# ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHONGTIAN CONSTRUCTION (HUNAN) GROUP LIMITED AND GRANDE CAPITAL LIMITED

## INTRODUCTION

We report on the historical financial information of Zhongtian Construction (Hunan) Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages I-4 to I-80, which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 30 September 2022 and the statements of financial position of the Company as at 31 December 2020, 31 December 2021 and 30 September 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-80 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company (the "**[REDACTED]**") on the **[REDACTED]** of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

## DIRECTOR'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The director of the Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the director determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the Historical Financial Information.

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

## OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2021 and 30 September 2022, the Group's financial position as at 31 December 2019, 2020 and 2021 and 30 September 2022 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

## REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

### Adjustments

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

### Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

**BDO Limited**
*Certified Public Accountants*
**Wan Che Bun**
Practising Certificate Number: P05804
Hong Kong

[•]

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") ("**Underlying Financial Statements**") and were audited by BDO Limited.

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

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|---|
| | *Notes* | **2019** | **2020** | **2021** | **2021** | **2022** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | (Unaudited) | |
| **Revenue** | *7* | 1,821,916 | 1,769,900 | 1,823,384 | 1,325,392 | 1,366,030 |
| Cost of sales | | (1,638,473) | (1,580,786) | (1,627,737) | (1,181,605) | (1,217,468) |
| **Gross profit** | | 183,443 | 189,114 | 195,647 | 143,787 | 148,562 |
| Other income and other gains, net | *8* | 3,217 | 6,480 | 1,456 | 1,331 | 482 |
| Administrative expenses | | (107,914) | (112,563) | (116,526) | (81,954) | (80,158) |
| **[REDACTED]** expenses | | (2,399) | (10,722) | (4,513) | (3,975) | (4,464) |
| Share of result of an associate | | (423) | — | — | — | — |
| Impairment on financial and contract assets, net | | (7,409) | (7,473) | (500) | 230 | (712) |
| Finance costs | *9* | (8,921) | (5,299) | (3,549) | (2,651) | (4,776) |
| **Profit before taxation** | *10* | 59,594 | 59,537 | 72,015 | 56,768 | 58,934 |
| Income tax expense | *11* | (8,734) | (9,938) | (10,112) | (8,977) | (7,768) |
| **Profit and total comprehensive income for the year/period** | | 50,860 | 49,599 | 61,903 | 47,791 | 51,166 |
| **Profit and total comprehensive income for the year/period attributable to** | | | | | | |
| Owners of the Company | | 49,778 | 48,533 | 60,570 | 47,697 | 50,832 |
| Non-controlling interests | | 1,082 | 1,066 | 1,333 | 94 | 334 |
| | | 50,860 | 49,599 | 61,903 | 47,791 | 51,166 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | As at 31 December | | | As at 30 September |
|---|---|---|---|---|---|
| | *Notes* | 2019 | 2020 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *15* | 25,728 | 25,500 | 24,156 | 21,506 |
| Investment properties | *16* | 6,919 | — | — | — |
| Interests in an associate | *17* | — | — | — | — |
| Deferred tax assets | *18* | 2,593 | 3,730 | 3,797 | 3,835 |
| Intangible assets | | 55 | 51 | 48 | 45 |
| | | 35,295 | 29,281 | 28,001 | 25,386 |
| **Current assets** | | | | | |
| Inventories | *19* | 694 | 3,273 | 3,018 | 940 |
| Trade, bills and other receivables | *20* | 544,649 | 590,524 | 513,270 | 459,884 |
| Contract assets | *21* | 1,173,525 | 1,227,155 | 1,216,095 | 1,179,017 |
| Amounts due from related companies | *22* | — | 3,623 | 6,475 | 10,479 |
| Amounts due from shareholders | *22* | 3,894 | 12,542 | 9,260 | 2,847 |
| Restricted bank deposits | *23* | 27,467 | 26,156 | 18,429 | 9,966 |
| Cash and cash equivalents | *24* | 80,585 | 76,838 | 89,106 | 126,958 |
| | | 1,830,814 | 1,940,111 | 1,855,653 | 1,790,091 |
| **Current liabilities** | | | | | |
| Trade and bills payables | *25* | 1,320,754 | 1,341,678 | 1,166,117 | 867,599 |
| Accruals and other payables | *26* | 185,387 | 254,243 | 302,800 | 382,345 |
| Contract liabilities | *21* | 29,128 | 37,178 | 24,976 | 50,086 |
| Amounts due to related companies | *22* | 8,267 | 586 | 4,833 | 5,021 |
| Amounts due to shareholders | *22* | 56,313 | 28,080 | 14,046 | 6,777 |
| Amounts due to directors | *22* | 5,328 | 1,870 | 253 | 462 |
| Lease liabilities | *27* | 533 | 467 | 28 | 191 |
| Borrowings | *28* | 75,984 | 65,620 | 66,895 | 138,966 |
| Income tax payable | | 4,013 | 7,455 | 9,538 | 14,799 |
| | | 1,685,707 | 1,737,177 | 1,589,486 | 1,466,246 |
| **Net current assets** | | 145,107 | 202,934 | 266,167 | 323,845 |
| **Total assets less current liabilities** | | 180,402 | 232,215 | 294,168 | 349,231 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | *27* | 424 | 28 | — | — |
| Borrowings | *28* | 233 | — | — | 3,855 |
| | | 657 | 28 | — | 3,855 |
| **NET ASSETS** | | **179,745** | **232,187** | **294,168** | **345,376** |

| | Notes | As at 31 December | | | As at 30 September |
|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **EQUITY** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | *29* | — | 1 | 1 | 1 |
| Reserves | *30* | 173,261 | 224,613 | 285,261 | 336,135 |
| | | 173,261 | 224,614 | 285,262 | 336,136 |
| **Non-controlling interests** | *31* | 6,484 | 7,573 | 8,906 | 9,240 |
| **TOTAL EQUITY** | | **179,745** | **232,187** | **294,168** | **345,376** |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | Notes | As at 31 December 2020 | As at 31 December 2021 | As at 30 September 2022 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **ASSETS AND LIABILITIES** | | | | |
| **Non-Current assets** | | | | |
| Investment in a subsidiary | | —* | —* | —* |
| **Current assets** | | | | |
| Amounts due from shareholders | *22* | 1 | 1 | 1 |
| **Current liabilities** | | | | |
| Amount due to a subsidiary | | —* | —* | —* |
| **Net current assets** | | 1 | 1 | 1 |
| **Net assets** | | 1 | 1 | 1 |
| **EQUITY** | | | | |
| Share capital | *29* | 1 | 1 | 1 |
| **TOTAL EQUITY** | | 1 | 1 | 1 |

* The amount is less than RMB1,000.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Merger reserve | Statutory special reserve | Statutory reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 29)* | *(Note 30(a))* | *(Note 30(b))* | *(Note 30(c))* | | | | |
| **At 1 January 2019** | — | 139,869 | 132 | 5,627 | 40,338 | 185,966 | 4,125 | 190,091 |
| Profit and total comprehensive income for the year | — | — | — | — | 49,778 | 49,778 | 1,082 | 50,860 |
| Dividend paid by a subsidiary | — | — | — | — | — | — | (113) | (113) |
| Appropriation to statutory reserve | — | — | — | 5,502 | (5,502) | — | — | — |
| Capital contribution by minority shareholders of subsidiaries | — | — | — | — | (13) | (13) | 1,714 | 1,701 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | 39 | 39 | (39) | — |
| Transfer to special reserve | — | — | 37,363 | — | — | 37,363 | — | 37,363 |
| Utilisation of special reserve | — | — | (37,292) | — | — | (37,292) | — | (37,292) |
| Deemed distribution resulting from Demerger *(Note 2.1)* | — | (56,815) | — | — | — | (56,815) | (285) | (57,100) |
| Group reorganisation | — | (5,765) | — | — | — | (5,765) | — | (5,765) |

