

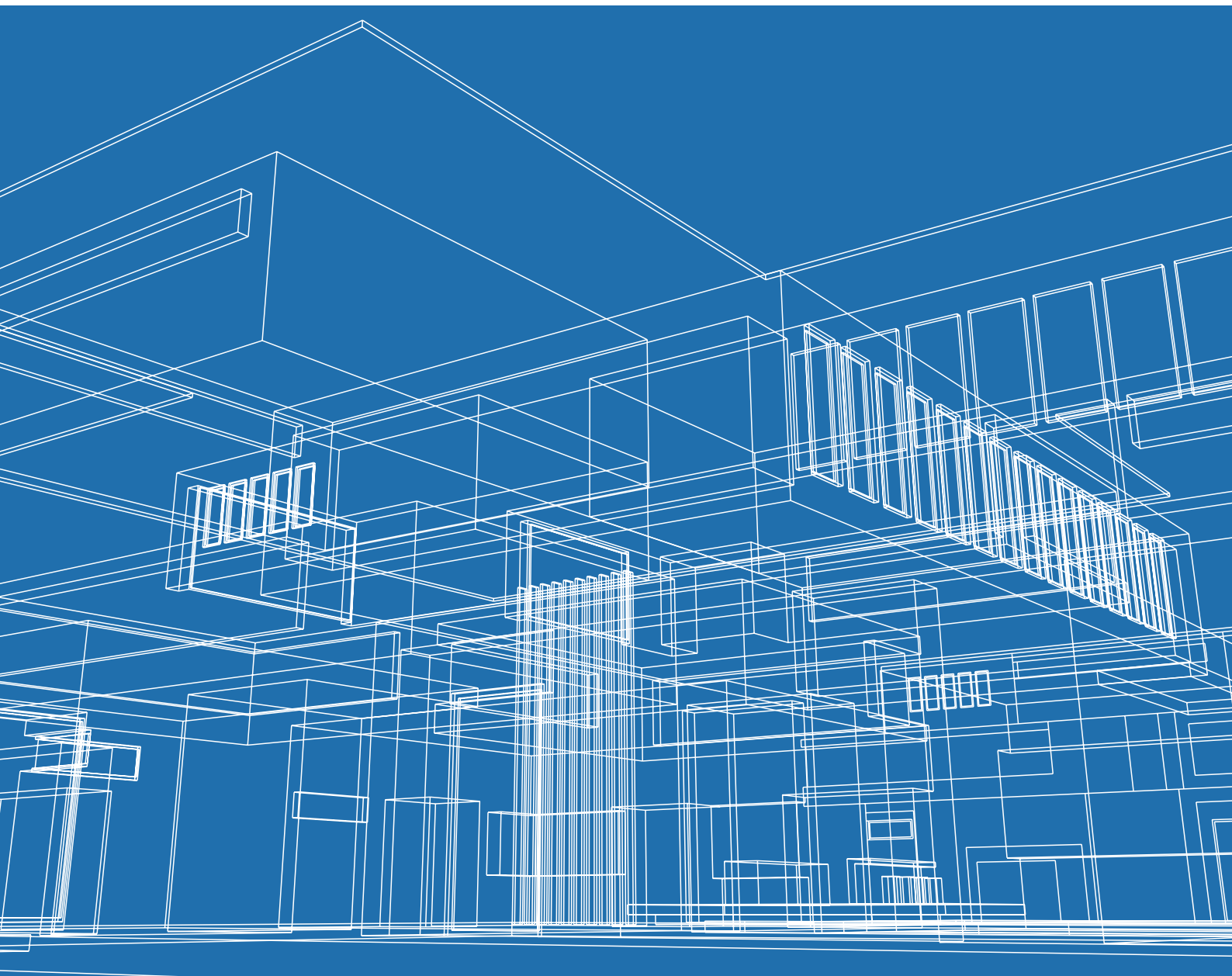


Zhongshen Jianye Holding Limited

中深建業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2503



2024
INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Ng Ka Chai

AUTHORISED REPRESENTATIVES

Mr. Xian Yurong
Mr. Ng Ka Chai

PRINCIPAL BANKERS

China Construction Bank
Shenzhen Futian Yinzuo Rural Bank

REGISTERED OFFICE

Cricket Square
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangming District
Shenzhen
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wan Chai
Hong Kong

