

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Zhongshen Jianye Holding Limited

中深建業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2503)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

Revenue decreased from approximately RMB495.8 million for the six months ended 30 June 2023 to approximately RMB379.0 million for the six months ended 30 June 2024.

Gross profit decreased from approximately RMB28.5 million for the six months ended 30 June 2023 to approximately RMB21.7 million for the six months ended 30 June 2024.

Profit for the period decreased from approximately RMB10.8 million for the six months ended 30 June 2023 to approximately RMB0.3 million for the six months ended 30 June 2024.

Adjusted net profit* decreased from approximately RMB13.2 million for the six months ended 30 June 2023 to approximately RMB1.9 million for the six months ended 30 June 2024.

Net assets as at 30 June 2024 amounted to approximately RMB474.4 million, representing an increase of 27.4% from approximately RMB372.4 million as at 31 December 2023.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

* *The Group defined adjusted net profit as profit for the period adjusted by adding back the listing expenses which is not operating and recurring in nature. The adjusted net profit is not defined under the Hong Kong Financial Reporting Standards.*

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Zhongshen Jianye Holding Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
	Note	RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	3	379,026	495,780
Cost of revenue	4	<u>(357,353)</u>	<u>(467,233)</u>
Gross profit		21,673	28,547
Administrative expenses	4	(20,164)	(16,355)
Reversal of impairment losses on financial assets and contract assets		2,274	4,280
Other losses — net		<u>(139)</u>	<u>(7)</u>
Operating profit		<u>3,644</u>	<u>16,465</u>
Finance income		554	181
Finance costs		(698)	(1,418)
Finance costs — net	5	<u>(144)</u>	<u>(1,237)</u>
Profit before income tax		3,500	15,228
Income tax expense	6	<u>(3,165)</u>	<u>(4,441)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>335</u>	<u>10,787</u>
Earnings per share attributable to owners of the Company for the period (expressed in RMB cents per share)			
— Basic and diluted	7	<u>0.07</u>	<u>2.79</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		46,650	42,441
Right-of-use assets		70	1,173
Intangible assets		8,154	9,151
Deposits and prepayments		145	305
Deferred income tax assets		9,612	10,333
		64,631	63,403
Current assets			
Inventories		258	362
Contract assets	9	1,048,853	1,209,485
Trade and bills receivables	9	218,723	157,270
Deposits, other receivables and prepayments		80,689	80,318
Restricted bank deposits		17,086	24,738
Cash and cash equivalents		105,108	147,140
		1,470,717	1,619,313
Total assets		1,535,348	1,682,716
EQUITY			
Share capital		4,681	9
Other reserves		429,567	332,631
Retained earnings		40,119	39,784
Total equity		474,367	372,424

		30 June 2024	31 December 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		11	76
Bank borrowing	<i>11</i>	<u>24,821</u>	<u>26,295</u>
		<u>24,832</u>	<u>26,371</u>
Current liabilities			
Trade and other payables	<i>10</i>	1,012,462	1,248,869
Amounts due to related parties		—	7
Contract liabilities		15,798	21,987
Bank borrowing	<i>11</i>	2,987	2,989
Current income tax liabilities		4,838	8,914
Lease liabilities		<u>64</u>	<u>1,155</u>
		<u>1,036,149</u>	<u>1,283,921</u>
Total liabilities		<u><u>1,060,981</u></u>	<u><u>1,310,292</u></u>
Total equity and liabilities		<u><u>1,535,348</u></u>	<u><u>1,682,716</u></u>

NOTES

1 GENERAL INFORMATION

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 Group is principally engaged in the provision of construction services in the People's Republic of China (the "PRC").

