The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHONGSHEN JIANYE HOLDING LIMITED AND KINGSWAY CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhongshen Jianye Holding Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-72, which comprises the consolidated balance sheets as at 31 December 2020, 2021 and 2022 and 30 June 2023, the balance sheets of the Company as at 31 December 2021 and 2022 and 30 June 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and 2022 and 30 June 2023 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by Zhongshen Jianye Holding Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

[*Date*]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	1,331,204	1,346,219	1,378,055	371,857	495,780
Cost of revenue	6	(1,264,765)	(1,274,971)	(1,299,130)	(350,199)	(467,233)
Gross profit		66,439	71,248	78,925	21,658	28,547
Administrative expenses	6	(20,016)	(28,250)	(39,069)	(18,983)	(16,355)
(Impairment losses)/reversal of impairment losses on financial assets and contract assets	*3.1(b)*	(26,848)	(5,075)	(1,254)	(7,262)	4,280
Other income, (losses)/gains — net	8	(212)	1,166	(2)	(40)	(7)
Operating profit/(loss)		19,363	39,089	38,600	(4,627)	16,465
Finance income		60	96	148	48	181
Finance costs		(223)	(90)	(486)	(35)	(1,418)
Finance (costs)/income — net	9	(163)	6	(338)	13	(1,237)
Profit/(loss) before income tax		19,200	39,095	38,262	(4,614)	15,228
Income tax (expense)/credit	10	(5,641)	(11,019)	(12,937)	233	(4,441)
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to owners of the Company		13,559	28,076	25,325	(4,381)	10,787
Earnings/(losses) per share attributable to owners of the Company for the year/period (expressed in RMB thousand per share)						
— Basic and diluted	11	1.36	2.81	2.53	(0.44)	1.08

B. CONSOLIDATED BALANCE SHEETS

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Plant and equipment	*13*	95	225	652	629
Right-of-use assets	*14*	1,882	1,465	2,337	1,780
Intangible assets	*15*	15,436	13,341	11,246	10,198
Deposits and prepayments	*19*	—	—	214	8,736
Deferred income tax assets	*24*	9,219	10,561	10,466	9,537
		26,632	25,592	24,915	30,880
Current assets					
Inventories	*17*	148	352	304	238
Contract assets	*18*	637,725	803,829	1,019,851	967,469
Trade and bills receivables	*18*	224,908	268,548	215,383	129,113
Deposits, other receivables and prepayments	*19*	48,385	64,425	108,613	92,638
Amounts due from related parties	*19*	—	—	47	26
Restricted bank deposits	*20*	15,683	14,167	27,977	24,372
Cash and cash equivalents	*20*	20,735	41,072	112,117	96,754
		947,584	1,192,393	1,484,292	1,310,610
Total assets		974,216	1,217,985	1,509,207	1,341,490
EQUITY					
Share capital	*21*	—	—*	9	9
Other reserves	*22*	103,696	146,050	314,647	314,647
(Accumulated losses)/ retained earnings	*22*	(4,744)	(9,457)	12,406	23,193
Total equity		98,952	136,593	327,062	337,849

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Lease liabilities	*14*	1,001	388	1,149	563
Current liabilities					
Trade and other payables	*23*	741,601	905,141	1,135,520	963,870
Amounts due to related parties	*23*	73,588	147,589	11,485	11,832
Contract liabilities	*5*	43,188	14,936	21,917	20,813
Current income tax liabilities		14,969	12,114	10,826	5,277
Lease liabilities	*14*	917	1,224	1,248	1,286
		874,263	1,081,004	1,180,996	1,003,078
Total liabilities		875,264	1,081,392	1,182,145	1,003,641
Total equity and liabilities		974,216	1,217,985	1,509,207	1,341,490

* Below RMB1,000.

C. BALANCE SHEETS OF THE COMPANY

		As at 31 December		As at 30 June
		2021	2022	2023
	Note	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment in a subsidiary	*28*	139,981	306,336	306,336
Current assets				
Prepayments	*19*	[REDACTED]	[REDACTED]	[REDACTED]
Amount due from a related party	*19*	—*	2	2
Amount due from a subsidiary	*19*	16	—	—
Cash and cash equivalents		8	8	8
		1,920	4,081	4,766
Total assets		141,901	310,417	311,102
EQUITY				
Share capital	*21*	—*	9	9
Other reserves	*22*	139,981	306,336	306,336
Accumulated losses	*22*	(3,299)	(13,686)	(16,139)
Total equity		136,682	292,659	290,206
LIABILITIES				
Current liabilities				
Other payables	*23*	[REDACTED]	[REDACTED]	[REDACTED]
Amount due to a related party	*23*	2,599	2,158	2,158
Amounts due to subsidiaries	*23*	1,139	13,933	14,940
Total liabilities		5,219	17,758	20,896
Total equity and liabilities		141,901	310,417	311,102

* Below RMB1,000.

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company			
		Share capital (Note 21)	Other reserves (Note 22)	Retained earnings/ (accumulated losses) (Note 22)	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020		—	22,820	21,073	43,893
Total comprehensive income					
Profit for the year		—	—	13,559	13,559
Transactions with owners in their capacity as owners					
Cash contributions from shareholders	*22(c)*	—	41,500	—	41,500
Appropriation to statutory reserves	*22(b)*	—	1,376	(1,376)	—
Transfer from retained earnings to capital reserves	*22(d)*	—	38,000	(38,000)	—
As at 31 December 2020		—	103,696	(4,744)	98,952
As at 1 January 2021		—	103,696	(4,744)	98,952
Total comprehensive income					
Profit for the year		—	—	28,076	28,076
Transactions with owners in their capacity as owners					
Issue of shares	*21*	—*	—	—	—*
Cash contributions from shareholders	*22(c)*	—	9,565	—	9,565
Appropriation to statutory reserves	*22(b)*	—	2,789	(2,789)	—
Transfer from retained earnings to capital reserves	*22(d)*	—	30,000	(30,000)	—
As at 31 December 2021		—*	146,050	(9,457)	136,593

* Below RMB1,000.

		Attributable to owners of the Company			
		Share capital (Note 21)	Other reserves (Note 22)	(Accumulated losses)/ retained earnings (Note 22)	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022		—*	146,050	(9,457)	136,593
Total comprehensive income					
Profit for the year		—	—	25,325	25,325
Transactions with owners in their capacity as owners					
Issue of shares	*21*	9	—	—	9
Cash contributions from shareholders	*22(c)*	—	22,435	—	22,435
Appropriation to statutory reserves		—	3,462	(3,462)	—
Capitalisation of amounts due to shareholders	*22(e)*	—	143,920	—	143,920
Deemed distribution to shareholders pursuant to the Reorganisation	*22(f)*	—	(1,220)	—	(1,220)
As at 31 December 2022		9	314,647	12,406	327,062
As at 1 January 2023		9	314,647	12,406	327,062
Total comprehensive income					
Profit for the period		—	—	10,787	10,787
As at 30 June 2023		9	314,647	23,193	337,849

* Below RMB1,000.

		Attributable to owners of the Company			
		Share capital (Note 21)	Other reserves (Note 22)	Accumulated losses (Note 22)	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
As at 1 January 2022		—*	146,050	(9,457)	136,593
Total comprehensive loss					
Loss for the period		—	—	(4,381)	(4,381)
Transactions with owners in their capacity as owners					
Issue of shares	*21*	9	—	—	9
Cash contributions from shareholders	*22(c)*	—	22,435	—	22,435
Deemed distribution to shareholders pursuant to the Reorganisation	*22(f)*	—	(1,220)	—	(1,220)
Capitalisation of amounts due to shareholders	*22(e)*	—	143,920	—	143,920
As at 30 June 2022		9	311,185	(13,838)	297,356

* Below RMB1,000.

E. CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash (used in)/generated from operations	*25(a)*	(15,305)	(45,853)	61,097	1,338	4,278
Income tax paid		(8,677)	(15,216)	(14,130)	(7,565)	(9,061)
Net cash (used in)/generated from operating activities		(23,982)	(61,069)	46,967	(6,227)	(4,783)
Cash flows from investing activities						
Repayment from/(advances to) related parties		7,548	—	(47)	(13)	21
Purchases of property, plant and equipment	*13, 19*	(98)	(174)	(531)	—	(8,482)
Purchases of intangible assets	*15*	(944)	—	—	—	—
Purchases of financial assets at fair value through profit or loss		(10)	—	—	—	—
Proceeds from disposal of financial assets at fair value through profit or loss		10	—	—	—	—
Net cash generated from/(used in) investing activities		6,506	(174)	(578)	(13)	(8,461)
Cash flows from financing activities						
Interest paid	*25(b)*	(109)	—	(422)	—	(1,366)
(Repayment to)/advances from related parties	*25(b)*	(11,150)	74,001	6,596	1,906	347
Repayment of borrowing	*25(b)*	(2,600)	—	—	—	—
[REDACTED] paid (equity portion)		—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payment of principal elements of lease liabilities	*25(b)*	(907)	(977)	(1,352)	(623)	(616)
Payment of interest portion of lease liabilities	*25(b)*	(114)	(90)	(64)	(35)	(52)
Cash contributions from shareholders	*22(c)*	41,500	9,565	22,435	22,435	—
Net cash generated from/(used in) financing activities		26,620	81,576	24,560	22,906	(2,101)
Net increase/(decrease) in cash and cash equivalents		9,144	20,333	70,949	16,666	(15,345)
Cash and cash equivalents at beginning of year/period	*20*	11,591	20,735	41,072	41,072	112,117
Exchange differences on cash and cash equivalents		—	4	96	39	(18)
Cash and cash equivalents at end of year/period	*20*	20,735	41,072	112,117	57,777	96,754

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PREPARATION

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 (the "[REDACTED] Business") 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 [REDACTED] Business. Mr. Sang is the ultimate controlling shareholder of the Group throughout the Track Record Period.