CORPORATE INFORMATION

LEGAL ADVISER AS TO HONG KONG LAW

Loeb & Loeb LLP
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1 Connaught Place
Central
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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
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Central
Hong Kong

COMPLIANCE ADVISER

Kingsway Capital Limited
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.zsjy.top

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a growing private general contracting construction enterprise in the People's Republic of China (the “PRC”) and have been granted five first-grade construction contracting qualifications, including (i) the first-grade qualification in building construction general contracting (建築工程施工總承包一級); (ii) the first-grade qualification in municipal and public construction general construction (市政公用工程施工總承包一級); (iii) the first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包一級); (iv) the first-grade qualification in building electrical and mechanical installation and engineering specialised contracting (建築機電安裝工程專業承包一級); and (v) the first-grade qualification in building renovation and decoration construction specialised contracting (建築裝修裝飾工程專業承包一級). We also attain six other second-grade 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	
	RMB'000	%	RMB'000	%
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	379,026	100.0	495,780	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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	357,353	100.0	467,233	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
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	188	5.3	3,403	4.9
Total	21,673	5.7	28,547	5.8

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB'000	2023 RMB'000
Reconciliation of profit for the period to adjusted net profit		
Profit for the period	335	10,787
Add: listing expenses	1,563	2,367
Adjusted net profit	1,898	13,154

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

PLEDGE OF ASSETS

The Group did not have any assets pledged as security as at 30 June 2024 (31 December 2023: nil).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Utilised net proceeds up to 30 June 2024	Unutilised net proceeds as at 30 June 2024	Expected timeline for utilising the unutilised net proceeds
	RMB million	RMB million	RMB million	
(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
Total	77.3	4.9	72.4	

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 on 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.

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

As at 30 June 2024, the interest or short positions of the Directors or chief executives in the shares, underlying share or debentures of the Company and the associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code required to be notified to the Company and the Stock Exchange, were as follows:

(i) Long position in Shares

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

Notes:

1. The letter "L" denotes long position in our Shares.
2. These represent the shares held by Zhongshen Hengtai Capital Limited ("Zhongshen Hengtai"), a company wholly-owned by Mr. Sang Xianfeng.
3. These represent the shares held by Zhongshen Chitai Capital Limited ("Zhongshen Chitai"), a company wholly-owned by Mr. Xian Yurong.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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

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

Save as disclosed herein, as at 30 June 2024, none of the Directors or chief executives of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of the associated corporations (within the meaning of the SFO) which required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2024, so far as is known to our Directors, the following persons (not being a Director or chief executive of our Company) had interests or short positions in the shares and underlying shares of the Company which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Zhongshen Hengtai	Beneficial owner	284,172,240 (L)	55.20%
Zhongshen Chitai	Beneficial owner	71,040,560 (L)	13.80%
Ms. Jin Wei	Interest of spouse	71,040,560 (L) ⁽²⁾	13.80%
Xinyao Investment Limited	Beneficial owner	30,887,200 (L)	6.00%
Ms. Hou Ling	Interest in a controlled corporation	30,887,200 (L) ⁽³⁾	6.00%
Mr. Wang Jing	Interest of spouse	30,887,200 (L) ⁽⁴⁾	6.00%

Notes:

- The letter "L" denotes long position in our Shares.
- Ms. Jin Wei is the spouse of Mr. Xian Yurong. By virtue of the SFO, Ms. Jin Wei is deemed to be interested in all the Shares in which Mr. Xian Yurong is interested.
- These Shares are held by Xinyao Investment Limited, a company wholly-owned by Ms. Hou Ling.
- Mr. Wang Jing is the spouse of Ms. Hou Ling. By virtue of the SFO, Mr. Wang Jing is deemed to be interested in all the Shares in which Ms. Hou Ling is interested.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed herein, as at 30 June 2024, none of the Directors knows of any person (not being a Director or chief executive of our Company) who had any interest in the shares or underlying shares which fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETING INTERESTS

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

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.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2024.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group did not have any significant investments.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group has no contingent liabilities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 this interim report.