| | Share capital | Merger reserve | Statutory special reserve | Statutory reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 29)* | *(Note 30(a))* | *(Note 30(b))* | *(Note 30(c))* | | | | |
| **Balance at 31 December 2019 and 1 January 2020** | — | 77,289 | 203 | 11,129 | 84,640 | 173,261 | 6,484 | 179,745 |
| Profit and total comprehensive income for the year | — | — | — | — | 48,533 | 48,533 | 1,066 | 49,599 |
| Dividend paid by a subsidiary | — | — | — | — | — | — | (188) | (188) |
| Appropriation to statutory reserve | — | — | — | 4,882 | (4,882) | — | — | — |
| Capital contribution by equity shareholders | 1 | — | — | — | — | 1 | — | 1 |
| Capital contribution by minority shareholders of a subsidiary | — | — | — | — | (6) | (6) | 306 | 300 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | 95 | 95 | (95) | — |
| Transfer to special reserve | — | — | 34,536 | — | — | 34,536 | — | 34,536 |
| Utilisation of special reserve | — | — | (34,190) | — | — | (34,190) | — | (34,190) |
| Group reorganisation | — | 2,384 | — | — | — | 2,384 | — | 2.384 |
| **Balance at 31 December 2020 and 1 January 2021** | 1 | 79,673 | 549 | 16,011 | 128,380 | 224,614 | 7,573 | 232,187 |
| Profit and total comprehensive income for the year | — | — | — | — | 60,570 | 60,570 | 1,333 | 61,903 |
| Appropriation to statutory reserve | — | — | — | 6,218 | (6,218) | — | — | — |
| Transfer to special reserve | — | — | 37,612 | — | — | 37,612 | — | 37,612 |
| Utilisation of special reserve | — | — | (37,534) | — | — | (37,534) | — | (37,534) |
| **Balance at 31 December 2021 and 1 January 2022** | 1 | 79,673 | 627 | 22,229 | 182,732 | 285,262 | 8,906 | 294,168 |

| | Share capital | Merger reserve | Statutory special reserve | Statutory reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 29)* | *(Note 30(a))* | *(Note 30(b))* | *(Note 30(c))* | | | | |
| Profit and total comprehensive income for the period | — | — | — | — | 50,832 | 50,832 | 334 | 51,166 |
| Appropriation to statutory reserve | — | — | — | 5,204 | (5,204) | — | — | — |
| Transfer to special reserve | — | — | 19,652 | — | — | 19,652 | — | 19,652 |
| Utilisation of special reserve | — | — | (19,610) | — | — | (19,610) | — | (19,610) |
| **Balance at 30 September 2022** | 1 | 79,673 | 669 | 27,433 | 228,360 | 336,136 | 9,240 | 345,376 |
| **Balance at 31 December 2020 and 1 January 2021** | 1 | 79,673 | 549 | 16,011 | 128,380 | 224,614 | 7,573 | 232,187 |
| Profit and total comprehensive income for the period | — | — | — | — | 47,697 | 47,697 | 94 | 47,791 |
| Appropriation to statutory reserve | — | — | — | 4,787 | (4,787) | — | — | — |
| Transfer to special reserve | — | — | 27,642 | — | — | 27,642 | — | 27,642 |
| Utilisation of special reserve | — | — | (27,784) | — | — | (27,784) | — | (27,784) |
| **Balance at 30 September 2021** | 1 | 79,673 | 407 | 20,798 | 171,290 | 272,169 | 7,667 | 279,836 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| **Cash flows from operating activities** | | | | | |
| Profit before taxation | 59,594 | 59,537 | 72,015 | 56,768 | 58,934 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | 6,319 | 6,393 | 6,546 | 4,424 | 3,501 |
| Depreciation of investment properties | 745 | 185 | — | — | — |
| Amortisation of intangible assets | 3 | 4 | 3 | 2 | 3 |
| Finance costs | 8,921 | 5,299 | 3,549 | 2,651 | 4,776 |
| Interest income | (384) | (459) | (222) | (199) | (310) |
| Loss on disposal of property, plant and equipment | 467 | 3 | 200 | 181 | — |
| Gain on disposal of investment properties | — | (5,689) | — | — | — |
| Gain on lease modification | — | (35) | — | — | — |
| Impairment on/(reversal of) financial and contract assets, net | 7,409 | 7,473 | 500 | (230) | 712 |
| Gain on disposal of an associate | (935) | — | — | — | — |
| Share of result of an associate | 423 | — | — | — | — |
| Operating profit before working capital changes | 82,562 | 72,711 | 82,591 | 63,597 | 67,616 |
| Decrease/(increase) in inventories | 676 | (2,579) | 255 | 2,417 | 2,078 |
| (Increase)/decrease in trade, bills and other receivables | (188,229) | (51,583) | 79,872 | (204,767) | 53,165 |
| (Increase)/decrease in contract assets | (436,811) | (55,817) | 9,699 | 40,453 | 35,304 |
| Increase/(decrease) in trade and bills payables | 561,271 | 20,924 | (175,561) | (211) | (298,518) |
| Increase in accruals and other payables | 46,760 | 68,965 | 49,889 | 31,923 | 79,587 |
| Increase/(Decrease) in contract liabilities | 14,462 | 8,050 | (12,202) | (11,397) | 25,110 |
| Decrease/(increase) in amounts due from related companies | 34,101 | (3,638) | (2,860) | (3,919) | (4,023) |
| (Increase)/decrease in amounts due from shareholders | (1,061) | (8,210) | 1,533 | 9,379 | 7,715 |
| (Increase)/decrease in restricted bank deposits | (8,345) | 1,311 | 7,727 | 11,625 | 8,463 |
| Cash generated from/(used in) operations | 105,386 | 50,134 | 40,943 | (60,900) | (23,503) |
| Income tax paid | (9,256) | (7,633) | (9,350) | (3,538) | (2,545) |
| *Net cash generated from/(used in) operating activities* | 96,130 | 42,501 | 31,593 | (64,438) | (26,048) |

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | (9,700) | (6,054) | (5,569) | (5,380) | (481) |
| Proceeds on disposal of property, plant and equipment | 285 | 45 | 167 | 159 | — |
| Proceeds on disposal of investment properties | — | 12,660 | — | — | — |
| Proceeds from disposal of an associate | 75,600 | — | — | — | — |
| Interest received | 384 | 459 | 222 | 199 | 310 |
| *Net cash generated from/(used in) investing activities* | 66,569 | 7,110 | (5,180) | (5,022) | (171) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from new borrowings | 91,415 | 64,199 | 60,058 | 38,058 | 108,868 |
| Repayments of borrowings | (122,851) | (74,796) | (58,783) | (35,783) | (32,942) |
| Interest paid | (8,921) | (5,299) | (3,549) | (2,651) | (4,776) |
| Dividend paid by a subsidiary | (113) | (188) | — | — | — |
| Repayments of lease liabilities | (954) | (586) | (467) | (457) | (207) |
| (Repayments to)/advances from related companies | (84,291) | (7,681) | 4,247 | 4,746 | 188 |
| (Repayments to)/advances from shareholders | (28,587) | (28,233) | (14,034) | 14,346 | (7,269) |
| Advances from/(repayments to) directors | 2,370 | (3,458) | (1,617) | (283) | 209 |
| Capital injection from minority shareholders of subsidiaries | 1,701 | 300 | — | — | — |
| Capital injection by equity shareholders of a subsidiary | — | 2,384 | — | — | — |
| *Net cash generated from/(used in) financing activities* | (150,231) | (53,358) | (14,145) | 17,976 | 64,071 |
| **Net increase/(decrease) in cash and cash equivalents** | 12,468 | (3,747) | 12,268 | (51,484) | 37,852 |
| **Cash and cash equivalents at the beginning of the year/period** | 68,117 | 80,585 | 76,838 | 76,838 | 89,106 |
| **Cash and cash equivalents at the end of the year/period** | 80,585 | 76,838 | 89,106 | 25,354 | 126,958 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

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

[•], a company incorporated in [•], is the immediate holding company of the Company. In the opinion of the directors, as at the date of this report, the ultimate holding company is [•], a company incorporated in [•].