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below) and during the Track Record Period, the [REDACTED] Business was operated by Zhongshen Jianye Construction Group Co., Ltd. ("Zhongshen Jianye"). Immediately prior to the Reorganisation, Zhongshen Jianye was owned by Mr. Sang and Mr. Xian as to 80% and 20% respectively.

In preparation for the [REDACTED] (the "[REDACTED]") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganisation (the "Reorganisation") was undertaken pursuant to which Zhongshen Jianye and the [REDACTED] 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 Capital Limited ("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.

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 (Note 22(c)) 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.

(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.

Upon completion of the Reorganisation and as at the date of this report, 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 capital	Attributable equity of the Group as at 31 December			Attributable equity of the Group as at 30 June 2023	Attributable equity of the Group as at the date of this report	Note
				2020	2021	2022			
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 the BVI	Hong Kong dollar ("HKD") 100	N/A	100%	100%	100%	[100%]	(3)
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	100%	100%	100%	100%	[100%]	(1)
Zhongshen Ximing Capital Limited ("Zhongshen Ximing") 中深熙明資本有限公司	2 March 2021, Hong Kong, limited liability company	Investment holding in Hong Kong	HKD100	N/A	100%	100%	100%	[100%]	(2)
Lefu Capital Limited ("Lefu Capital") 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	N/A	N/A	100%	100%	[100%]	(2)
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	N/A	100%	100%	100%	[100%]	(3)
Zhongshen Jianye (Shenzhen) Construction Co., Ltd.* (previously known as "Shenzhen Zhongshen Zhuohe Enterprise Management Co., Ltd.*") 中深建業(深圳)建設有限公司(前稱: 深圳市中深卓和企業管理有限公司)	3 December 2021, the PRC, limited liability company	Investment holding in the PRC	RMB1,010,100	N/A	100%	100%	100%	[100%]	(3)
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	100%	100%	100%	100%	[100%]	(3)
Zhongshen Jianye Technology (Shenzhen) Co., Ltd.* (previously known as "Shenzhen Shi Feng Labour Service Co., Ltd.*") 中深建業科技(深圳)有限公司 (前稱: 深圳市世豐勞務有限公司)	12 June 2019, the PRC, limited liability company	Inactive	RMB1,000,000	100%	100%	100%	100%	[100%]	(3)

Name	Date and place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/issued capital	Attributable equity of the Group as at 31 December			Attributable equity of the Group as at 30 June 2023	Attributable equity of the Group as at the date of this report	Note
				2020	2021	2022			
Zhongshen Jianye Ecological Construction (Shenzhen) Co., Ltd.* (previously known as "Zhongjian Tiancheng Construction Development Co., Ltd.*") 中深建業生態建設(深圳)有限公司 (前稱: 中建天成建設發展有限公司)	9 June 2017, the PRC, limited liability company	Inactive	RMB80,000,000	100%	100%	100%	100%	[100%]	(3)
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	N/A	100%	100%	100%	[100%]	(3)
Henan Hetu Luoshu Industrial Co., Ltd.* ("Hetu Luoshu") 河南省河圖洛書實業有限公司	16 March 2017, the PRC, limited liability company	Inactive	RMB100,000,000	100%	N/A	N/A	N/A	[N/A]	(3), (4)
Henan Hetu Network Information Technology Co., Ltd.* ("Hetu Network") 河南省河圖網絡信息科技有限公司	10 March 2017, the PRC, limited liability company	Inactive	RMB100,000,000	100%	N/A	N/A	N/A	[N/A]	(3), (4)
Zhumadian Hetu Construction Engineering Co., Ltd.* ("Hetu Construction") 駐馬店市河圖建設工程有限公司	10 March 2017, the PRC, limited liability company	Inactive	RMB50,000,000	N/A	N/A	N/A	N/A	[N/A]	(3), (4)
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	N/A	N/A	100%	100%	[100%]	(3)
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	N/A	N/A	100%	100%	[100%]	(3)
Zhongshen Jianye Project Management (Shenzhen) Co., Ltd.* 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	N/A	N/A	100%	100%	[100%]	(3)

(1) The statutory financial statements for the years ended 31 December 2020, 2021 and 2022 were prepared in accordance with Chinese accounting standards and audited by Shenzhen Huatu Certified Public Accountants* 深圳市華圖會計師事務所(普通合夥), Shenzhen Jintian Certified Public Accountants* 深圳市錦添會計師事務所(普通合夥) and Shenzhen Jintian Certified Public Accountants* 深圳市錦添會計師事務所(普通合夥) respectively.

(2) The statutory financial statements of Zhongshen Ximing and Lefu Capital for the period from incorporated date to 31 December 2021 and for the year ended 31 December 2022 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and audited by Venus W. S. Lui Certified Public Accountant (Practising).

(3) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(4) Hetu Luoshu, Hetu Network and Hetu Construction were dissolved voluntarily and deregistered on 22 March 2021, 29 March 2021 and 29 March 2021, respectively.

* The English name of certain entities 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 the PRC law.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business is conducted through Zhongshen Jianye which is controlled by Mr. Sang. Pursuant to the Reorganisation, Zhongshen Jianye was transferred to and held by the Company. The Company and the intermediary holding companies set up during the Reorganisation are new companies which have not been involved in any business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the [REDACTED] Business and does not result in any changes in management of such business and the ultimate controlling shareholder of the [REDACTED] Business remains the same. For the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Zhongshen Jianye and its subsidiaries with the assets and liabilities of the Group recognised and measured at the carrying values of the assets, liabilities and operating results of the [REDACTED] Business under the consolidated financial statements of Zhongshen Jianye for all periods presented.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Historical Financial Information are set out below.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. The principal accounting policies set out below have been consistently applied to all the years and periods presented, unless otherwise stated. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information 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 Historical Financial Information are disclosed in Note 4.

In preparing the Historical Financial Information, all effective HKFRSs, amendments to standards and interpretations which are mandatory for the financial period beginning on 1 January 2023, have been consistently applied by the Group throughout the Track Record Period.

(a) ***New standards and interpretations not yet adopted***

The following new and amended standards, improvements, interpretations and accounting guidelines have been issued but are not effective for the Track Record Period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability (amendments)	1 January 2025
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies "Classification of Liabilities as Current or Non-current — Amendments to HKAS 1"
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new and amended standards, improvements, interpretations and accounting guidelines. According to the preliminary assessment made by management, no significant impact on the financial performance and financial positions of the Group is expected when they become effective.

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.

2.3 Separate financial statements

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

Impairment testing of the interests in subsidiaries is required upon receiving a dividend from these investments 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 Historical Financial Information of the investee's net assets including goodwill.

2.4 Foreign currency translation

(a) ***Functional and presentation currency***

Items included in the Historical Financial Information 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 Historical Financial Information of the Company is 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 at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognised in other comprehensive income.

(c) ***Group companies***

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency differences are recognised in other comprehensive income.

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.

2.6 Intangible assets

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

Acquired construction licences and software are initially recognised at cost.

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. The useful lives of construction licences are estimated based on the relevant laws and regulations in the PRC as the period stipulated in the construction licences was five years and could be renewed for another five years, and the management of the Group assessed that the cost of renewal was insignificant and it was highly probable that the Group would meet the requirements for the renewal. The useful lives of software are estimated based on the software's unlimited licence period and the expected economic lives based on the typical life cycle of similar software that are used in a similar manner.

2.7 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 levels 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.

2.8 Investments and other financial asset

(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.

For assets measured at 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 fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(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 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.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

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 statements of comprehensive income.

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and retention 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 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.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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 2.8(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 and does not have a continuing involvement, the Group de-recognises the receivables in their entirety.

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 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 assets 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 liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.12 Cash and cash equivalents

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

2.15 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.

2.17 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 all of 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.

From time to time, customers may request scope changes during construction and the Group may commence work on the changes after the scope of the changes has been agreed while the price for the corresponding changes has still not been agreed. Approved scope changes where a change in price has not been agreed are accounted for under the guidance in relation to variable consideration.