On behalf of the Board
Zhongshen Jianye Holding Limited
Sang Xianfeng
Chairman and executive director

Hong Kong, 28 August 2024

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Revenue	5	379,026	495,780
Cost of revenue	6	(357,353)	(467,233)
Gross profit		21,673	28,547
Administrative expenses	6	(20,164)	(16,355)
Reversal of impairment losses on financial assets and contract assets		2,274	4,280
Other losses — net		(139)	(7)
Operating profit		3,644	16,465
Finance income		554	181
Finance costs		(698)	(1,418)
Finance costs — net	7	(144)	(1,237)
Profit before income tax		3,500	15,228
Income tax expense	8	(3,165)	(4,441)
Profit and total comprehensive income for the period attributable to owners of the Company		335	10,787
		RMB cents (Unaudited)	RMB cents (Unaudited)
Earnings per share attributable to owners of the Company for the period			
— Basic and diluted	9	0.07	2.79

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

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	46,650	42,441
Right-of-use assets		70	1,173
Intangible assets		8,154	9,151
Deposits and prepayments	13	145	305
Deferred income tax assets		9,612	10,333
		64,631	63,403
Current assets			
Inventories		258	362
Contract assets	12	1,048,853	1,209,485
Trade and bills receivables	12	218,723	157,270
Deposits, other receivables and prepayments	13	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	14	4,681	9
Other reserves	15	429,567	332,631
Retained earnings	15	40,119	39,784
Total equity		474,367	372,424

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		11	76
Bank borrowing	17	24,821	26,295
		24,832	26,371
Current liabilities			
Trade and other payables	16	1,012,462	1,248,869
Amounts due to related parties	16	—	7
Contract liabilities		15,798	21,987
Bank borrowing	17	2,987	2,989
Current income tax liabilities		4,838	8,914
Lease liabilities		64	1,155
		1,036,149	1,283,921
Total liabilities		1,060,981	1,310,292
Total equity and liabilities		1,535,348	1,682,716

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts expressed in RMB thousands unless otherwise stated)

	Note	Attributable to owners of the Company			Total equity RMB'000
		Share capital (Note 14) RMB'000	Other reserves (Note 15) RMB'000	Retained earnings (Note 15) RMB'000	
As at 1 January 2023 (Audited)		9	314,647	12,406	327,062
Total comprehensive income					
Profit for the period		—	—	10,787	10,787
As at 30 June 2023 (Audited)		9	314,647	23,193	337,849
As at 1 January 2024 (Audited)		9	332,631	39,784	372,424
Total comprehensive income					
Profit for the period		—	—	335	335
Transactions with owners in their capacity as owners					
Capitalisation issue	14(c)	3,502	(3,502)	—	—
Shares issued pursuant to the placing and public offering	14(d)	1,170	115,862	—	117,032
Share issuance costs		—	(15,424)	—	(15,424)
As at 30 June 2024 (Unaudited)		4,681	429,567	40,119	474,367

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts expressed in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Cash flows from operating activities		
Cash (used in)/generated from operations	(136,218)	4,278
Income tax paid	(6,520)	(9,061)
Net cash used in operating activities	(142,738)	(4,783)
Cash flows from investing activities		
Repayment from related parties	—	21
Purchases of property, plant and equipment	(4,616)	(8,482)
Purchases of intangible assets	(50)	—
Net cash used in investing activities	(4,666)	(8,461)
Cash flows from financing activities		
Interest paid	(686)	(1,366)
(Repayment to)/advances from related parties	(7)	347
Repayment of borrowings	(1,474)	—
Proceeds from placing and public offering of shares	117,032	—
Listing expenses paid (equity portion)	(9,965)	(414)
Payment of principal elements of lease liabilities	(479)	(616)
Payment of interest portion of lease liabilities	(14)	(52)
Net cash generated from/(used in) financing activities	104,407	(2,101)
Net decrease in cash and cash equivalents	(42,997)	(15,345)
Cash and cash equivalents at beginning of period	147,140	112,117
Exchange differences on cash and cash equivalents	965	(18)
Cash and cash equivalents at end of period	105,108	96,754