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

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

Mr. Sang Xianfeng ("Mr. Sang") and Mr. Xian Yurong are the co-founders of the Group. Mr. Sang is the ultimate controlling shareholder of the Group.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) unless otherwise stated, and have been approved for issue by the board of directors on 28 August 2024.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting". The unaudited condensed consolidated interim financial statements do not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023, as described in those annual consolidated financial statements, except that the Hong Kong Institute of Certified Public Accountants has issued a number of new standards and amendments to HKFRSs which are effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT INFORMATION

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

The chief operating decision maker 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.

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue from provision of construction services	<u>379,026</u>	<u>495,780</u>

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

All revenue was deviled from external customers in Chinese Mainland during the six months ended 30 June 2024 and 2023.

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Raw materials and consumables used	146,025	245,118
Employee benefit expenses and labour subcontracting costs	131,015	136,608
Specialised construction subcontracting costs	55,089	45,067
Equipment and machinery usage costs	32,074	43,856
Design and testing service costs	2,597	2,483
Depreciation and amortisation expenses	1,910	1,758
— Depreciation of property, plant and equipment	407	79
— Depreciation of right-of-use assets	456	631
— Amortisation of intangible assets	1,047	1,048
Listing expenses	1,563	2,367
Bank charges	395	1,091
Insurance expenses	314	914
Taxes, surcharge and levies	1,420	845
Professional fees	1,663	351
Travelling and entertainment expenses	910	242
Auditors' remuneration	—	30
Other expenses	2,542	2,858
	<u>377,517</u>	<u>483,588</u>

5 FINANCE COSTS — NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Finance income		
— Interest income from bank deposits	<u>554</u>	<u>181</u>
Finance costs		
— Interest expense on factoring	(32)	(1,366)
— Interest expense on borrowing	(652)	—
— Interest expense on lease liabilities	<u>(14)</u>	<u>(52)</u>
	<u>(698)</u>	<u>(1,418)</u>
Finance costs — net	<u>(144)</u>	<u>(1,237)</u>

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax	2,444	3,512
Deferred income tax	<u>721</u>	<u>929</u>
	<u>3,165</u>	<u>4,441</u>

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

In the calculation of weighted average number of ordinary shares outstanding during the six months ended 30 June 2024 and 2023, the 990,000 shares subdivided and 385,100,000 shares capitalised on 19 December 2023 and 9 January 2024 had been adjusted retrospectively as if those shares had been issued since 1 January 2023.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	335	10,787
Weighted average number of ordinary shares in issue	<u>509,142,857</u>	<u>386,100,000</u>
Basic earnings per share (expressed in RMB cents per share)	<u>0.07</u>	<u>2.79</u>

(b) Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential shares outstanding as at 30 June 2024 and 2023.

8 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2024 (30 June 2023: nil).

9 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES

(a) Contract assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Unbilled revenue	936,808	1,097,905
Retention monies	<u>135,388</u>	<u>141,501</u>
	<u>1,072,196</u>	<u>1,239,406</u>
Less: provision for impairment of contract assets	<u>(23,343)</u>	<u>(29,921)</u>
	<u><u>1,048,853</u></u>	<u><u>1,209,485</u></u>

(b) Trade and bills receivables

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	226,467	140,719
Less: allowance for impairment of trade receivables	<u>(7,744)</u>	<u>(3,449)</u>
Trade receivables — net	<u>218,723</u>	<u>137,270</u>
Bills receivables	<u>—</u>	<u>20,000</u>
	<u><u>218,723</u></u>	<u><u>157,270</u></u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	185,800	111,128
1 year to 2 years	26,131	24,580
Over 2 years	<u>14,536</u>	<u>5,011</u>
	<u><u>226,467</u></u>	<u><u>140,719</u></u>

10 TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	973,500	1,203,236
Other payables and accruals	<u>38,962</u>	<u>45,633</u>
	<u>1,012,462</u>	<u>1,248,876</u>

The ageing analysis of the trade payables based on invoice date was as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	339,859	571,640
1 year to 2 years	255,317	278,790
Over 2 years	<u>378,324</u>	<u>352,806</u>
	<u>973,500</u>	<u>1,203,236</u>