Certain revenue contracts allow customers an option to settle part of the contract consideration by requiring the Group to factor trade receivables from customers with financial institutions. The costs for such factoring arrangement are borne by the Group and are considered in determining the transaction prices, which are the amount of consideration which the Group expects to receive in exchange for transferring promised goods or services to a customer.

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.

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.

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 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.

2.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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 for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease payments include fixed payments, less any lease incentives, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset and are recognised as an expense in the consolidated statements of comprehensive income in the period in which the event or condition that triggers those payments occurs.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase option. The corresponding adjustment is made to the related right-of-use asset.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within profit or loss in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity 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) ***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. RMB is not freely convertible into other foreign currencies and the conversion of RMB into foreign currencies is subject to 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.

If RMB had weakened/strengthened by 5% against HKD with all other variables held constant, profit before taxation for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 would have been decreased/increased by approximately nil, RMB133,000, RMB78,000 and RMB103,000, respectively, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated payables.

(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 and fair value interest rate risk on bank deposits is insignificant as the fixed rate deposits were short-term.

Other financial assets and liabilities do not have material interest rate risk.

(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 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 considered them to have a low credit risk, and thus the loss allowance 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 HKFRS 9, which requires 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

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 receivables.

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 those factors.

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2020, 2021 and 2022, and 30 June 2023 were determined as follows:

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Collective basis				
Group 1				
• Contract assets	0.07%	134,743	100	134,643
• Trade receivables				
— Within 1 year	0.08%	16,808	13	16,795
— Between 1 year and 2 years	0.24%	1,260	3	1,257
Group 2				
• Contract assets	0.03%	157,770	55	157,715
• Trade receivables				
— Within 1 year	0.03%	125,817	43	125,774
— Between 1 year and 2 years	0.11%	3,751	4	3,747
Group 3				
• Contract assets	1.51%	277,759	4,205	273,554
• Trade receivables				
— Within 1 year	1.51%	62,592	947	61,645
Group 4				
• Contract assets	1.44%	51,126	737	50,389
• Trade receivables				
— Within 1 year	1.46%	1,710	25	1,685
— Between 1 year and 2 years	1.48%	406	6	400
Individual basis				
Customer 1 (Note (a))				
• Contract assets	43.62%	37,997	16,573	21,424
• Trade receivables				
— Within 1 year	43.62%	14,198	6,193	8,005

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 December 2021				
Collective basis				
Group 1				
• Contract assets	0.06%	152,431	98	152,333
• Trade receivables				
— Within 1 year	0.07%	17,156	12	17,144
— Between 1 year and 2 years	0.38%	28	—*	28
— Over 2 years	1.18%	760	9	751
Group 2				
• Contract assets	0.07%	109,693	82	109,611
• Trade receivables				
— Within 1 year	0.07%	77,249	55	77,194
— Between 1 year and 2 years	0.30%	48,692	148	48,544
Group 3				
• Contract assets	1.69%	419,273	7,076	412,197
• Trade receivables				
— Within 1 year	1.72%	103,079	1,778	101,301
Group 4				
• Contract assets	1.06%	128,804	1,368	127,436
• Trade receivables				
— Within 1 year	1.13%	22,781	257	22,524
— Between 1 year and 2 years	8.92%	437	39	398
— Over 2 years	100.00%	100	100	—
Individual basis				
Customer 1 (Note (a))				
• Contract assets	88.71%	19,940	17,688	2,252
• Trade receivables				
— Within 1 year	88.71%	5,880	5,216	664

* Below RMB1,000.

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 December 2022				
Collective basis				
Group 1				
• Contract assets	0.05%	251,275	133	251,142
• Trade receivables				
— Within 1 year	0.13%	16,448	21	16,427
— Between 1 year and 2 years	0.62%	321	2	319
— Over 2 years	4.17%	863	36	827
Group 2				
• Contract assets	0.04%	169,171	67	169,104
• Trade receivables				
— Within 1 year	0.05%	50,061	27	50,034
— Between 1 year and 2 years	0.60%	31,881	192	31,689
— Over 2 years	3.46%	34,991	1,210	33,781
Group 3				
• Contract assets	1.70%	120,831	2,060	118,771
• Trade receivables				
— Within 1 year	1.70%	1,769	30	1,739
Group 4				
• Contract assets	2.21%	378,215	8,357	369,858
• Trade receivables				
— Within 1 year	2.84%	32,430	921	31,509
— Between 1 year and 2 years	21.79%	234	51	183
— Over 2 years	100.00%	525	525	—
Individual basis				
Customer 2 (Note (b))				
• Contract assets	11.83%	125,031	14,787	110,244
• Trade receivables				
— Within 1 year	11.83%	23,665	2,799	20,866
Customer 3 (Note (c))				
• Contract assets	64.08%	2,038	1,306	732
Others — individually insignificant				
• Contract assets	100.00%	165	165	—
• Trade receivables	100.00%	160	160	—

	Expected loss rate	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 30 June 2023				
Collective basis				
Group 1				
• Contract assets	0.12%	237,626	278	237,348
• Trade receivables				
— Within 1 year	0.17%	18,922	32	18,890
— Between 1 year and 2 years	0.72%	277	2	275
— Over 2 years	4.53%	817	37	780
Group 2				
• Contract assets	0.05%	158,626	72	158,554
• Trade receivables				
— Within 1 year	0.05%	57,179	28	57,151
— Between 1 year and 2 years	0.72%	1,668	12	1,656
— Over 2 years	0.48%	6,283	30	6,253
Group 3				
• Contract assets	1.71%	123,234	2,110	121,124
• Trade receivables				
— Within 1 year	1.71%	7,079	121	6,958
Group 4				
• Contract assets	2.57%	389,637	10,019	379,618
• Trade receivables				
— Within 1 year	8.32%	12,593	1,048	11,545
— Between 1 year and 2 years	23.21%	1,034	240	794
— Over 2 years	100.00%	100	100	—
Individual basis				
Customer 2 (Note (b))				
• Contract assets	12.23%	79,864	9,771	70,093
• Trade receivables				
— Within 1 year	12.23%	12,917	1,580	11,337
— Between 1 year and 2 years	12.23%	13,643	1,669	11,974
Customer 3 (Note (c))				
• Contract assets	64.08%	2,038	1,306	732
Others — individually insignificant				
• Contract assets	100.00%	165	165	—
• Trade receivables	100.00%	160	160	—

(a) Customer 1 is an enterprise set up by a city government in Henan province. In 2020, the Group entered into a contract with Customer 1 whereas the Group would construct a building for Customer 1 for a contract price of RMB291,608,000. Towards the end of 2020, the Group identified that the credit risk of Customer 1 had worsened, taking into account the status of billings and settlement and information in relation to the financial conditions of Customer 1. The Group decided to suspend the project until Customer 1 could substantially settle the outstanding payments for the works completed. As at 31 December 2020 and 2021, the Group estimated, based on the then available information, the recoverable amount for the construction service it had provided by recognising an impairment provision against the carrying values of trade receivables and contract assets from Customer 1.

The directors of the Company understood that during the period from September 2022 to March 2023, Customer 1 has raised a total of RMB9 billion from 3 rounds of bond issuance, and the Group has collected cash of RMB20,000,000 and RMB2,500,000 from Customer 1 during the second half of 2022 and the first half of 2023, respectively. The loss allowance provision totalling RMB22,904,000 set up for Customer 1 as at 30 June 2022 was written back by RMB22,678,000 and RMB28,000 during the second half of 2022 and the first half of 2023, respectively. In addition, starting from the year ended 31 December 2022, the Group has assessed the credit risk of Customer 1 on a collective basis together with other customers in Group 4.

(b) Customer 2 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 2 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 2023. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the total balance of trade receivables and contract assets from Customer 2 were RMB213,558,000, RMB253,965,000, RMB148,696,000 and RMB106,424,000, against which impairment provision of RMB3,233,000, RMB4,419,000, RMB17,586,000 and RMB13,019,000 was made respectively.

The many factors challenging the liquidity of PRC property developers have intensified significantly since 2022. 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 2 separately from other Group 3 customers starting from the year ended 31 December 2022. After careful consideration, the expected credit loss rate of Customer 2 as at 31 December 2022 was determined to be 11.83% and further increased to 12.23% as at 30 June 2023.

Development subsequent to 30 June 2023

In July 2023, Customer 2 made payments of RMB20,530,000 to the Group, and the total balance of contract assets and accounts receivable before provision for impairment loss from Customer 2 was reduced to RMB86,866,000 as at 31 July 2023.

In August 2023, Customer 2 announced, among other things, a profit warning for the six months ended 30 June 2023 and it was under phased liquidity pressure. Accordingly, the directors of the Company consider the credit risk associated with Customer 2 has been escalated significantly subsequent to 30 June 2023.