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

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

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

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 (“**Mr. Xian**”) 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

3 ESTIMATES

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

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

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2023.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

These unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

There have been no changes in the Group's risk management policies since the year ended 31 December 2023.

4.2 Capital management

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

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

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings divided by total equity. The gearing ratio was approximately 5.9% as at 30 June 2024 (31 December 2023: 7.9%).

4.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities approximated their fair values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION

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

The 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
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue from provision of construction services	379,026	495,780

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

6 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
	377,517	483,588

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

7 FINANCE COSTS — NET

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

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Current income tax	2,444	3,512
Deferred income tax	721	929
	3,165	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 six months ended 30 June 2024 and 2023.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

8 INCOME TAX EXPENSE (Continued)

(c) PRC Corporate Income Tax

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

(d) PRC withholding income tax

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

The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of Mainland China in the foreseeable future.

9 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	509,142,857	386,100,000
Basic earnings per share (expressed in RMB cents per share)	0.07	2.79

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

9 EARNINGS PER SHARE (Continued)

(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.

10 DIVIDENDS

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

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group incurred capital expenditure of approximately RMB4,616,000 (30 June 2023: RMB56,000).

12 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES

(a) Contract assets

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

12 CONTRACT ASSETS AND TRADE AND BILLS RECEIVABLES (Continued)

(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	(7,744)	(3,449)
Trade receivables — net	218,723	137,270
Bills receivables	—	20,000
	218,723	157,270

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	14,536	5,011
	226,467	140,719

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments to suppliers	68,610	66,102
Prepayments for listing expenses	—	7,271
Deposits (a)	6,547	6,519
Amounts due from other third parties (b)	2,284	742
Bank deposits restricted for use under court orders (c)	5,453	2,040
Less: allowance for impairment of other receivables	(2,060)	(2,051)
Total	80,834	80,623
Less: non-current portion	(145)	(305)
Current portion	80,689	80,318

- (a) As at 30 June 2024 and 31 December 2023, the carrying amounts of deposits mainly includes tender deposits and guarantee deposits.
- (b) As at 30 June 2024 and 31 December 2023, the amounts due from other third parties were unsecured, interest free and repayable on demand.
- (c) As at 30 June 2024, the Group had bank deposits of RMB5,453,000 restricted for use under the court orders applied by suppliers which made legal claims against the Group in respect of trade disputes. Up to the date of this report, the bank deposits restricted for use under court orders were released upon settlement of the legal claims.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

14 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares HKD'000
Authorised		
As at 1 January 2023 (Note a)	380,000	380
Effect of subdivision (Note b)	37,620,000	—
Increase (Note b)	1,962,000,000	19,620
As at 31 December 2023	2,000,000,000	20,000
As at 1 January 2024 and 30 June 2024	2,000,000,000	20,000

	Number of ordinary shares	Share capital	
		HKD'000	RMB'000
Issued			
As at 1 January 2023	10,000	10	9
Effect of subdivision (Note b)	990,000	—	—
As at 31 December 2023	1,000,000	10	9
As at 1 January 2024	1,000,000	10	9
Capitalisation issue (Note c)	385,100,000	3,851	3,502
Shares issued pursuant to the placing and public offering (Note d)	128,700,000	1,287	1,170
As at 30 June 2024	514,800,000	5,148	4,681

- (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 19 December 2023, ordinary share of the Company of HKD1.00 par value each was subdivided into 100 shares of HKD0.01 par value each. The authorised share capital of the Company of HKD380,000 was divided into 38,000,000 shares of HKD0.01 par value each, and the issued share capital of HKD10,000 was divided into 1,000,000 shares of HKD0.01 par value each.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