Particulars of the Company's subsidiaries at the date of this report are as follows:

| Name of subsidiaries# | Notes | Date and place of incorporation/establishment | Issued and fully paid capital/Registered capital | Percentage of effective equity interest attributable to the Company | Principal activities |
|---|---|---|---|---|---|
| *Interests held directly* | | | | | |
| Head Sage Limited ("**Head Sage**") | *(1)* | 23 December 2019, BVI | US$1 | 100.00% | Investment holding |
| *Interests held indirectly* | | | | | |
| Zhongtian Holdings (Hong Kong) Limited ("**Zhongtian HK**") | *(2)* | 6 April 2020, Hong Kong | HK$1 | 100.00% | Investment holding |
| 株洲兆麟貿易有限公司 ("**Zhaolin Trading**") | *(1)* | 21 April 2020, the PRC | Registered capital of HK$10,000,000 | 100.00% | Investment holding |
| 株洲集采商貿有限公司^ ("**Jicai Trading**")# | *(1)* | 9 July 2018, the PRC | Registered capital of RMB10,000,000 | 100.00% | Investment holding |
| 株洲杭蕭材料貿易有限公司^ ("**Hangxiao Materials**")# | *(1)* | 31 July 2019, the PRC | Registered capital of RMB1,000,000 | 100.00% | Investment holding |

| Name of subsidiaries# | Notes | Date and place of incorporation/establishment | Issued and fully paid capital/Registered capital | Percentage of effective equity interest attributable to the Company | Principal activities |
|---|---|---|---|---|---|
| 湖南中天建設集團股份有限公司 ("**Zhongtian Construction**")* | *(3)* | 1 March 1979, the PRC | Registered capital of RMB61,600,000 | 99.50% | Provision of construction contracting business |
| 湖南中天建築安全科技有限公司^ (Formerly known as "株洲永安建設勞務有限公司") ("**Zhongtian Building**")# | *(3)* | 13 March 2006, the PRC | Registered capital of RMB5,000,000 | 61.09% | Subcontracting of construction projects |
| 株洲凱大起重設備安裝工程有限公司^ ("**Kaida Apparatus**")# | *(3)* | 28 April 2004, the PRC | Registered capital of RMB6,500,000 | 56.70% | Installation of construction lifting facilities, renovation works and rental of construction machinery, pipe racks and fasteners |
| 湖南中天杭蕭鋼構建設有限公司^ ("**Zhongtian Steel Structure Construction**")# | *(1)* | 22 October 2021, the PRC | Registered capital of RMB35,000,000 | 99.50% | Engaging in steel structure construction business |

\# The English names of all subsidiaries established in the PRC are translated for identification purpose only.

* This subsidiary is a company limited by shares.

^ These entities are established in the PRC in the form of domestic limited liability company.

(1) No audited financial statements have been prepared for these entities since incorporation, as these entities were not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation.

(2) The statutory financial statements of Zhongtian HK for the year ended 31 December 2020 and 2021 prepared under HKFRSs were audited by Uniwin International CPA Limited, certified public accountants registered in Hong Kong.

(3) No audited financial statements have been prepared for these entities for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2022, as these entities were not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation.

For the purpose of the Historical Financial Information of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with the basis of presentation and preparation set out in Note 2 below and accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Historical Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

## 2. REORGANISATION, BASIS OF PRESENTATION AND PREPARATION

### 2.1 Reorganisation and basis of presentation

As detailed in the section headed "History, Development and Reorganisation" to the document, in preparation for the **[REDACTED]** of shares of the Company on the **[REDACTED]** of the Stock Exchange (the "**[REDACTED]**"), the Group underwent a reorganisation (the "**Reorganisation**") to rationalise its corporate structure in connection with the **[REDACTED]**.

The Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability under the Cayman Islands Companies Act. Pursuant to the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in the document, the Company became the holding company of the companies now comprising the Group in 2020. The Company, Head Sage, Zhongtian HK, Zhaolin Trading, Jicai Trading, Hangxiao Materials (together, the "**Non-operating Companies**") are newly incorporated companies as part of the Reorganisation and none of these new holding companies carried out any businesses since their incorporation. The Non-operating Companies are inserted as holding companies of Zhongtian Construction, have no substance, have not been involved in any business and do not meet the definition of a business. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared based on that of Zhongtian Construction which comprised the Group during the Relevant Periods using the predecessor carrying amounts.

On 8 May 2019, the shareholders of Zhongtian Construction resolved to undergo a demerger of Zhongtian Construction into two companies, namely (1) Zhongtian Construction continuing to exist; and (2) Zhuzhou Puhui Commercial Management Co., Ltd. ("**Puhui Commercial**") which was established on 28 June 2019 as a result thereof (the "**Demerger**"). Following the Demerger, certain assets were transferred from Zhongtian Construction to Puhui Commercial at their respective net book values as of 2 July 2019. No liability of Zhongtian Construction was transferred to Puhui Commercial. The directors of the Company have confirmed that the purpose of the Demerger is to enable the Group to focus on construction contracting business as their core business but not property leasing. The Demerger was approved by the relevant government authorities and completed on 2 July 2019. The Demerger was in substance deemed as a distribution in which the assets being distributed as both entities are ultimately controlled by the same parties before and after the distribution. No gain or loss was generated from the Demerger as the shareholding structure of Zhongtian Construction remained unchanged while Puhui Commercial was established in the PRC as a limited liability company by way of the above demerger, which shares the same shareholding structure as Zhongtian Construction.

The net carrying value of the assets of Zhongtian Construction as at the date of the Demerger which were transferred to Puhui Commercial are as follows:

| | *RMB'000* |
|---|---|
| Property, plant and equipment *(Note 15)* | 13,702 |
| Investment properties *(Note 16)* | 39,378 |
| Prepayments | 4,020 |
| Total | 57,100 |

The related income expenditures and the net profit or loss attributable to above assets were included in the Group's Historical Financial Information up to the date of the Demerger.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 September 2022 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing carrying values, as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All intra group transactions and balances have been eliminated between the consolidating entities.

### 2.2 Basis of preparation

The Historical Financial Information has been prepared in accordance with accounting policies which conform with the HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. The Historical Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The HKICPA has issued a number of new and amended HKFRSs which are relevant to the Group and became effective during the Relevant Periods. For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has adopted all new and amended HKFRSs that are effective during the Relevant Periods and has applied them consistently throughout the Relevant Periods.

## 3. NEW OR REVISED HKFRS ISSUED BUT NOT YET EFFECTIVE

The following new or revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[2] |
| Amendments to HKAS 8 | Definition of Accounting Estimate[2] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2] |
| HK Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2] |
| HKFRS 17 | Insurance Contracts and related amendments[2] |

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2023

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial information.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may be ultimately different from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

**4.2 Functional and presentation currency**

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

**4.3 Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) comprising the Group for the Relevant Periods. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments are made to the financial statements of subsidiaries where necessary to ensure consistency with the policies adopted by the Group.

**4.4 Merger accounting**

The Reorganisation involved only inserting new holding companies on top of Zhongtian Construction and has not resulted in any change of economic substance with continuous common control by the shareholders. Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidated entities from the earliest date presented or since the dates of incorporation of the consolidated entities, where this is a shorter period. All inter-company transactions and balances have been eliminated on consolidation.

The comparative amounts in the Historical Financial Information are presented as if the entities had been consolidated at the end of the previous reporting period unless the consolidated entities were incorporated at a later date.

**4.5 Subsidiaries**

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

**4.6 Associate**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date when the equity method was discontinued and any proceeds from disposing of the interest in the associate is included in the determination of the gain or loss on disposal of the associate.

**4.7 Revenue recognition**

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

***(i) Construction services***

The Group engages in the provision for construction services of civil building, municipal works, foundation works, prefabricated steel structure and other specialised works. The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion to the contract costs incurred to date as a proportion to the total estimated contract costs while the contract costs and contract progress are highly correlated for the contracts. Invoices are issued according to contractual terms and are usually payable upon the date of issuance. Uninvoiced amounts are presented as contract assets.