For accounting purpose, the announcements of Customer 2 in August 2023 are considered as non-adjusting event, and the Group has not adjusted the expected credit loss with Customer 2 recognised on its balance sheet as at 30 June 2023 to reflect the non-adjusting event.

(c) Customer 3 is an enterprise set up by a city government in Shenzhen. In 2019, the Group entered into a contract with Customer 3 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 30 June 2022. During the second half of 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. An impairment provision of RMB1,306,000 was made against the contract assets of this customer as at 31 December 2022 and 30 June 2023.

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	1,944	28,904	33,926	33,926	32,849
Credit loss allowance recognised/(reversed), net *(Note 18)*	26,960	5,022	(1,077)	7,298	(4,069)
At the end of the year/ period	28,904	33,926	32,849	41,224	28,780

(iii) *Credit risk of other receivables*

For other receivables, the impairment loss is measured based on the 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. However, 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 2020, 2021 and 2022, and 30 June 2023, other receivables mainly comprise tender deposits, guarantee deposits, bank deposits restricted for use under court orders and amounts due from other third parties.

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the year/period	154	42	95	95	2,426
Credit loss allowance (reversed)/recognised, net *(Note 19)*	(112)	53	2,331	(36)	(211)
At the end of the year/period	42	95	2,426	59	2,215

(a) A full impairment provision of RMB2,000,000 was made as at 31 December 2022 and 30 June 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.

(iv) *Credit risk of amounts due from related parties*

The management consider the credit risk on the amounts due from related parties of the Group is low as no default in payment was noted.

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. 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. In line with industry practice, the Group is only entitled to bill and receive payments from the customers when the settlement audit for the completed work is completed in accordance with the internal approval procedures of the customers. Cash flow mismatch arises during construction period when the Group makes payments for construction costs before reaching the milestone that the Group is entitled to bill the customers, despite the project is expected to generate positive cash flows as a whole when the project progresses towards completion.

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 gap between the due date of payments to the Group's vendors and the date of the Group's submission of progress billings. Despite the collection cycle from these Government-related customers is generally longer, the Group anticipates the contract assets and trade receivables from these customers can be realised in cash within the normal operating cycle.

Meanwhile, since the second half of 2021, the domestic real estate industry has experienced drastic challenges, which resulted in 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 in the near future. Amid the severe challenges faced by the industry, the Group actively maintained 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 sought 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 property developers was RMB340 million, RMB522 million, RMB271 million and RMB237 million as at 31 December 2020, 2021 and 2022 and 30 June 2023.

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 30 June 2023 taken into account of the anticipated cash flows to be generated from the Group's operations. In particular, due to the liquidity issue confronting Customer 2 mentioned in note 3.1 (b)(ii)(b), the directors of the Company have prepared a stress test assuming Customer 2 would not make payments to the Group from August 2023 to 30 June 2024. 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 30 June 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

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	Between 1 and 2 years	Over 2 years	Total contractual cash flows	Carrying amount liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	729,620	—	—	729,620	729,620
Amounts due to related parties *(Note 27)*	73,588	—	—	73,588	73,588
Lease liabilities *(Note 14)*	1,021	1,027	—	2,048	1,918
	804,229	1,027	—	805,256	805,126
As at 31 December 2021					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	897,167	—	—	897,167	897,167
Amounts due to related parties *(Note 27)*	147,589	—	—	147,589	147,589
Lease liabilities *(Note 14)*	1,273	257	159	1,689	1,612
	1,046,029	257	159	1,046,445	1,046,368
As at 31 December 2022					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	1,096,684	—	—	1,096,684	1,096,684
Amounts due to related parties *(Note 27)*	11,485	—	—	11,485	11,485
Lease liabilities *(Note 14)*	1,328	1,140	30	2,498	2,397
	1,109,497	1,140	30	1,110,667	1,110,566
As at 30 June 2023					
Trade and other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	933,375	—	—	933,375	933,375
Amounts due to related parties *(Note 27)*	11,832	—	—	11,832	11,832
Lease liabilities *(Note 14)*	1,361	539	33	1,933	1,849
	946,568	539	33	947,140	947,056

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 net debt divided by total capital (the total of net debt/(cash) and total equity). The gearing ratios as at 31 December 2020, 2021 and 2022, and 30 June 2023 were as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities *(Note 14)*	1,918	1,612	2,397	1,849
Amounts due to related parties (non-trade in nature) *(Note 27)*	73,588	147,589	11,485	11,832
Less:				
Cash and cash equivalents *(Note 20)*	(20,735)	(41,072)	(112,117)	(96,754)
Net debt/(cash)	54,771	108,129	(98,235)	(83,073)
Total equity	98,952	136,593	327,062	337,849
Total capital	153,723	244,722	228,827	254,776
Gearing ratio	36%	44%	N/A*	N/A*

Changes in the gearing ratio during the Track Record Period were primarily attributable to the level and timing of cash contributions from shareholders (Note 22(c)) and the capitalisation of amounts due to shareholders into equity (Note 22(e)).

* The gearing ratio was presented as N/A as at 31 December 2022 and 30 June 2023 due to the net cash position.

3.3 Fair value estimation

The carrying amounts of the current portion of the Group's financial assets and liabilities including trade and bills receivables, deposits and other receivables, amounts due from related parties, restricted bank deposits, cash and cash equivalents, trade and other payables, amounts due to related parties and lease liabilities approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of Historical Financial Information 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 from time to time 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 estimates of contract revenue, contract costs to completion, variation orders and contract claims prepared for each construction contract as the contract progresses. Significant judgement is required in estimating the contract revenue, contract costs to completion, outcome of variation works and contract claims which may have an impact in terms of progress towards complete satisfaction of the performance obligations and recognition of profit. Actual outcomes of total contract revenue and contract costs may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment 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).

(c) Income taxes

The Group is subject to income taxes mainly in the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax expense in the periods in which such estimate is changed.

(d) Useful lives of the construction licences

The Group's construction licences are amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the construction licences regularly in order to determine the amount of amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's intended period of use of the licences and the expectations to maintain and renew the licences under relevant laws and regulations in the PRC without significant cost of renewal. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

5 REVENUE AND SEGMENT INFORMATION

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

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			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Revenue from provision of construction services	1,331,204	1,346,219	1,378,055	371,857	495,780

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

(b) Revenue from major customers who have individually contributed over 10% or more of the total revenue of the Group:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Customer I	*	*	151,424	70,597	*
Customer II	*	*	166,199	55,978	*
Customer III	*	*	168,065	55,851	*
Customer IV	274,807	276,764	*	*	*
Customer V	215,271	281,533	205,806	*	*
Customer VI	252,012	*	*	*	*
Customer VII	*	*	*	*	66,692
Customer VIII	*	*	*	*	55,954

* Transactions with these customers did not exceed 10% of the Group's revenue in the respective years or periods.

Companies under the same ultimate controlling party are regarded as one customer when calculating the amount of revenue from major customers.

(c) Segment revenue by customers' geographical location

The Group is domiciled in the PRC. All revenue was derived from external customers in the PRC during the Track Record Period.

(d) Details of contract liabilities

	As at 1 January	As at 31 December			As at 30 June
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	18,237	43,188	14,936	21,917	20,813

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

(ii) During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, brought-forward contract liabilities of approximately RMB17,939,000, RMB42,340,000, RMB9,145,000, and RMB17,759,000 at the beginning of the year/period were recognised as revenue, respectively.

(e) Unsatisfied contracts related to construction services:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Expected to be recognised within one year	920,775	471,656	968,196	1,104,565
Expected to be recognised after one year	234,195	183,188	332,777	362,811
Total transaction price allocated to the unsatisfied contracts	1,154,970	654,844	1,300,973	1,467,376

(f) Non-current assets by geographical location

As at 31 December 2020, 2021 and 2022, and 30 June 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			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Raw materials and consumables used	590,708	627,486	616,065	177,076	245,118
Employee benefit expenses and labour subcontracting costs *(Note 7)*	400,984	421,072	432,056	109,141	136,608
Specialised construction subcontracting costs	217,025	131,078	167,627	44,814	45,067
Equipment and machinery usage costs	60,828	99,155	91,541	26,260	43,856
Design and testing service costs	2,498	3,672	4,530	1,326	2,483
Depreciation and amortisation expenses	2,977	3,227	3,465	1,672	1,758
— Depreciation of plant and equipment *(Note 13)*	27	44	104	36	79
— Depreciation of right-of-use assets *(Note 14)*	942	1,088	1,266	588	631
— Amortisation of intangible assets *(Note 15)*	2,008	2,095	2,095	1,048	1,048
[REDACTED]	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bank charges	553	996	1,248	427	1,091
Insurance expenses	2,044	2,690	2,081	704	914
Taxes, surcharge and levies	3,507	5,251	4,247	1,336	845
Professional fees	272	238	930	887	351
Travelling and entertainment expenses	566	569	388	279	242
Auditors' remuneration	44	645	169	149	30
Other expenses	2,775	3,824	4,521	1,832	2,858
	1,284,781	1,303,221	1,338,199	369,182	483,588

7 EMPLOYEE BENEFIT EXPENSES AND LABOUR SUBCONTRACTING COSTS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	12,729	15,589	18,448	9,489	8,132
Pension costs — defined contribution plans (a)	44	954	2,267	1,057	1,083
Other employee benefits	1,659	1,127	1,472	689	620
	14,432	17,670	22,187	11,235	9,835
Labour subcontracting costs (b)	386,552	403,402	409,869	97,906	126,773
	400,984	421,072	432,056	109,141	136,608

(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 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the five individuals whose emoluments were the highest in the Group include 1, 2, 2, 2 and 2 directors, respectively, whose emolument is reflected in the analysis presented in Note 7(d). The emoluments payable to the remaining individuals during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	650	775	847	386	387
Pension costs — defined contribution plans	1	12	76	33	42
Other employee benefits	26	17	43	19	20
	677	804	966	438	449

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(Unaudited)	
Emolument bands					
Nil – HKD500,000	4	3	3	3	3

(d) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2020:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	41	—*	1	42
Executive director and CEO					
Mr. Xian (i)	—	134	—*	817	951
Total	—	175	—*	818	993

* Below RMB1,000.