11 BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current portion — unsecured	24,821	26,295
Current portion of non-current bank borrowings	<u>2,987</u>	<u>2,989</u>
Total bank borrowings	<u>27,808</u>	<u>29,284</u>

At 30 June 2024, the Group's borrowings were repayable as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	2,987	2,989
Between 1 and 2 years	2,949	2,949
Between 2 and 5 years	8,847	8,847
Over 5 years	<u>13,025</u>	<u>14,499</u>
	<u>27,808</u>	<u>29,284</u>

12 COMMITMENTS

The Group did not have any significant capital commitments or operating lease commitments as at 30 June 2024 and 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

Revenue

The Group recorded a decrease in revenue by approximately RMB116.8 million or 23.5% from approximately RMB495.8 million for the six months ended 30 June 2023 to approximately RMB379.0 million for the six months ended 30 June 2024. Such decrease was mainly attributable to the decrease in number of revenue generating construction projects in the current period.

The following table sets forth the breakdown of our revenue by project type for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Construction projects				
Construction engineering projects	246,900	65.1	279,378	56.4
Municipal and public construction projects	126,144	33.3	92,850	18.7
Foundation engineering projects	2,412	0.6	53,732	10.8
Specialised contracting projects	3,570	1.0	69,820	14.1
Total	<u>379,026</u>	<u>100.0</u>	<u>495,780</u>	<u>100.0</u>

Construction engineering projects

Construction engineering projects primarily consist of structural and/or engineering works for commercial and residential buildings and community facilities. Revenue generated from construction engineering projects decreased by approximately RMB32.5 million or 11.6% from approximately RMB279.4 million for the six months ended 30 June 2023 to approximately RMB246.9 million for the six months ended 30 June 2024. Such decrease was mainly attributable to the decrease in revenue recognised from certain projects which were approaching the later stage of development in 2024.

Municipal and public construction projects

Municipal and public construction projects primarily consist of urban and rural public infrastructure construction, including environment improvement works, construction of sewage treatment infrastructure and roadwork. Revenue generated from municipal and public construction projects increased by approximately RMB33.2 million or 35.9% from approximately RMB92.9 million for the six months ended 30 June 2023 to approximately RMB126.1 million for the six months ended 30 June 2024. Such increase was mainly attributable to the commencement of certain new projects with relatively higher contract value during the six months ended 30 June 2024.

Foundation engineering projects

Foundation engineering projects primarily consist of earthwork and foundation construction and slope protection work. Revenue generated from foundation engineering projects decreased by approximately RMB51.3 million or 95.5% from approximately RMB53.7 million for the six months ended 30 June 2023 to approximately RMB2.4 million for the six months ended 30 June 2024. Our number of revenue generating foundation engineering projects decreased from 15 projects for the six months ended 30 June 2023 to 3 projects for the six months ended 30 June 2024.

Specialised contracting projects

Specialised contracting projects primarily consist of building renovation and decoration works services. Revenue generated from specialised contracting projects decreased by approximately RMB66.2 million or 94.9% from approximately RMB69.8 million for the six months ended 30 June 2023 to approximately RMB3.6 million for the six months ended 30 June 2024. Our number of revenue generating specialised contracting projects decreased from 10 projects for the six months ended 30 June 2023 to 2 projects for the six months ended 30 June 2024.

Cost of revenue

The following table sets forth the breakdown of our cost of revenue by nature for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Raw material costs	146,025	40.9	245,118	52.5
Labour subcontracting costs	118,278	33.1	126,773	27.1
Specialised construction subcontracting costs	55,089	15.4	45,067	9.6
Equipment and machinery usage costs	32,074	9.0	43,856	9.4
Other project costs	5,887	1.6	6,419	1.4
Total cost of revenue	<u>357,353</u>	<u>100.0</u>	<u>467,233</u>	<u>100.0</u>

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

The decrease in cost of revenue of approximately RMB109.8 million or 23.5% for the six months ended 30 June 2024 as compared to the six months ended 30 June 2023 was primarily due to the decrease in demand for raw materials and decrease in equipment and machinery usage costs as a result of the decrease in number of construction projects in the current period.

