief executive	Capacity/Nature of interest directly and indirectly held	Relevant company	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Yang Zhongjie ("Mr. Yang")	Interest in a controlled corporation/Interest of spouse (Note 2)	ZT (E) Limited ("ZT (E)")	13,164,000 (L)	2.29%
Mr. Liu Xiaohong ("Mr. Liu")	Interest in a controlled corporation (Note 3)	ZT (F) Limited ("ZT (F)")	3,376,000 (L)	0.59%
Mr. Chen Weiwu ("Mr. Chen")	Interest in a controlled corporation/Interest of spouse (Note 4)	ZT (H) Limited ("ZT (H)")	1,770,000 (L)	0.31%
Mr. Shen Qiang ("Mr. Shen")	Interest in a controlled corporation (Note 5)	ZT (I) Limited ("ZT (I)")	1,200,000 (L)	0.21%
Mr. Min Shixiong ("Mr. Min")	Interest in a controlled corporation (Note 6)	ZT (K) Limited ("ZT (K)")	812,000 (L)	0.14%

Notes:

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

Corporate Governance and Other Information

(ii) Interest in our Company's associated corporations

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest directly and indirectly held	Number of shares of/capital contribution in associated corporation (Note 1)	Approximate percentage of shareholding/ equity interest of associated corporation
Mr. Yang	ZT (A) (Note 2)	Beneficial owner/Interest of spouse (Note 3)	21,831 (L)	24.27%
Mr. Liu	ZT (A) (Note 2)	Beneficial owner	4,621 (L)	5.13%
Mr. Chen	ZT (A) (Note 2)	Beneficial owner	2,195 (L)	2.44%
Mr. Min	ZT (A) (Note 2)	Beneficial owner/Interest of spouse (Note 4)	1,253 (L)	1.39%
Mr. Shen	ZT (A) (Note 2)	Beneficial owner	985 (L)	1.09%
Mr. Yang	Hunan Zhongtian Construction Group Corporation (" Zhongtian Construction ") (Note 5)	Beneficial owner	108,049 (L)	0.14%
Mr. Liu	Zhongtian Construction (Note 5)	Beneficial owner	35,550 (L)	0.05%
Mr. Chen	Zhongtian Construction (Note 5)	Beneficial owner	17,681 (L)	0.03%
Mr. Shen	Zhongtian Construction (Note 5)	Beneficial owner	13,834 (L)	0.02%
Mr. Min	Zhongtian Construction (Note 5)	Beneficial owner	8,554 (L)	0.01%
Mr. Min	Zhuzhou Kaida Lifting Apparatus Leasing Company Limited (" Kaida Apparatus ") (Note 6)	Beneficial owner	RMB76,000 (L)	1.17%

Notes:

- (1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company has been owned as to approximately 46.35% by ZT (A) as at 30 June 2024. Under the SFO, ZT (A) is an associated corporation of our Company.
- (3) ZT (A) is owned as to approximately 25.24% by Mr. Yang and 3.88% by Ms. Gan Yinghua. Ms. Gan Yinghua is the spouse of Mr. Yang. Mr. Yang is deemed to be interested in all the Shares held by Ms. Gan Yinghua by virtue of the SFO.
- (4) ZT (A) is owned as to approximately 1.30% by Mr. Min and 0.37% by Ms. Yang Bingquan (楊冰泉). Ms. Yang Bingquan is the spouse of Mr. Min. Mr. Min is deemed to be interested in all the Shares held by Ms. Yang Bingquan by virtue of the SFO.
- (5) Zhongtian Construction, a company established in the PRC, is owned as to approximately 99.5% by Hangxiao Materials, which is owned as to approximately 99.99% by Zhaolin Trading, which is an indirect wholly-owned subsidiary of our Company. Under the SFO, Zhongtian Construction is an associated corporation of our Company.
- (6) Kaida Apparatus, a company established in the PRC, is owned as to approximately 56.99% by Zhongtian Construction. Under the SFO, Kaida Apparatus is an associated corporation of our Company.

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2024, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2024, the following persons (not being Directors or chief executive of the Company) have or are deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Percentage of interest
ZT (A) (Note 2)	Beneficial owner	266,965,000 (L)	46.35%

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in the Shares.
2. ZT (A) is owned by 79 individual shareholders including 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% and 67 individuals who are Independent Third Parties including our employees as to approximately 50.96%, and none of such individual shareholders, together with his/her respective close associates, controls one-third or more of the voting power at the general meetings of ZT (A).

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any other persons who had or deemed or taken to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

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

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group has adopted the Corporate Governance Code ("CG Code") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance during 1H2024. The Board is of the opinion that the Group had complied with all applicable CG Code provisions during 1H2024.



Corporate Governance and Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, at least as strict as the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Listing Rules).

The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during 1H2024.

COMPETING INTERESTS

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

The Board is of the view that, during 1H2024, none of the Directors, controlling shareholder of the Company, Hunan Zhongtian Holdings Group Company Limited* (湖南中天控股集團股份有限公司) (“**Zhongtian Holdings**”) and their respective close associates had any business or interest that competes or may compete with the business of the Group nor had any other conflicts of interest with the Group and the Board is no aware of any breach in the Deed of Non-competition.

The Directors confirm that neither the controlling shareholders of the Company nor their respective close associates (as defined in the Listing Rules) is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business for the six months ended 30 June 2024.

On behalf of the Board

Mr. Yang Zhongjie

Chairman and Executive Director