For the year ended 31 December 2021:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	368	4	2	374
Executive director and CEO					
Mr. Xian (i)	—	374	4	5	383
Total	—	742	8	7	757

For the year ended 31 December 2022:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	358	13	7	378
Executive director and CEO					
Mr. Xian (i)	—	419	30	24	473
Total	—	777	43	31	851

For the six months ended 30 June 2023:

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	179	7	2	188
Executive director and CEO					
Mr. Xian (i)	—	180	17	12	209
Total	—	359	24	14	397

For the six months ended 30 June 2022 (Unaudited):

Name of director	Director's fee	Wages, salaries and bonuses	Pension costs — defined contribution plans	Other social security costs, housing benefits and other employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Sang (i)	—	151	6	1	158
Executive director and CEO					
Mr. Xian (i)	—	182	13	7	202
Total	—	333	19	8	360

(i) Mr. Xian and Mr. Sang were appointed as directors of the Company on 2 February 2021. The remuneration shown above represented remuneration received and receivable from the Group by these executive directors in their capacity as employees or/and the directors of the companies now comprising the Group. Ms. [Liu Zhihong], Mr. [Zeng Qingli] and Mr. [Xie Huagang] were appointed as the Company's independent non-executive directors on [date]. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the independent non-executive directors have not yet been appointed and did not receive directors' remuneration in the capacity of independent non-executive directors.

(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 Track Record Period.

No payment was made to the directors as compensation for early termination of appointment during the Track Record Period.

(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 Track Record Period.

(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 Track Record Period.

(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 Track Record Period.

8 OTHER INCOME, (LOSSES)/GAINS — NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Consulting fee income	—	1,689	399	42	48
Government grants (a)	10	41	343	185	18
Claims or penalties (b)	(70)	(476)	(512)	(73)	(11)
Loss on disposal of plant and equipment	(4)	—	—	—	—
Gains on early termination of leases	—	—	1	—	6
Exchange gains/(losses)	—	66	(246)	(201)	(68)
Others	(148)	(154)	13	7	—*
	(212)	1,166	(2)	(40)	(7)

* Below RMB1,000.

(a) Government grants primarily related to subsidies received in connection with the Group's contributions to dedicated employment policies released by regional authorities. There were no unfulfilled conditions or contingencies relating to these grants.

(b) The Group was required to pay penalties in respect of certain claims arising from its construction operations. Such claims were primarily related to the Group being found non-compliance with the rules and regulations concerning environmental protection and occupational safety in some of the Group's construction projects.

9 FINANCE (COSTS)/INCOME — NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
— Interest income derived from bank deposits	60	96	148	48	181
Finance costs					
— Interest expense on factoring	—	—	(422)	—	(1,366)
— Interest expense on borrowing	(109)	—	—	—	—
— Interest expense on lease liabilities	(114)	(90)	(64)	(35)	(52)
	(223)	(90)	(486)	(35)	(1,418)
Finance (costs)/income — net	(163)	6	(338)	13	(1,237)

10 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	13,259	12,361	12,842	1,154	3,512
Deferred income tax *(Note 24)*	(7,618)	(1,342)	95	(1,387)	929
	5,641	11,019	12,937	(233)	4,441

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 Track Record Period.

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

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

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax	19,200	39,095	38,262	(4,614)	15,228
Tax calculated at applicable corporate income tax rate	4,800	10,378	11,194	(582)	3,919
Tax effects of					
— Tax losses for which no deferred income tax asset was recognised	28	20	208	40	188
— Expenses not deductible for tax purposes	813	621	1,535	309	334
Income tax expense/(credit)	5,641	11,019	12,937	(233)	4,441

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. Management did not recognise tax losses derived from certain branch offices and intermediate holding companies in the PRC of Zhongshen Jianye during the Track Record Period.

The tax losses shall expire in five years from the year of occurrence under current tax legislation. Details of expiring year of such tax losses are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Expiry year					
2025	112	112	112	112	112
2026	—	81	81	81	81
2027	—	—	730	161	730
2028	—	—	—	—	753
	112	193	923	354	1,676

11 EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) of the Group attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period.

In the calculation of weighted average number of ordinary shares outstanding for the Track Record Period, the 10,000 shares issued to owners of the Company during the Reorganisation had been adjusted retrospectively as if those shares had been issued since 1 January 2020.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(Unaudited)	
Profit/(loss) attributable to owners of the Company (RMB'000)	13,559	28,076	25,325	(4,381)	10,787
Weighted average number of ordinary shares in issue	10,000	10,000	10,000	10,000	10,000
Basic earnings/(losses) per shares (expressed in RMB thousand per share)	1.36	2.81	2.53	(0.44)	1.08

Diluted earnings/(losses) per share is equal to basic earnings/(losses) per share as there was no potential diluted shares outstanding for the Track Record Period.

12 DIVIDENDS

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

13 PLANT AND EQUIPMENT

	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020				
Cost	27	13	—	40
Accumulated depreciation	(7)	(5)	—	(12)
Net book amount	20	8	—	28
Year ended 31 December 2020				
Opening net book amount	20	8	—	28
Additions	38	60	—	98
Disposals	—	(4)	—	(4)
Depreciation *(Note 6)*	(15)	(12)	—	(27)
Closing net book amount	43	52	—	95

	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020				
Cost	65	69	—	134
Accumulated depreciation	(22)	(17)	—	(39)
Net book amount	43	52	—	95
Year ended 31 December 2021				
Opening net book amount	43	52	—	95
Additions	11	163	—	174
Depreciation *(Note 6)*	(20)	(24)	—	(44)
Closing net book amount	34	191	—	225
As at 31 December 2021				
Cost	76	232	—	308
Accumulated depreciation	(42)	(41)	—	(83)
Net book amount	34	191	—	225
Year ended 31 December 2022				
Opening net book amount	34	191	—	225
Additions	16	21	494	531
Depreciation *(Note 6)*	(17)	(61)	(26)	(104)
Closing net book amount	33	151	468	652
As at 31 December 2022				
Cost	92	253	494	839
Accumulated depreciation	(59)	(102)	(26)	(187)
Net book amount	33	151	468	652
Six months ended 30 June 2023				
Opening net book amount	33	151	468	652
Additions	39	17	—	56
Depreciation *(Note 6)*	(9)	(31)	(39)	(79)
Closing net book amount	63	137	429	629

	Computers and office equipment	Furniture and fixtures	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2023				
Cost	131	270	494	895
Accumulated depreciation	(68)	(133)	(65)	(266)
Net book amount	63	137	429	629
Six months ended 30 June 2022 (Unaudited)				
Opening net book amount	34	191	—	225
Depreciation *(Note 6)*	(7)	(29)	—	(36)
Closing net book amount	27	162	—	189
As at 30 June 2022 (Unaudited)				
Cost	76	232	—	308
Accumulated depreciation	(49)	(70)	—	(119)
Net book amount	27	162	—	189

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	27	44	104	36	79

14 LEASE

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

(a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
Offices	1,882	1,465	2,337	1,780
Lease liabilities				
Current	917	1,224	1,248	1,286
Non-current	1,001	388	1,149	563
	1,918	1,612	2,397	1,849

Additions to the right-of-use assets during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were RMB80,000, RMB671,000, RMB2,165,000, RMB183,000 and RMB100,000 respectively.

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

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets					
Offices	942	1,088	1,266	588	631
Interest expense (included in finance costs)	114	90	64	35	52
Expense relating to short-term leases (included in cost of revenue)	60,828	99,155	91,541	26,260	43,856

The total cash outflow for leases during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 was RMB59,218,000, RMB100,027,000, RMB51,496,000, RMB25,449,000 and RMB74,576,000, respectively.