When the outcome of a performance obligation in a contract can be reasonably measured, contract revenue and the associated contract costs are recognised over time based on the progress of the respective contract at the end of the reporting period. The progress toward complete satisfaction of the performance obligation of the contract is determined by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

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

Contract modification (e.g. variation order) are recognised when they are approved by customer. Generally, modification to a contract is not accounted for as a separate contract. Contract modification is accounted for as if it were a part of the existing contract and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis). For approved modifications where a change in price has not been agreed and other claims, they are accounted for following the requirements in relation to variable consideration, that is to include in the transaction price to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

If at any time, the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with the accounting policy for onerous contracts as set out in Note 4.20.

***(ii) Other income***

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

***(iii) Contract assets and contract liabilities***

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. Contract asset is recognised when (i) the Group completes the construction works under such service contracts but yet certified by architects, surveyors or other representatives appointed by customers; or (ii) the customers retain retention money to secure the due performance of the contracts. Contract assets are assessed for expected credit losses in accordance with the policy set out in Note 4.15(b). Loss allowance for contract assets is measured at an amount equal to lifetime expected credit losses. Expected credit losses on contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the milestones are reached. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

***(iv) Contract costs***

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

**4.8 Property, plant and equipment**

Property, plant and equipment held for use in the production or supply of services, or for administrative purposes as described below, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|---|---|
| Right-of-use assets | Over the lease terms |
| Plant and machinery | 8-10 years |
| Motor vehicles | 5 years |
| Furniture, Fixtures and office equipment | 3 years |
| Leasehold improvement | Over the shorter of the lease terms or 5 years |
| Tools | 3–5 years |

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### 4.9 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of estimated residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the reporting period. The useful lives are as follows:

| | |
|---|---|
| Building | 30 years |
| Land use right | 50 years |

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the properties) is recognised in profit or loss.

**4.10 Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**4.11 Leases**

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

***Accounting as a lessee***

*Right-of-use asset*

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. For right-of-use asset that meets the definition of an investment property, they are carried at depreciated cost. The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease terms.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at cost less accumulated depreciation. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

*Lease liability*

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

***Accounting as a lessor***

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

**4.12 Intangible assets and research and development costs**

***Intangible assets***

Intangible assets representing an invention patent for technology with definite useful lives of 20 years acquired and initially recognised at cost. The finite useful lives is based over the period stated on the patent certificate. After initial recognition, patents are carried at cost less any subsequent accumulated amortisation and accumulated impairment losses. Intangible assets are tested for impairment as described in Note 4.13.

**4.13 Impairment of other assets**

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Investment properties;
- Investments in subsidiaries;
- Interests in an associate; and
- Intangible assets.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash generating unit).

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the cash generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**4.14 Cash and cash equivalents**

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**4.15 Financial Instruments**

***(a) Financial assets***

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("**FVTPL**"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

*Equity instruments*

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments.

Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

***(b) Impairment loss on financial assets***

The Group recognises loss allowances for expected credit loss ("**ECLs**") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due as the delay in payment is because of administrative oversight rather than financial difficulty of the counterparties and historical information suggests significant increases in credit risk only occur when payments are more than 60 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

In addition, the Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

***(c) Financial liabilities***

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

*Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables, borrowings, amounts due to related companies/shareholders/directors are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

*Borrowings*

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

*Lease liabilities*

Lease liabilities are measured at present value less lease repayments (see Note 4.11).

***(d) Effective interest method***

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

***(e) Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

***(f) Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

**4.16 Foreign currency translation**

Transactions entered into by the group entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into RMB at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

**4.17 Income tax**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

## 4.18 Employee benefits

### *(a) Defined contribution retirement plan*

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

### *(b) Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

***(c) Termination benefits***

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

**4.19 Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive director are determined following the Group's service lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in HKFRS financial statements.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of Group's subsidiaries operate.

**4.20 Provisions and contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

***Onerous contracts***

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

**4.21 Borrowings costs**

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**4.22 Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**4.23 Financial guarantees issued**

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

**4.24 Related parties**

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Impairment of financial and contract assets**

The measurement of the ECLs allowance for financial assets measured at amortised cost and contract assets is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgements and assumptions used in measuring ECLs is set out in Note 4.15(b) and Note 37(b) to the Historical Financial Information. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.

**Revenue from provision of construction services**

Construction contract revenue is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract cost. Contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets/contract liabilities requires significant management judgement and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and project staff costs, are supported by contract budget which was prepared by the directors of the Company. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. Recognition of variations and claims also requires estimation and judgement by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

**Estimation of total budgeted costs and cost to completion for construction contracts**

Total budgeted costs for construction contracts comprise (i) materials and processing charges and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on materials and processing charges, project staff costs and other costs estimated by the directors.

**Estimates of current tax and deferred tax**

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

## 6. SEGMENT INFORMATION

### (a) Operating segment information

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

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

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

The major operating entities of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Relevant Periods.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, all of the non-current assets were located in the PRC.

### (b) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the Relevant Periods, is set out below:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| Zhongtian Holdings Group | 328,490 | 312,131 | 367,739 | 294,754 | 223,330 |
| Customer Group 2 | 183,203 | N/A* | N/A* | N/A* | N/A* |
| Customer 3 | N/A* | 220,518 | N/A* | N/A* | N/A* |
| Customer 4 | N/A* | N/A* | N/A* | N/A* | 136,128 |

* The corresponding revenue did not contribute over 10% of the total revenue of the Group during that year/period.

## 7. REVENUE

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

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| **Revenue from construction contracts** | | | | | |
| Civil building construction | 888,497 | 1,031,904 | 885,259 | 657,407 | 670,050 |
| Municipal works construction | 669,011 | 485,033 | 427,745 | 262,359 | 461,373 |
| Foundation works | 146,162 | 120,067 | 114,195 | 81,161 | 22,455 |
| Prefabricated steel structure construction works | 62,650 | 106,345 | 369,761 | 305,023 | 202,563 |
| Other specialised contracting works | 49,666 | 17,857 | 17,170 | 12,924 | 3,796 |
| **Revenue from provision of construction machinery and equipment service** | | | | | |
| Other specialised contracting works | 5,930 | 8,694 | 9,254 | 6,518 | 5,793 |
| | 1,821,916 | 1,769,900 | 1,823,384 | 1,325,392 | 1,366,030 |
| **Timing of revenue recognition** | | | | | |
| — Transferred over time | 1,821,916 | 1,769,900 | 1,823,384 | 1,325,392 | 1,366,030 |

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

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Hunan | 1,302,621 | 1,326,848 | 1,381,893 | 1,024,227 | 921,761 |
| Hainan | 402,306 | 376,546 | 388,687 | 263,981 | 388,745 |
| | 1,704,927 | 1,703,394 | 1,770,580 | 1,288,208 | 1,310,506 |
| Others | 116,989 | 66,506 | 52,804 | 37,184 | 55,524 |
| | 1,821,916 | 1,769,900 | 1,823,384 | 1,325,392 | 1,366,030 |

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables *(Note 20)* | 472,945 | 504,686 | 444,386 | 386,487 |
| Contract assets *(Note 21(a))* | 1,173,525 | 1,227,155 | 1,216,095 | 1,179,017 |
| Contract liabilities *(Note 21(b))* | 29,128 | 37,178 | 24,976 | 50,086 |

The contract assets primarily relate to the Group's rights to consideration for work completed at the reporting date on revenue related to the provision of construction services. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and the milestones are reached.

The contract liabilities mainly relate to the advance consideration received from customers.

**(i) Revenue recognised in relation to contract liabilities at the beginning of the Relevant Periods**

The following table shows the amounts of the revenue recognised during the Relevant Periods relates to carried forward contract liabilities:

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue recognised during the year/period | 8,383 | 19,307 | 20,830 | 8,954 |

### (ii) Transaction price allocated to the remaining performance obligations

The following table shows the amounts of the partially unsatisfied performance obligation in the Relevant Periods.

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Partially unsatisfied performance obligation | 1,636,230 | 2,541,776 | 1,351,916 | 1,543,092 |

As at 31 December 2021 and 30 September 2022, there is unsatisfied performance obligation amounted to approximately RMB776,881,000 and RMB1,221,459,000, which represents the wholly unperformed revenue contracts. These amounts represent revenue expected to be recognised in the future from long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 23 months.