Gross profit and gross profit margin

The following table sets forth the breakdown of our gross profit and gross profit margin by project type for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June			
	2024		2023	
	Gross profit	Gross profit	Gross profit	Gross profit
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Construction projects				
Construction engineering projects	14,905	6.0	17,625	6.3
Municipal and public construction projects	6,433	5.1	4,346	4.7
Foundation engineering projects	147	6.1	3,173	5.9
Specialised contracting projects	<u>188</u>	<u>5.3</u>	<u>3,403</u>	<u>4.9</u>
Total	<u><u>21,673</u></u>	<u><u>5.7</u></u>	<u><u>28,547</u></u>	<u><u>5.8</u></u>

Gross profit margin of construction engineering projects and foundation engineering projects remained relatively stable for the six months ended 30 June 2024 and 2023.

Gross profit margin of municipal and public construction projects grew from approximately 4.7% for the six months ended 30 June 2023 to approximately 5.1% for the six months ended 30 June 2024. Such growth was primarily attributable to the commencement of certain new projects in the current period which has a relatively higher profit margin.

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

Administrative expenses

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

The increase in administrative expenses of approximately RMB3.8 million or 23.3% for the six months ended 30 June 2024 was mainly attributable to the increase in staff costs and professional fees.

Finance costs

Finance costs primarily consist of interest expenses on factoring, bank borrowing and lease liabilities. The decrease in finance costs for the six months ended 30 June 2024 was mainly attributable to the decrease in interest expense on factoring, partially offset by the increase in interest expense on borrowing.

Income tax expense

Income tax expense primarily consist of corporate income tax and movements in deferred income tax assets. The decrease is in line with the decrease in taxable profit from the Group's operation in the PRC.

Profit and total comprehensive income for the period

As a result of the foregoing, we recorded profit for the period of approximately RMB0.3 million for the six months ended 30 June 2024, decreased by approximately 96.9% from approximately RMB10.8 million for the six months ended 30 June 2023 which was mainly attributable to the decrease in revenue and gross profit for reasons mentioned in the paragraphs above and the increase in administrative expenses during the period.

Non-HKFRS Measure

To supplement our consolidated interim results which are presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance, such as items which were one-off and non-operating in nature.

The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has its limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

The following table reconciles the Group's adjusted net profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is the profit for the period:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of profit for the period to adjusted net profit		
Profit for the period	335	10,787
Add: listing expenses	<u>1,563</u>	<u>2,367</u>
Adjusted net profit	<u><u>1,898</u></u>	<u><u>13,154</u></u>

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

As at 30 June 2024 and 31 December 2023, we had cash and cash equivalents of approximately RMB105.1 million and RMB147.1 million, respectively. Our primary uses of cash were mainly for financing our daily operations and working capital requirements in relation to the execution of our projects, including payment for procurement of raw materials and subcontracting costs.

Bank borrowings

The bank borrowings as at 30 June 2024 represented term loans of approximately RMB27.8 million (31 December 2023: RMB29.3 million). Such term loans are dominated in RMB and bear interest at floating rates.

Gearing ratio

Gearing ratio is calculated as total borrowings (i.e. bank borrowings) divided by the total equity as at the respective reporting dates. The gearing ratio as at 30 June 2024 was approximately 5.9% (31 December 2023: 7.9%).

Net debt to equity ratio

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

The net debt to equity ratio was not applicable as at 30 June 2024 and 31 December 2023 as the Group had net cash position as at both dates.

Treasury management

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

Capital expenditures and commitments

The Group incurred capital expenditures of approximately RMB4.6 million for the six months ended 30 June 2024 (30 June 2023: RMB8.5 million).