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

The Group leases various offices, equipment and machinery. 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.

15 INTANGIBLE ASSETS

	Construction licences	Software	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2020			
Cost	20,000	—	20,000
Accumulated amortisation	(3,500)	—	(3,500)
Net book amount	16,500	—	16,500
Year ended 31 December 2020			
Opening net book amount	16,500	—	16,500
Additions	—	944	944
Amortisation charge *(Note 6)*	(2,000)	(8)	(2,008)
Closing net book amount	14,500	936	15,436
As at 31 December 2020			
Cost	20,000	944	20,944
Accumulated amortisation	(5,500)	(8)	(5,508)
Net book amount	14,500	936	15,436
Year ended 31 December 2021			
Opening net book amount	14,500	936	15,436
Amortisation charge *(Note 6)*	(2,000)	(95)	(2,095)
Closing net book amount	12,500	841	13,341
As at 31 December 2021			
Cost	20,000	944	20,944
Accumulated amortisation	(7,500)	(103)	(7,603)
Net book amount	12,500	841	13,341

	Construction licences	Software	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022			
Opening net book amount	12,500	841	13,341
Amortisation charge *(Note 6)*	(2,000)	(95)	(2,095)
Closing net book amount	10,500	746	11,246
As at 31 December 2022			
Cost	20,000	944	20,944
Accumulated amortisation	(9,500)	(198)	(9,698)
Net book amount	10,500	746	11,246
Six months ended 30 June 2023			
Opening net book amount	10,500	746	11,246
Amortisation charge *(Note 6)*	(1,000)	(48)	(1,048)
Closing net book amount	9,500	698	10,198
As at 30 June 2023			
Cost	20,000	944	20,944
Accumulated amortisation	(10,500)	(246)	(10,746)
Net book amount	9,500	698	10,198
(Unaudited)			
Six months ended 30 June 2022			
Opening net book amount	12,500	841	13,341
Amortisation charge *(Note 6)*	(1,000)	(48)	(1,048)
Closing net book amount	11,500	793	12,293
(Unaudited)			
As at 30 June 2022			
Cost	20,000	944	20,944
Accumulated amortisation	(8,500)	(151)	(8,651)
Net book amount	11,500	793	12,293

(a) Construction licences were contributed prior to the track record period by the ultimate controlling shareholder of the Group for nil consideration. For accounting purpose, the estimated fair values of the licences at the time of contribution of RMB20 million were considered as the deemed cost of the licences to the Group, and the capital reserves account in shareholders' equity has been increased at the time of contribution by the amount of the estimated fair value of the licences.

(b) Amortisation has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Administrative expenses	2,008	2,095	2,095	1,048	1,048

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at amortised cost				
Trade receivables *(Note 18)*	219,308	268,548	187,374	127,613
Bills receivables *(Note 18)*	5,600	—	28,009	1,500
Other receivables *(Note 19)*	7,796	10,548	39,672	7,433
Amounts due from related parties *(Note 27)*	—	—	47	26
Restricted bank deposits *(Note 20)*	15,683	14,167	27,977	24,372
Cash and cash equivalents *(Note 20)*	20,735	41,072	112,117	96,754
	269,122	334,335	395,196	257,698
Financial liabilities at amortised cost				
Trade payables *(Note 23)*	724,170	891,789	1,091,566	926,100
Other payables (excluding payroll payables, other taxes payables and provisions) *(Note 23)*	5,450	5,378	5,118	7,275
Amounts due to related parties *(Note 27)*	73,588	147,589	11,485	11,832
Lease liabilities *(Note 14)*	1,918	1,612	2,397	1,849
	805,126	1,046,368	1,110,566	947,056

The Company

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost			
Amount due from a related party *(Note 19)*	—*	2	2
Amounts due from subsidiaries *(Note 19)*	16	—	—
Cash and cash equivalents	8	8	8
	24	10	10
Financial liabilities at amortised cost			
Other payables *(Note 23)*	[REDACTED]	[REDACTED]	[REDACTED]
Amount due to a related party *(Note 23)*	2,599	2,158	2,158
Amounts due to subsidiaries *(Note 23)*	1,139	13,933	14,940
	5,219	17,758	20,896

* Below RMB1,000.

17 INVENTORIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	148	352	304	238

No provision for inventories has been made during the Track Record Period.

18 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES

(a) Contract assets

	As at 1 January	As at 31 December			As at 30 June
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unbilled revenue (i)	378,687	588,190	728,876	920,969	867,339
Retention monies (ii)	33,759	71,205	101,265	125,757	123,851
	412,446	659,395	830,141	1,046,726	991,190
Less: provision for impairment of contract assets *(Note 3.1(b)(ii))*	(1,697)	(21,670)	(26,312)	(26,875)	(23,721)
	410,749	637,725	803,829	1,019,851	967,469

(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. Upon acceptance 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 sheets, retention receivables were classified as current assets based on its normal operating cycle.

(b) Trade and bills receivables

	As at 1 January	As at 31 December			As at 30 June
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (i)	91,130	226,542	276,162	193,348	132,672
Less: allowance for impairment of trade receivables *(Note (3.1(b)(ii))*	(247)	(7,234)	(7,614)	(5,974)	(5,059)
Trade receivables — net	90,883	219,308	268,548	187,374	127,613
Bills receivables (ii)	—	5,600	—	28,009	1,500
	90,883	224,908	268,548	215,383	129,113

(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			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	221,125	226,145	124,373	108,690
1 year to 2 years	5,417	49,157	32,596	16,622
Over 2 years	—	860	36,379	7,360
	226,542	276,162	193,348	132,672

(ii) Bills receivables represented bank acceptance bills received for payments from customers. Bills receivables are with maturity period of less than 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 2020, 2021, and 2022 and the six months ended 30 June 2023, trade receivables of RMB83,778,000, RMB147,509,000, RMB48,610,000 and RMB44,009,000, respectively, were derecognised from the balance sheet under such non-recourse factoring arrangements.

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

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	40,589	51,981	65,084	80,759
Prepayments for [REDACTED]	—	[REDACTED]	[REDACTED]	[REDACTED]
Prepayment for purchase of a property (d)	—	—	—	8,426
Deposits (a)	3,195	4,396	41,497	7,955
Amounts due from other third parties (b)	4,643	4,516	601	1,693
Bank deposits restricted for use under court orders (c)	—	1,731	—	—
Amounts due from related parties (b) *(Note 27)*	—	—	47	26
Less: allowance for impairment of other receivables *(Note 3.1(b)(iii))*	(42)	(95)	(2,426)	(2,215)
Total	48,385	64,425	108,874	101,400
Less: non-current portion	—	—	(214)	(8,736)
Current portion	48,385	64,425	108,660	92,664

As at 31 December 2020, 2021 and 2022, and 30 June 2023, the deposits, amounts due from related parties and amounts due from other third parties were denominated in RMB.

(a) As at 31 December 2020, 2021 and 2022, and 30 June 2023, the carrying amounts of deposits mainly includes tender deposits and guarantee deposits.

(b) As at 31 December 2020, 2021 and 2022, and 30 June 2023, the amounts due from related parties and amounts due from other third parties were unsecured, interest free and repayable on demand.

(c) As at 31 December 2021, the Group had bank deposits of RMB1,731,000 restricted for use under court orders applied by two suppliers which made legal claims against the Group in respect of trade disputes. In July 2022 and October 2022, the bank deposits restricted for use under court orders were released upon settlement of the legal claims.

(d) During the six months ended 30 June 2023, the Group entered into a purchase agreement whereby the Group agrees to acquire a commercial property in Guangming District in Shenzhen for a cash consideration of RMB42,130,000. A prepayment of RMB8,426,000 was made pursuant to the terms of the purchase agreement, and the remaining consideration is expected to be made before December 2023.

The Company

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Prepayments for [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amount due from a related party *(Note 27)*	—*	2	2
Amount due from a subsidiary *(Note 27)*	16	—	—
	1,912	4,073	4,758

* Below RMB1,000.

As at 31 December 2021 and 2022, and 30 June 2023, amount due from a related party and amount due from a subsidiary were unsecured, interest free and repayable on demand.

20 CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	36,418	55,239	140,094	121,126
Less: restricted bank deposits (a)	(15,683)	(14,167)	(27,977)	(24,372)
Cash and cash equivalents	20,735	41,072	112,117	96,754

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	36,418	55,214	139,970	120,674
HKD	—	25	124	452
	36,418	55,239	140,094	121,126

(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.