## 8. OTHER INCOME AND OTHER GAINS, NET

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Interest income on bank deposits | 384 | 459 | 222 | 199 | 310 |
| Rental income | 1,324 | — | — | — | — |
| Consulting fee income | 1,023 | — | — | — | — |
| Government grants *(Note)* | 152 | 334 | 1,435 | 1,313 | 84 |
| Gain on disposal of an associate | 935 | — | — | — | — |
| Loss on disposal of property, plant and equipment | (467) | (3) | (200) | (181) | — |
| Gain on disposal of investment property | — | 5,689 | — | — | — |
| Gain on lease modification | — | 35 | — | — | — |
| Others | (134) | (34) | (1) | — | 88 |
| | 3,217 | 6,480 | 1,456 | 1,331 | 482 |

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

## 9. FINANCE COSTS

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Interest charge on lease liabilities | 48 | 35 | 6 | 4 | 5 |
| Interest charge on amounts due to related companies | 165 | 106 | — | — | — |
| Interest charge on borrowings | 8,708 | 5,158 | 3,543 | 2,647 | 4,771 |
| | 8,921 | 5,299 | 3,549 | 2,651 | 4,776 |

## 10. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the followings:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Cost of inventories | 796,440 | 687,710 | 642,700 | 432,035 | 531,603 |
| Auditors' remuneration | 58 | 140 | 98 | 98 | 19 |
| Depreciation of property, plant and equipment owned | 5,180 | 5,757 | 6,041 | 4,045 | 3,138 |
| Depreciation of right-of-use assets | 1,139 | 636 | 505 | 379 | 363 |
| Depreciation of investment properties | 745 | 185 | — | — | — |
| Amortisation of intangible assets | 3 | 4 | 3 | 2 | 3 |
| Research and development costs | 60,752 | 54,141 | 56,726 | 42,007 | 42,107 |
| Short-term leases expenses | | | | | |
| — Office premises | 67 | 67 | 67 | 34 | 36 |
| — Machinery and equipment | 35,463 | 116,984 | 199,353 | 145,263 | 139,525 |
| Staff costs (including directors' emoluments *(Note 14)*): | | | | | |
| — Salaries and wages | 69,348 | 42,101 | 39,224 | 32,046 | 29,548 |
| — Retirement scheme contributions | 4,550 | 4,178 | 4,193 | 3,690 | 3,106 |

## 11. INCOME TAX EXPENSE

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

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| **PRC Enterprise Income Tax** | | | | | |
| Current year | 9,857 | 11,075 | 10,179 | 8,919 | 7,806 |
| Deferred tax *(Note 18)* | (1,123) | (1,137) | (67) | 58 | (38) |
| | 8,734 | 9,938 | 10,112 | 8,977 | 7,768 |

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Group is 25% for the three years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022, except for the following subsidiaries:

A subsidiary of the Company has been certified as new high technology enterprise in the PRC and enjoyed a preferential enterprise income tax rate of 15% for the year ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022.

Two subsidiaries of the Company were qualified as small enterprise and are eligible for preferential tax rate for the year ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022.

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Profit before taxation | 59,594 | 59,537 | 72,015 | 56,768 | 58,934 |
| Tax calculated at the rates applicable to profits in the tax jurisdictions concerned | 14,899 | 14,884 | 18,004 | 14,192 | 14,734 |
| Tax effect of non-deductible items | 515 | 3,199 | 712 | 556 | 1,691 |
| Effect of additional deduction of research and development costs | (1,644) | (966) | (1,854) | (1,463) | (1,966) |
| Tax effect of preferential tax rate | (5,036) | (7,179) | (6,750) | (4,308) | (6,691) |
| Income tax expense | 8,734 | 9,938 | 10,112 | 8,977 | 7,768 |

## 12. DIVIDENDS

No dividends were paid or declared by the Company during the Relevant Periods.

During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, a subsidiary of the Company declared and paid dividend of RMB113,000, RMB188,000, Nil and Nil (unaudited) and Nil respectively.

## 13. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and presentation of the result of the Group for the Relevant Periods on the basis of presentation and preparation as disclosed in Note 2.

## 14. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

Details of directors' remuneration during the Relevant Periods are as follows:

| | Fees | Salaries | Allowance and other benefits | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2019** | | | | | |
| *Executive directors* | | | | | |
| Yang Zhongjie | — | 93 | — | 30 | 123 |
| Liu Xiaohong | — | 121 | 143 | 33 | 297 |
| Min Shixiong | — | 113 | 123 | 29 | 265 |
| Shen Qiang | — | 99 | 105 | 28 | 232 |
| Chen Weiwu | — | 72 | — | 22 | 94 |
| | — | 498 | 371 | 142 | 1,011 |

| | Fees | Salaries | Allowance and other benefits | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2020** | | | | | |
| *Executive directors* | | | | | |
| Yang Zhongjie | — | 144 | — | 37 | 181 |
| Liu Xiaohong | — | 86 | 200 | 30 | 316 |
| Min Shixiong | — | 79 | 175 | 28 | 282 |
| Shen Qiang | — | 69 | 148 | 26 | 243 |
| Chen Weiwu | — | 132 | 71 | 20 | 223 |
| | — | 510 | 594 | 141 | 1,245 |

| | Fees | Salaries | Allowance and other benefits | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2021** | | | | | |
| *Executive directors* | | | | | |
| Yang Zhongjie | — | 149 | — | 36 | 185 |
| Liu Xiaohong | — | 86 | 57 | 34 | 177 |
| Min Shixiong | — | 79 | 54 | 32 | 165 |
| Shen Qiang | — | 69 | 45 | 27 | 141 |
| Chen Weiwu | — | 132 | — | 17 | 149 |
| | — | 515 | 156 | 146 | 817 |

| | Fees | Salaries | Allowance and other benefits | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Nine months ended 30 September 2021 (Unaudited)** | | | | | |
| *Executive directors* | | | | | |
| Yang Zhongjie . . . . . | — | 111 | — | 33 | 144 |
| Liu Xiaohong . . . . . . | — | 64 | 43 | 32 | 139 |
| Min Shixiong . . . . . . | — | 60 | 40 | 30 | 130 |
| Shen Qiang. . . . . . . . | — | 51 | 34 | 25 | 110 |
| Chen Weiwu . . . . . . . | — | 99 | — | 16 | 115 |
| | — | 385 | 117 | 136 | 638 |

| | Fees | Salaries | Allowance and other benefits | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Nine months ended 30 September 2022** | | | | | |
| *Executive directors* | | | | | |
| Yang Zhongjie . . . . . | — | 111 | — | 39 | 150 |
| Liu Xiaohong . . . . . . | — | 64 | 43 | 38 | 145 |
| Min Shixiong . . . . . . | — | 60 | 33 | 35 | 128 |
| Shen Qiang. . . . . . . . | — | 51 | 34 | 26 | 111 |
| Chen Weiwu . . . . . . . | — | 99 | — | 18 | 117 |
| | — | 385 | 110 | 156 | 651 |

**(b) The five highest paid individuals**

The five highest paid individuals of the Group during the Relevant Periods are analysed as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* | *Number of individuals* (Unaudited) | *Number of individuals* |
| Directors . . . . . . . . . . . . . . . . . . . . . | 3 | 4 | 4 | 4 | 4 |
| Non-director, the highest paid individuals. . . . . . . . . . . . . . . . . . | 2 | 1 | 1 | 1 | 1 |

Details of the remuneration of the above non-director, the highest paid individuals during the Relevant Periods are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Salaries and other emoluments | 199 | 71 | 71 | 53 | 53 |
| Discretionary bonuses | 209 | 157 | 57 | 36 | 36 |
| Retirement scheme contribution | 52 | 26 | 26 | 27 | 31 |
| | 460 | 254 | 154 | 116 | 120 |

The number of the highest paid non-director individuals fell within the following emolument band:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* | *Number of individuals* (Unaudited) | *Number of individuals* |
| Nil to HK$1,000,000 | 2 | 1 | 1 | 1 | 1 |