The Group had no significant capital commitments or operating lease commitments as at 30 June 2024 (31 December 2023: nil).

Foreign exchange exposure

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

HUMAN RESOURCES

The Directors considered that the Group have maintained good relationships with its employees, and has not experienced any significant problems with employees or any disruptions to operations due to labour disputes, nor has experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the six months ended 30 June 2024.

As at 30 June 2024, the Group has 257 employees in total, all of them are located in the PRC. The Group recruit employees from the open market by placing recruitment advertisements and offering competitive remuneration packages. Training courses are provided for our staff to ensure their competence and to keep them abreast of the latest developments and best practices in the industry to enhance their work performance. For the six months ended 30 June 2024, total staff costs were approximately RMB12.7 million (30 June 2023: RMB9.8 million).

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

FUTURE PLANS AND PROSPECT

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

USE OF PROCEEDS

The Company’s shares (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 January 2024. The Company intends that the net proceeds (after deducting related underwriting fees and listing expenses) of approximately RMB77.3 million be applied according to the manner and percentage allocation as described under the section headed “Future plans and use of proceeds” in the prospectus of the Company dated 28 December 2023 (the “**Prospectus**”). The following table sets forth the status of the use of the net proceeds as at 30 June 2024:

	Net proceeds to be applied in the percentage allocation stated in the Prospectus <i>RMB million</i>	Utilised net proceeds up to 30 June 2024 <i>RMB million</i>	Unutilised net proceeds as at 30 June 2024 <i>RMB million</i>	Expected timeline for utilising the unutilised net proceeds
(1) Funding the capital needs and cash flow of certain projects	35.3	—	35.3	By 31 December 2024
(2) Acquiring equipment and machinery	31.9	—	31.9	By 31 December 2025
(3) Hiring additional manpower	5.4	0.2	5.2	By 31 December 2026
(4) Working capital and other general corporate purposes	4.7	4.7	—	N/A
	<hr/>	<hr/>	<hr/>	
Total	<u>77.3</u>	<u>4.9</u>	<u>72.4</u>	

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2024.

CORPORATE GOVERNANCE PRACTICES

The Directors believe that good corporate governance must be driven by the tone at the top and must be due diligently executed and monitored in our day-to-day management. The Directors have reviewed the Company's corporate governance practices and are satisfied that the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code in Appendix C1 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the securities transactions of the Directors on terms no less exacting than the required standard set out in the model code in Appendix C3 of the Listing Rules (the "**Model Code**") as its code of conduct for dealings in securities of the Company by the Directors during the six months ended 30 June 2024.

The Company has made specific enquiries to all the Directors and they confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions during the six months ended 30 June 2024. The Company has also adopted the Model Code as the reference of dealings in the Company's securities by the relevant employees who are likely to possess inside information of the Company and/or its securities. The Company is not aware of any incident of non-compliance with the required standard set out in the Model Code by the Directors and employees.

COMPETING INTERESTS

None of the controlling shareholders, namely Zhongshen Hengtai Capital Limited and Mr. Sang Xianfeng, the Directors or their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which comprises or is likely to compete, directly or indirectly, with the Group's business during the six months ended 30 June 2024 and up to the date of this announcement.

INTERESTS OF THE COMPLIANCE ADVISER

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

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

During the six months ended 30 June 2024, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The primary duties of the audit committee of the Board are to review and supervise the Group's financial reporting process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditor on the audit strategy. The audit committee of the Board has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 and above interim results.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be made available to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

On behalf of the Board
Zhongshen Jianye Holding Limited
Sang Xianfeng
Chairman and Executive Director

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Sang Xianfeng and Mr. Xian Yurong as executive Directors; and Ms. Liu Zhihong, Mr. Zeng Qingli and Mr. Xie Huagang as independent non-executive Directors.