21 SHARE CAPITAL

The Group and the Company

Movements in share capital of the Group and the Company during the Track Record Period comprised:

	Number of ordinary shares of HKD1.00 each	Nominal value of ordinary shares
		HKD'000
Authorised		
Ordinary shares of HKD1.00 each:		
As at 2 February 2021 (date of incorporation), 31 December 2021	100	—*
As at 1 January 2022	100	—*
Addition (a)	379,900	380
As at 31 December 2022	380,000	380
As at 1 January 2023 and as at 30 June 2023	380,000	380

	Number of ordinary shares of HKD1.00 each	Share capital	
		HKD'000	RMB'000
Issued			
Issue of shares as at 2 February 2021 (date of incorporation) *(Note 1.2(a))*	100	—*	—*
As at 31 December 2021	100	—*	—*
As at 1 January 2022	100	—*	—*
Issue of shares *(Note 1.2(c)(iii))*	9,900	10	9
As at 31 December 2022	10,000	10	9
As at 1 January 2023 and as at 30 June 2023	10,000	10	9

* Below RMB1,000.

(a) Pursuant to the resolution passed by the shareholders of the Company on 28 June 2022, the number of authorised shares of the Company was increased from 100 shares of HKD1.00 par value each to 380,000 shares of HKD1.00 par value each.

(b) [Pursuant to the resolutions passed by the shareholders' meeting on [date], conditional on the [REDACTED], the authorised shares of the Company has been increased to [●] shares of HKD1.00 par value each. An aggregate of [●] ordinary shares will be issued and allotted to the shareholders whose names appear on the register of members of the Company as of the date of these resolutions and [●] shares will be issued upon [REDACTED] in relation to the [REDACTED] on the condition of being approved for [REDACTED].]

22 OTHER RESERVES AND (ACCUMULATED LOSSES)/RETAINED EARNINGS

The Group

	Statutory reserves	Capital reserves	Retained earnings/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	2,320	20,500	21,073	43,893
Profit for the year	—	—	13,559	13,559
Appropriation to statutory reserves (b)	1,376	—	(1,376)	—
Cash contributions from shareholders (c)	—	41,500	—	41,500
Transfer from retained earnings to capital reserves (d)	—	38,000	(38,000)	—
As at 31 December 2020	3,696	100,000	(4,744)	98,952
As at 1 January 2021	3,696	100,000	(4,744)	98,952
Profit for the year	—	—	28,076	28,076
Appropriation to statutory reserves (b)	2,789	—	(2,789)	—
Cash contributions from shareholders (c)	—	9,565	—	9,565
Transfer from retained earnings to capital reserves (d)	—	30,000	(30,000)	—
As at 31 December 2021	6,485	139,565	(9,457)	136,593
As at 1 January 2022	6,485	139,565	(9,457)	136,593
Profit for the year	—	—	25,325	25,325
Appropriation to statutory reserves (b)	3,462	—	(3,462)	—
Cash contributions from shareholders (c)	—	22,435	—	22,435
Capitalisation of amounts due to shareholders (e)	—	143,920	—	143,920
Deemed distribution to shareholders pursuant to the Reorganisation (f)	—	(1,220)	—	(1,220)
As at 31 December 2022	9,947	304,700	12,406	327,053
As at 1 January 2023	9,947	304,700	12,406	327,053
Profit for the period	—	—	10,787	10,787
As at 30 June 2023	9,947	304,700	23,193	337,840
(Unaudited)				
As at 1 January 2022	6,485	139,565	(9,457)	136,593
Loss for the period	—	—	(4,381)	(4,381)
Cash contributions from shareholders (c)	—	22,435	—	22,435
Capitalisation of amounts due to shareholders (e)	—	143,920	—	143,920
Deemed distribution to shareholders pursuant to the Reorganisation (f)	—	(1,220)	—	(1,220)
As at 30 June 2022	6,485	304,700	(13,838)	297,347

(a) As at 1 January 2020, the capital reserves comprised the paid-up capital of Zhongshen Jianye of RMB500,000 and the contribution from Mr. Sang of construction licences with an initial fair value of RMB20,000,000 to Zhongshen Jianye (Note 15(a)).

(b) 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.

(c) During the year ended 31 December 2020, Mr. Sang and Mr. Xian paid cash of RMB33,100,000 and RMB8,400,000, respectively, as the registered capital of Zhongshen Jianye.

Pursuant to a capital increase agreement entered into among Zhongshen Jianye, Lefu Capital, Mr. Sang and Mr. Xian on 19 November 2021, Lefu Capital subscribed for 8% equity interest in Zhongshen Jianye for RMB32 million. The consideration of RMB9,565,000, RMB12,515,000 and RMB9,920,000 were paid in December 2021, March 2022 and June 2022 respectively (Note 1.2(c)(i)).

(d) Pursuant to resolutions passed by the shareholders of Zhongshen Jianye on 20 November 2020 and 9 May 2021, registered capital of Zhongshen Jianye in the amount of RMB38,000,000 and RMB30,000,000, respectively, was paid up from its undistributed profit.

(e) Pursuant to the agreements dated 31 January 2022 entered into among Zhongshen Jianye and its shareholders and a resolution passed by the shareholders of Zhongshen Jianye on 22 February 2022, the shareholders resolved to pay up registered capital in the amount of approximately RMB143,920,000 by capitalising the advance from shareholders into equity.

(f) Pursuant to an equity transfer agreement entered into among Zhongshen Mingye, Mr. Sang and Mr. Xian dated 5 January 2022, Mr. Sang and Mr. Xian transferred their 1% equity interests in Zhongshen Jianye (Shenzhen) to Zhongshen Mingye for a consideration of RMB1,220,000 (Note 1.2(c)). The consideration payable to the shareholders was regarded as deemed distributions to shareholders. The deemed distribution was paid to the shareholders by Zhongshen Mingye on 30 August 2022.

The Company

	Capital reserves	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
As at 2 February 2021 (date of incorporation)	—	—	—
Loss for the period	—	(3,299)	(3,299)
Deemed contribution from shareholders pursuant to the Reorganisation (g)	139,981	—	139,981
As at 31 December 2021 and 1 January 2022	139,981	(3,299)	136,682
Loss for the year	—	(10,387)	(10,387)
Cash contributions from shareholders *(Note 22 (c))*	22,435	—	22,435
Capitalisation of amounts due to shareholders *(Note 22 (e))*	143,920	—	143,920
As at 31 December 2022 and 1 January 2023	306,336	(13,686)	292,650
Loss for the period	—	(2,453)	(2,453)
As at 30 June 2023	306,336	(16,139)	290,197
(Unaudited)			
As at 31 December 2021 and 1 January 2022	139,981	(3,299)	136,682
Loss for the period	—	(4,236)	(4,236)
Cash contributions from shareholders *(Note 22 (c))*	22,435	—	22,435
Capitalisation of amounts due to shareholders *(Note 22 (e))*	143,920	—	143,920
As at 30 June 2022	306,336	(7,535)	298,801

(g) Capital reserves of the Company represented the net assets value of the subsidiaries acquired pursuant to the Reorganisation (Note 1.2).

The list of subsidiaries of the Company is set out in Note 1.2.

23 TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO RELATED PARTIES

The Group

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (a)	724,170	891,789	1,091,566	926,100
Other payables and accruals (b)	17,431	13,352	43,954	37,770
	741,601	905,141	1,135,520	963,870
Amounts due to related parties *(Note 27)*	73,588	147,589	11,485	11,832
	815,189	1,052,730	1,147,005	975,702

The trade and other payables and amounts due to related parties were denominated in the following currencies:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	815,189	1,050,071	1,145,329	973,200
HKD	—	2,659	1,676	2,502
	815,189	1,052,730	1,147,005	975,702

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	560,709	707,449	648,196	451,911
1 year to 2 years	153,860	160,056	337,764	349,744
Over 2 years	9,601	24,284	105,606	124,445
	724,170	891,789	1,091,566	926,100

(b) Other payables and accruals

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued taxes and surcharges	9,412	3,602	34,233	26,982
Employee benefits accruals	2,559	4,136	3,852	3,503
Advance from a customer (i)	3,000	3,000	3,000	3,000
[REDACTED] payables	—	[REDACTED]	[REDACTED]	[REDACTED]
Other operating expenses payables and accruals	2,460	1,134	1,202	487
	17,431	13,352	43,954	37,770

(i) Advance from a customer represented guarantee deposits for the settlement of the wages of peasant labours (Note 20(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.

The Company

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
[REDACTED] payables	[REDACTED]	[REDACTED]	[REDACTED]
Other payables	1	—	—
	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due to a related party *(Note 27)*	2,599	2,158	2,158
Amounts due to subsidiaries *(Note 27)*	1,139	13,933	14,940
	5,219	17,758	20,896

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 taxes relate to the same tax authority.