During the Relevant Periods, no emoluments were paid by the Group to any director or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the Relevant Periods.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets | Plant and machinery | Motor vehicles | Furniture, fixtures and office equipment | Leasehold improvement | Tools | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2019** | 19,759 | 34,563 | 4,335 | 675 | 60 | 6,299 | 65,691 |
| Additions | 860 | 3,470 | 1,921 | 198 | — | 4,111 | 10,560 |
| Disposals | — | (4,694) | (239) | — | — | (12) | (4,945) |
| Transfer upon Demerger *(Note 2.1)* | (16,909) | — | — | — | (60) | — | (16,969) |
| **At 31 December 2019** | 3,710 | 33,339 | 6,017 | 873 | — | 10,398 | 54,337 |
| Additions | 492 | 4,458 | 281 | 127 | — | 1,173 | 6,531 |
| Disposals | (1,285) | (858) | (91) | (184) | — | (609) | (3,027) |
| **At 31 December 2020** | 2,917 | 36,939 | 6,207 | 816 | — | 10,962 | 57,841 |
| Additions | — | 5,259 | — | 41 | — | 269 | 5,569 |
| Disposals | — | (900) | — | — | — | (583) | (1,483) |
| **At 31 December 2021** | 2,917 | 41,298 | 6,207 | 857 | — | 10,648 | 61,927 |
| Additions | 370 | 247 | — | — | — | 234 | 851 |
| Disposals | — | — | — | — | — | — | — |
| **At 30 September 2022** | 3,287 | 41,545 | 6,207 | 857 | — | 10,882 | 62,778 |
| **At 1 January 2019** | (4,794) | (17,871) | (2,762) | (425) | (33) | (3,865) | (29,750) |
| Charge for the year | (1,139) | (3,080) | (667) | (163) | (1) | (1,269) | (6,319) |
| Disposals | — | 3,961 | 232 | — | — | — | 4,193 |
| Transfer upon Demerger *(Note 2.1)* | 3,233 | — | — | — | 34 | — | 3,267 |
| **At 31 December 2019** | (2,700) | (16,990) | (3,197) | (588) | — | (5,134) | (28,609) |
| Charge for the year | (636) | (3,867) | (846) | (154) | — | (890) | (6,393) |
| Disposals | 952 | 830 | 89 | 181 | — | 609 | 2,661 |
| **At 31 December 2020** | (2,384) | (20,027) | (3,954) | (561) | — | (5,415) | (32,341) |
| Charge for the year | (505) | (3,600) | (797) | (134) | — | (1,510) | (6,546) |
| Disposals | — | 873 | — | — | — | 243 | 1,116 |
| **At 31 December 2021** | (2,889) | (22,754) | (4,751) | (695) | — | (6,682) | (37,771) |
| Charge for the period | (363) | (2,441) | (389) | (63) | — | (245) | (3,501) |
| Disposals | — | — | — | — | — | — | — |
| **At 30 September 2022** | (3,252) | (25,195) | (5,140) | (758) | — | (6,927) | (41,272) |

| | Right-of-use assets | Plant and machinery | Motor vehicles | Furniture, fixtures and office equipment | Leasehold improvement | Tools | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Net carrying value** | | | | | | | |
| **At 31 December 2019** | 1,010 | 16,349 | 2,820 | 285 | — | 5,264 | 25,728 |
| **At 31 December 2020** | 533 | 16,912 | 2,253 | 255 | — | 5,547 | 25,500 |
| **At 31 December 2021** | 28 | 18,544 | 1,456 | 162 | — | 3,966 | 24,156 |
| **At 30 September 2022** | 35 | 16,350 | 1,067 | 99 | — | 3,955 | 21,506 |

The above items of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives or lease terms and after taking into account of their estimated residual values.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, certain equipment with carrying amount of approximately RMB1,057,000, RMB950,000 and RMB4,852,000 and RMB7,539,000, were pledged as securities for the Group's borrowings (Note 28).

The carrying amounts of right-of-use assets at the end of each Relevant Periods and the depreciation by classes of right-of-use assets are set out as below:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amounts | | | | |
| — Other properties leased for own use | 1,010 | 533 | 28 | 35 |

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Depreciation charge | | | | |
| — Land and buildings | (177) | — | — | — |
| — Other properties leased for own use | (962) | (636) | (505) | (363) |
| | (1,139) | (636) | (505) | (363) |

## 16. INVESTMENT PROPERTIES

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost** | | | | |
| At the beginning of the year/period | 61,966 | 7,663 | — | — |
| Addition | — | — | — | — |
| Disposal | — | (7,663) | — | — |
| Transfer upon Demerger *(Note 2.1)* | (54,303) | — | — | — |
| At the end of the year/period | 7,663 | — | — | — |
| **Accumulated depreciation** | | | | |
| At the beginning of the year/period | (14,924) | (744) | — | — |
| Charge for the year/period | (745) | (185) | — | — |
| Disposal | — | 929 | — | — |
| Transfer upon Demerger *(Note 2.1)* | 14,925 | — | — | — |
| At the end of the year/period | (744) | — | — | — |
| **Net carrying value** | | | | |
| At the end of the year/period | 6,919 | — | — | — |

The fair value of the Group's investment properties as at 31 December 2019 amounted to approximately RMB13,900,000. The fair value of the investment properties have been arrived at on market approach carried out by APAC Asset Valuation and Consulting Limited, an independent valuer, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The fair value of investment properties is a level 3 fair value measurement. Fair value is determined based on direct comparison method by reference to market transactions of comparable properties or income capitalisation method, which involves certain estimates, including capitalisation rates and reversionary rental value.

As at 31 December 2020 and 2021 and 30 September 2022, the investment properties have been disposed.

## 17. INTERESTS IN AN ASSOCIATE

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 75,088 | — | — | — |
| Share of results of an associate | (423) | — | — | — |
| Disposal of an associate | (74,665) | — | — | — |
| At the end of the year/period | — | — | — | — |

Particulars of the associate are as follows:

| Name | Place of incorporation | Attributable equity interest held by the Group — As at 31 December 2019 | 2020 | 2021 | As at 30 September 2022 | Registered capital | Principal activities |
|---|---|---|---|---|---|---|---|
| 湖南中天杭蕭鋼構科技股份有限公司* ("**Hangxiao Technology**") | The PRC | N/A | N/A | N/A | N/A | Registered capital of RMB120,000,000 | Design and manufacture of steel structure |

* Although the Group's ownership interest in Hangxiao Technology is more than 50%, the Group is only entitled to appoint three out of seven directors to the board of directors of Hangxiao Technology so that the Group has no control over the financial and operating policies of but has significant influences over it. The directors of the Company therefore treated the interest in Hangxiao Technology as an associate.

On 5 March 2019, the Group disposed of all of its 63% equity interest in Hangxiao Technology at a cash consideration of RMB75,600,000 to a related company, resulting in a gain on disposal of approximately RMB935,000. The disposal of Hangxiao Technology was completed on 5 March 2019. Upon completion of the disposal, Hangxiao Technology ceased to be classified as associate.