14 SHARE CAPITAL (Continued)

- (c) Pursuant to the resolutions passed by the shareholders' meeting on 19 December 2023, conditional on the listing, an aggregate of 385,100,000 ordinary shares of HKD0.01 par value each was allotted to the shareholders whose names appear on the register of members of the Company as at the date of these resolutions. The capitalisation issue was completed on 9 January 2024.
- (d) On 9 January 2024, the Company listed its shares on the Stock Exchange and issued 128,700,000 shares by way of share offering at a price of HKD1.00 per offer share.

15 OTHER RESERVES AND RETAINED EARNINGS

	Share Premium	Statutory reserves (Note a)	Capital reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023 (Audited)	—	9,947	304,700	12,406	327,053
Profit for the period	—	—	—	10,787	10,787
As at 30 June 2023 (Audited)	—	9,947	304,700	23,193	337,840
As at 1 January 2024 (Audited)	—	14,383	318,248	39,784	372,415
Profit for the period	—	—	—	335	335
Capitalisation issue (Note 14(c))	(3,502)	—	—	—	(3,502)
Shares issued pursuant to the placing and public offering (Note 14(d))	115,862	—	—	—	115,862
Share issuance costs	(15,424)	—	—	—	(15,424)
As at 30 June 2024 (Unaudited)	96,936	14,383	318,248	40,119	469,686

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

16 TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO RELATED PARTIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables (a)	973,500	1,203,236
Other payables and accruals (b)	38,962	45,633
	1,012,462	1,248,869
Amounts due to related parties (Note 19(b))	—	7
	1,012,462	1,248,876

(a) The ageing analysis of the trade payables based on invoice date were 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	378,324	352,806
	973,500	1,203,236

(b) Other payables and accruals

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Accrued taxes and surcharges	28,211	26,596
Listing expenses payables	—	7,165
Employee benefits accruals	3,798	3,602
Advance from a customer (i)	3,000	3,000
Other operating expenses payables and accruals	3,953	5,270
	38,962	45,633

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

17 BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank borrowings:	27,808	29,284
Non-current bank borrowings:		
– Unsecured	27,808	29,284
Less: current portion of non-current bank borrowings	(2,987)	(2,989)
	24,821	26,295
Current bank borrowings:		
Add: current portion of non-current bank borrowings	2,987	2,989
Total bank borrowings	27,808	29,284

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	13,025	14,499
	27,808	29,284

- (i) As at 30 June 2024 and 31 December 2023, all bank borrowings were guaranteed by Mr. Sang, Mr. Xian and Ms. Jin Wei (“**Ms. Jin**”) (Note 19(d)).
- (ii) As at 30 June 2024 and 31 December 2023, all borrowings were denominated in RMB.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

18 COMMITMENTS

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

19 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.

Name	Relationship
Mr. Sang	Director and ultimate controlling shareholder of the Company
Mr. Xian	Director and substantial shareholder of the Company
Ms. Jin	A close family member of the substantial shareholder
Zhongshen Hengtai	Immediate holding company of the Company
Zhongshen Chitai	Shareholder of the Company

(b) Balances with related parties

Non-trade in nature:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Amounts due to related parties: (Note 16)		
— Mr. Xian	—	7

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(All amounts expressed in RMB thousands unless otherwise stated)

19 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

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

The compensation paid or payable to the key management during the six months ended 30 June 2024 and 2023, are shown as below.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Wages, salaries and bonuses	1,049	1,040
Pension costs — defined contribution plans	155	88
Other employee benefits	57	51
	1,261	1,179

(d) Guarantee provided from related parties in respect of the bank borrowing of the Group:

	30 June	31 December
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Audited)
Guarantees		
— Mr. Sang, Mr. Xian and Ms. Jin	27,808	29,284

20 CONTINGENCIES

The Group has been involved in certain claims/litigations in respect of its construction operations. 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.