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets (a)	9,219	10,561	10,466	9,537
Deferred income tax liabilities	—	—	—	—
	9,219	10,561	10,466	9,537

(a) Deferred income tax assets

The movement in deferred income tax assets and liabilities during the Track Record Period, 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 2020	525	1,076	1,601
Credited to profit or loss *(Note 10)*	6,712	906	7,618
As at 31 December 2020	7,237	1,982	9,219
As at 1 January 2021	7,237	1,982	9,219
Credited to profit or loss *(Note 10)*	1,269	73	1,342
As at 31 December 2021	8,506	2,055	10,561
As at 1 January 2022	8,506	2,055	10,561
Credited/(charged) to profit or loss *(Note 10)*	313	(408)	(95)
As at 31 December 2022	8,819	1,647	10,466
As at 1 January 2023	8,819	1,647	10,466
(Charged)/credited to profit or loss *(Note 10)*	(1,070)	141	(929)
As at 30 June 2023	7,749	1,788	9,537
(Unaudited)			
As at 1 January 2022	8,506	2,055	10,561
Credited/(charged) to profit or loss *(Note 10)*	1,815	(428)	1,387
As at 30 June 2022	10,321	1,627	11,948

25 CASH FLOW INFORMATION

(a) Reconciliation of profit/(loss) before income tax to cash (used in)/generated from operations

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax	19,200	39,095	38,262	(4,614)	15,228
Adjustments for:					
— Depreciation of plant and equipment *(Note 6)*	27	44	104	36	79
— Depreciation of right-of-use assets *(Note 6)*	942	1,088	1,266	588	631
— Amortisation of intangible assets *(Note 6)*	2,008	2,095	2,095	1,048	1,048
— Impairment losses/(reversal of impairment losses) on financial assets and contract assets *(Note 3.1(b))*	26,848	5,075	1,254	7,262	(4,280)
— Finance costs *(Note 9)*	223	90	486	35	1,418
— Foreign exchange (gains)/losses	—	(4)	(96)	(39)	18
— Gains on early termination of leases *(Note 8)*	—	—	(1)	—	(6)
— Loss on disposal of plant and equipment *(Note 8)*	4	—	—	—	—
	49,252	47,483	43,370	4,316	14,136
Changes in working capital:					
— Inventories	(40)	(204)	48	148	66
— Restricted bank deposits	(7,380)	1,516	(13,810)	(1,906)	3,605
— Trade and bills receivables	(141,012)	(44,020)	54,805	33,417	87,185
— Deposits, other receivables and prepayments	27,524	(15,170)	(44,097)	26,121	16,504
— Contract assets	(246,949)	(170,746)	(216,585)	(22,672)	55,536
— Contract liabilities	24,951	(28,252)	6,981	(2,912)	(1,104)
— Trade and other payables	278,349	163,540	230,385	(35,174)	(171,650)
Net cash (used in)/generated from operations	(15,305)	(45,853)	61,097	1,338	4,278

(b) Reconciliation of liabilities arising from financing activities

	Borrowing	Lease liabilities	Amounts due to related parties (non-trade in nature)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	2,600	2,745	84,738	90,083
Financing cash flows				
— Principal	(2,600)	(907)	(11,150)	(14,657)
— Interest	(109)	(114)	—	(223)
Non-cash items:				
— Acquisition — leases	—	80	—	80
— Interest expenses recognised	109	114	—	223
As at 31 December 2020	—	1,918	73,588	75,506
As at 1 January 2021	—	1,918	73,588	75,506
Financing cash flows				
— Principal	—	(977)	74,001	73,024
— Interest	—	(90)	—	(90)
Non-cash items:				
— Acquisition — leases	—	671	—	671
— Interest expenses recognised	—	90	—	90
As at 31 December 2021	—	1,612	147,589	149,201
As at 1 January 2022	—	1,612	147,589	149,201
Financing cash flows				
— Principal	—	(1,352)	6,596	5,244
— Interest	(422)	(64)	—	(486)
Non-cash items:				
— Acquisition — leases	—	2,165	—	2,165
— Interest expenses recognised	422	64	—	486
— Capitalisation of amounts due to shareholders *(Note 25(c))*	—	—	(143,920)	(143,920)
— Early termination of a lease	—	(28)	—	(28)
— Deemed distribution to shareholders pursuant to the Reorganisation *(Note 22(f))*	—	—	1,220	1,220
As at 31 December 2022	—	2,397	11,485	13,882
As at 1 January 2023	—	2,397	11,485	13,882
Financing cash flows				
— Principal	—	(616)	347	(269)
— Interest	(1,366)	(52)	—	(1,418)
Non-cash items:				
— Acquisition — leases	—	100	—	100
— Interest expenses recognised	1,366	52	—	1,418
— Early termination of a lease	—	(32)	—	(32)
As at 30 June 2023	—	1,849	11,832	13,681

	Borrowing	Lease liabilities	Amounts due to related parties (non-trade in nature)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
As at 1 January 2022	—	1,612	147,589	149,201
Financing cash flows				
— Principal	—	(623)	1,906	1,283
— Interest	—	(35)	—	(35)
Non-cash items:				
— Acquisition — leases	—	183	—	183
— Interest expenses recognised	—	35	—	35
— Capitalisation of amounts due to shareholders *(Note 25(c))*	—	—	(143,920)	(143,920)
— Deemed distribution to shareholders pursuant to the Reorganisation	—	—	1,220	1,220
As at 30 June 2022	—	1,172	6,795	7,967

(c) Significant non-cash transactions

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Capitalisation of amounts due to shareholders *(Note 22(e))*	—	—	143,920	143,920	—

26 COMMITMENTS

(a) Capital commitments

As at 30 June 2023, the Group committed to pay outstanding balance of RMB33,704,000 according to a purchase agreement to acquire a commercial property (Note 19(d)) as at 30 June 2023.

The Group did not have any significant capital commitments as at 31 December 2020, 2021 and 2022.

(b) Operating lease commitments

The Group had future aggregate minimum lease payable under non-cancellable operating leases in respect of office premises as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Office:				
— Less than 1 year	32	—	—	—

27 RELATED PARTY TRANSACTIONS

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 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

Name	Relationship
Mr. Sang	Director and ultimate controlling shareholder of the Company
Mr. Xian	Director and substantial shareholder of the Company
Zhongshen Hengtai	Immediate holding company of the Company
Zhongshen Chitai	Shareholder of the Company

(b) Balances with related parties

The Group

Non-trade in nature:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
(i) Amounts due from related parties: *(Note 19)*				
— Mr. Xian	—	—	34	—
— Zhongshen Chitai	—	—	13	26
	—	—	47	26
(ii) Amounts due to related parties: *(Note 23)*				
— Mr. Xian	26,282	98,750	—	11
— Mr. Sang	47,306	46,180	—	—
— Zhongshen Hengtai	—	2,659	11,485	11,821
	73,588	147,589	11,485	11,832

The above balances with related parties were non-trade in nature, unsecured, interest-free and repayable on demand. In February 2022, amounts due to Mr. Xian and Mr. Sang of approximately RMB62,440,000 and RMB81,480,000 were capitalised into equity respectively (Note 22(e)). [All outstanding balance of the amounts due from related parties will be settled and all outstanding balance of the amounts due to related parties will be capitalised upon or immediately before the [REDACTED]].

The Company

The Company had the following balance with related parties:

Non-trade in nature:

		As at 31 December		As at 30 June
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
(i)	Amounts due from a related party: *(Note 19)*			
	— Zhongshen Chitai	—*	2	2
(ii)	Amount due from a subsidiary: *(Note 19)*			
	— Zhongshen Xihe	16	—	—
(iii)	Amount due to a related party: *(Note 23)*			
	— Zhongshen Hengtai	2,599	2,158	2,158
(iv)	Amounts due to subsidiaries: *(Note 23)*			
	— Zhongshen Ximing	—	9,072	9,072
	— Zhongshen Jianye	1,139	4,861	5,868
		1,139	13,933	14,940

* Below RMB1,000.

The above balances with related parties were non-trade in nature, unsecured, interest-free and repayable on demand.

(c) Key management compensation

Key management includes chairman, executive directors and senior management of the Group.

The compensation paid or payable to the key management during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, including those paid or payable to the executive directors disclosed in Note 7, are shown as below.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	1,368	1,860	2,207	926	1,040
Pension costs — defined contribution plans	—	38	159	70	88
Other employee benefits	13	34	104	42	51
	1,381	1,932	2,470	1,038	1,179

(d) Guarantee provided to Mr. Sang in respect of his bank loan:

On 16 July 2020, the Group entered into an agreement to provide guarantee for a bank loan to Mr. Sang with principal amount of RMB4,400,000, which matured in three years from 16 July 2020. The loan was early repaid on 16 July 2022, and the guarantee was released accordingly.

28 INVESTMENT IN A SUBSIDIARY — THE COMPANY

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Investment in a subsidiary — at cost *(Note 22(g))*	139,981	306,336	306,336

29 CONTINGENCIES

The Group has been involved in certain claims/litigations in respect of its construction operations. After seeking legal advice, the directors of the Company are of the opinion that either an adequate provision for liability has been made or assets have been written down to its recoverable value.

30 EVENT AFTER THE BALANCE SHEET DATE

[Save as disclosed in Note [3.1(b)(ii)(b)], there is no significant subsequent event after the balance sheet date.]

III. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2023.]