The summarised financial information of Hangxiao Technology is as follows:

| | As at 31 December |
|---|---|
| | 2018 |
| | *RMB'000* |
| Current assets | 17,456 |
| Non-current assets | 102,324 |
| Current liabilities | (593) |
| Non-current liabilities | — |
| Net assets | 119,187 |
| Group's share of the net assets of the associate | 75,088 |

| | Year ended 31 December |
|---|---|
| | 2018 |
| | *RMB'000* |
| Revenue | 1,019 |
| Loss for the year | (737) |
| Other comprehensive income | — |
| Total comprehensive income | (737) |

## 18. DEFERRED TAX ASSETS

Deferred tax assets recognised and movements during the Relevant Periods are as follows:

| | Impairment losses on financial and contract assets |
|---|---|
| | *RMB'000* |
| At 1 January 2019 | 1,470 |
| Credited for the year *(Note 11)* | 1,123 |
| At 31 December 2019 and 1 January 2020 | 2,593 |
| Credited for the year *(Note 11)* | 1,137 |
| At 31 December 2020 | 3,730 |
| Credited for the year *(Note 11)* | 67 |
| At 31 December 2021 | 3,797 |
| Credited for the period *(Note 11)* | 38 |
| At 30 September 2022 | 3,835 |

## 19. INVENTORIES

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 692 | 3,271 | 3,015 | 937 |
| Consumables | 2 | 2 | 3 | 3 |
| | 694 | 3,273 | 3,018 | 940 |

## 20. TRADE, BILLS AND OTHER RECEIVABLES

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | | | | |
| — Related parties | 43,304 | 76,304 | 36,060 | 13,763 |
| — Third parties | 435,516 | 437,142 | 416,661 | 380,481 |
| | 478,820 | 513,446 | 452,721 | 394,244 |
| Bills receivables | 9,931 | 5,280 | 1,050 | 310 |
| Impairment provision for | | | | |
| — Trade receivables | (5,875) | (8,760) | (8,335) | (7,757) |
| — Bills receivables | (79) | (29) | (7) | (3) |
| | (5,954) | (8,789) | (8,342) | (7,760) |
| Trade and bills receivables, net | 482,797 | 509,937 | 445,429 | 386,794 |
| Deposits and other receivables | 66,421 | 64,086 | 56,001 | 56,789 |
| Prepayments | 1,341 | 25,284 | 18,453 | 23,717 |
| Impairment provision for deposits and other receivables | (5,910) | (8,783) | (6,613) | (7,416) |
| Other receivables, prepayments and deposits, net | 61,852 | 80,587 | 67,841 | 73,090 |
| | 544,649 | 590,524 | 513,270 | 459,884 |

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

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables, aged | | | | |
| 0 – 90 days | 286,512 | 246,923 | 216,064 | 185,590 |
| 91 – 180 days | 30,126 | 67,563 | 59,846 | 32,331 |
| 181 – 365 days | 61,854 | 69,243 | 61,334 | 54,207 |
| 1 – 2 years | 51,798 | 73,909 | 65,467 | 80,775 |
| 2 – 3 years | 15,849 | 17,855 | 15,816 | 13,684 |
| Over 3 years | 26,806 | 29,193 | 25,859 | 19,900 |
| | 472,945 | 504,686 | 444,386 | 386,487 |

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on due dates, as of the end of the Relevant Periods:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables, aged | | | | |
| Not yet past due | 291,347 | 252,345 | 211,004 | 227,139 |
| 0 – 90 days | 30,195 | 67,734 | 60,927 | 27,143 |
| 91 – 180 days | 27,046 | 22,114 | 74,906 | 21,262 |
| 181 – 365 days | 56,758 | 101,182 | 77,400 | 77,431 |
| 1 – 2 years | 35,922 | 27,512 | 2,184 | 15,596 |
| 2 – 3 years | 7,699 | 10,664 | 953 | 907 |
| Over 3 years | 23,978 | 23,135 | 17,012 | 17,009 |
| | 472,945 | 504,686 | 444,386 | 386,487 |

The Group recognised impairment loss based on the accounting policy stated in Note 4.15(b). Trade receivables are generally due within 10 to 90 days from the date of billing.

Further details on the Group's credit policy and credit risk analysis arising from trade, bills and other receivables are set out in Note 37(b).

As at 31 December 2019, 2020 and 2021 and 30 September 2022, certain trade and bills receivables arising from provision of construction services amounting to approximately RMB21,651,000, RMB3,295,000 and RMB6,612,000 and RMB1,910,000 were pledged as securities for the Group's borrowings (Note 28).

## 21. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract assets arising from construction services: | | | | |
| — Related parties | 136,213 | 104,780 | 140,237 | 132,188 |
| — Third parties | 1,041,885 | 1,129,135 | 1,083,979 | 1,056,724 |
| | 1,178,098 | 1,233,915 | 1,224,216 | 1,188,912 |
| Less: Loss allowance provision | (4,573) | (6,760) | (8,121) | (9,895) |
| | 1,173,525 | 1,227,155 | 1,216,095 | 1,179,017 |

Movements in contract assets are as follows:

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 741,287 | 1,178,098 | 1,233,915 | 1,224,216 |
| New contract assets during the year/period | 1,122,648 | 904,133 | 714,640 | 654,637 |
| Amounts recognised as trade receivables during the year/period | (685,837) | (848,316) | (724,339) | (689,941) |
| At the end of the year/period | 1,178,098 | 1,233,915 | 1,224,216 | 1,188,912 |
| Less: Loss allowance provision | (4,573) | (6,760) | (8,121) | (9,895) |
| | 1,173,525 | 1,227,155 | 1,216,095 | 1,179,017 |

The Group's construction contracts include payment schedules, which require stage payments over the construction period once milestones are reached. Additionally, the Group typically agrees a 2 months to 2 years retention period for 3 – 5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection. No contracts has significant financing component.

The expected timing of recovery or settlement for contract assets as at each of the Relevant Periods is as follows:

For retention receivables:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Due within one year | 13,244 | 8,358 | 12,038 | 25,312 |
| Due after one year | 9,567 | 49,677 | 36,442 | 83,071 |
| | 22,811 | 58,035 | 48,480 | 108,383 |

The remaining contract assets of RMB1,150,714,000, RMB1,169,120,000 and RMB1,167,615,000 and RMB1,080,529,000 as at 31 December 2019, 2020 and 2021 and 30 September 2022 are generally expected to be settled within the next 2 years upon completion of services and acceptance by the customers.

Further details on the Group's credit policy and credit risk analysis arising from contract assets are set out in Note 37(b).

**(b) Contract liabilities**

| | Year ended 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract liabilities arising from construction services: | | | | |
| — Related parties | 2,181 | 1,900 | 166 | 166 |
| — Third parties | 26,947 | 35,278 | 24,810 | 49,920 |
| | 29,128 | 37,178 | 24,976 | 50,086 |

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movements in contract liabilities are as follows:

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | 14,666 | 29,128 | 37,178 | 24,976 |
| Amounts recognised as revenue during the year/period | (8,383) | (19,307) | (20,830) | (8,954) |
| New contract liabilities as a result of billing in advance of construction activities | 22,845 | 27,357 | 8,628 | 34,064 |
| At 31 December/30 September | 29,128 | 37,178 | 24,976 | 50,086 |

## 22. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/SHAREHOLDERS/DIRECTORS

### (a) Amounts due to directors

Details of amounts due to directors are as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Liu Xiaohong | — | 240 | 240 | 240 |
| Min Shixiong | 2,550 | 1,503 | 13 | 13 |
| Chen Weiwu | 2,778 | 127 | — | 209 |
| | 5,328 | 1,870 | 253 | 462 |

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the amounts due to directors are unsecured, interest free and repayable on demand.

The amounts due to directors were not trade related and the balances will be fully settled before or upon **[REDACTED]**.

### (b) Amounts due from/(to) related companies/shareholders

As at 31 December 2019, certain amounts due to related company of RMB1,900,000 are unsecured, interest bearing at a fixed rate of 8.7% per annum and repayable within one year. The remaining amounts due from/(to) related companies/shareholders are unsecured, interest free and repayable on demand.

As at 31 December 2020 and 2021 and 30 September 2022, the amounts due from/(to) related companies/shareholders are unsecured, interest free and repayable on demand.

The amounts due from/(to) related companies/shareholders were not trade related and the balances will be fully settled before or upon **[REDACTED]**.

Further details on the Group's credit policy and credit risk analysis arising from amounts due from related companies/shareholders are set out in Note 37(b).

## 23. RESTRICTED BANK DEPOSITS

Bank deposits were restricted for the deposit of the construction projects, by court orders due to ongoing legal cases and guaranteed deposits placed in the banks in the PRC as securities for the Group's bills payables and loan.

## 24. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise bank deposits carrying interest at floating rates based on daily bank deposit rates and short-term bank deposits carrying interests at prevailing market interest rate. The director considers that the carrying value of the deposits at the end of each of the reporting period approximate to their fair value.

As at the end of the Relevant Periods, all of the Group's cash at banks and on hands are denominated in RMB and placed in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 25. TRADE AND BILLS PAYABLES

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | | | | |
| — Third parties | 1,289,724 | 1,298,586 | 1,106,920 | 838,069 |
| — Related parties | 9,630 | 21,692 | 37,797 | 14,530 |
| | 1,299,354 | 1,320,278 | 1,144,717 | 852,599 |
| Bills payables *(Note 28)* | 21,400 | 21,400 | 21,400 | 15,000 |
| | 1,320,754 | 1,341,678 | 1,166,117 | 867,599 |

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

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0 – 90 days | 515,028 | 327,035 | 293,430 | 146,039 |
| 91 – 180 days | 216,810 | 171,980 | 147,400 | 119,726 |
| 181 – 365 days | 250,496 | 197,232 | 169,043 | 223,090 |
| 1-2 years | 196,172 | 491,110 | 420,920 | 266,039 |
| Over 2 years | 120,848 | 132,921 | 113,924 | 97,705 |
| | 1,299,354 | 1,320,278 | 1,144,717 | 852,599 |

## 26. ACCRUALS AND OTHER PAYABLES

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Deposits received | 14,427 | 13,442 | 12,008 | 11,998 |
| Other payables | 79,893 | 95,733 | 93,120 | 83,931 |
| Other tax payables | 87,056 | 140,699 | 192,729 | 281,925 |
| Accruals | 4,011 | 4,369 | 4,943 | 4,491 |
| | 185,387 | 254,243 | 302,800 | 382,345 |

## 27. LEASE LIABILITIES

The Group leases properties to operate its business. These leases are typically made for fixed terms of 1 to 15 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The Group also leases properties with term of less than one year. These leases are short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Present value of future lease payments of the Group's leases is analysed as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current | 533 | 467 | 28 | 191 |
| Non-current | 424 | 28 | — | — |
| | 957 | 495 | 28 | 191 |

Movement of the Group's lease liabilities is analysed as follows:

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 1,051 | 957 | 495 | 28 |
| Addition of new leases | 860 | 492 | — | 370 |
| Effect of lease modification | — | (368) | — | — |
| Interest expenses | 48 | 35 | 6 | 5 |
| Interest element of lease payments | (48) | (35) | (6) | (5) |
| Capital element of lease payments | (954) | (586) | (467) | (207) |
| At the end of the year/period | 957 | 495 | 28 | 191 |

Total cash outflows in respect of the capital element of lease liabilities for the years ended 31 December 2019, 2020 and 2021 were RMB954,000, RMB586,000 and RMB467,000 and for the nine months ended 30 September 2021 and 2022 was RMB457,000 and RMB207,000 respectively.

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

| | Minimum lease payments | Interest | Present value |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2019** | | | |
| — within 1 year | 561 | (28) | 533 |
| — 1 to 2 years, inclusive | 115 | (18) | 97 |
| — 3 to 5 years, inclusive | 248 | (29) | 219 |
| — over 5 years | 111 | (3) | 108 |
| | 1,035 | (78) | 957 |
| **As at 31 December 2020** | | | |
| — within 1 year | 474 | (7) | 467 |
| — 1 to 2 years, inclusive | 29 | (1) | 28 |
| — 3 to 5 years, inclusive | — | — | — |
| — over 5 years | — | — | — |
| | 503 | (8) | 495 |
| **As at 31 December 2021** | | | |
| — within 1 year | 31 | (3) | 28 |
| — 1 to 2 years, inclusive | — | — | — |
| — 3 to 5 years, inclusive | — | — | — |
| — over 5 years | — | — | — |
| | 31 | (3) | 28 |
| **As at 30 September 2022** | | | |
| — within 1 year | 194 | (3) | 191 |
| — 1 to 2 years, inclusive | — | — | — |
| — 3 to 5 years, inclusive | — | — | — |
| — over 5 years | — | — | — |
| | 194 | (3) | 191 |

## 28. BORROWINGS

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current** | | | | |
| — Bank borrowings, secured/guaranteed | 50,000[1] | 61,550[2] | 62,550[3] | 137,550[4] |
| — Bank borrowings, unsecured | — | — | 508 | 508 |
| — Other borrowings, secured | 25,984 | 4,070 | 3,837 | 908 |
| | 75,984 | 65,620 | 66,895 | 138,966 |
| **Non-current** | | | | |
| Bank borrowings, secured | — | — | — | 1,900[4] |
| Other borrowings, secured | 233 | — | — | 1,955 |
| | 233 | — | — | 3,855 |
| | 76,217 | 65,620 | 66,895 | 142,821 |

Bank borrowings were repayable as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 50,000 | 61,550 | 63,058 | 138,058 |
| 2 – 5 years | — | — | — | 1,900 |

Other borrowings were repayable as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 25,984 | 4,070 | 3,837 | 908 |
| 1 – 2 years | 233 | — | — | 908 |
| 2 – 5 years | — | — | — | 1,047 |

The interest rate profiles for the Group's borrowings were as follows:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Fixed-rate borrowings. . . . . . | 26,217 | 15,620 | 16,895 | 91,821 |
| Floating-rate borrowings. . . . | 50,000 | 50,000 | 50,000 | 51,000 |
| | 76,217 | 65,620 | 66,895 | 142,821 |
| Interest rate range per annum. . . . . . . . . . . . . . . . | 4.6% – 15.0% | 3.9% – 14.0% | 4.2% – 14.0% | 3.7% – 8.6% |

The borrowings were secured by the following assets:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Property, plant and equipment *(Note 15)*. . . . . . . . . . . . . . . . . . . . . | 1,057 | 950 | 4,852 | 7,539 |
| Trade and bills receivables *(Note 20)* . | 21,651 | 3,295 | 6,612 | 1,910 |
| | 22,708 | 4,245 | 11,464 | 9,449 |

1) As at 31 December 2019, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB21,400,000 (Note 25) and performance bonds issued by bank in favour of certain customers of the Group's construction projects with the aggregate value of RMB20,484,000 were secured by the properties of related companies.

2) As at 31 December 2020, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB21,400,000 (Note 25) and performance bonds issued by bank in favour of certain customers of the Group's construction projects with the aggregate value of RMB12,464,000 were secured by the properties of related companies; bank loans with principal amount of RMB6,550,000 were guaranteed by a related company, a director and his spouse of the Company; bank loans with principal amount of RMB3,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by three directors and their spouse of a subsidiary; bank loans of RMB2,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by four directors and their spouse of a subsidiary.

3) As at 31 December 2021, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB21,400,000 (Note 25) were secured by the properties of related companies; bank loans with principal amount of RMB6,550,000 were guaranteed by a director and his spouse of the Company; bank loans with principal amount of RMB3,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by three directors and their spouse of a subsidiary; bank loans of RMB1,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by four directors and their spouse of a subsidiary; bank loans of RMB2,000,000 were secured by the properties of the Group.

4) As at 30 September 2022, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB15,000,000 (Note 25) and performance bonds issued by bank in favour of certain customers of the Group's construction projects with the aggregate value of RMB2,459,000 were secured by the properties of related companies; bank loans with principal amount of RMB6,550,000 were guaranteed by a director and his spouse of the Company; bank loans with principal amount of RMB1,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by four directors and their spouse of a subsidiary; bank loans with principal amount of RMB3,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by one director and his spouse of a subsidiary; bank loans with principal amount of RMB2,000,000 were secured by the properties of the Group; bank loans with principal amount of RMB60,000,000 were secured by the properties of related companies and equity share of a related company, guaranteed by related companies, a director and his spouse of the Company; bank loans with principal amount of RMB8,000,000 were secured by the properties of related companies, and guaranteed by a related company, a director and his spouse of the Company; bank loans with principal amount of RMB1,900,000 were secured by bank deposits; and bank loans with principal amount of RMB7,000,000 were secured by trade receivables and guaranteed by a related company, four directors of a subsidiary and a director and his spouse of the Company.

## 29. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability, with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and issued 100,000 shares of HK$0.01 each.

## 30. RESERVES

The Group's reserves and the movements therein for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022 respectively are presented in the consolidated statements of changes in equity.

### (a) Merger reserve

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

### (b) Statutory special reserve

In the preparation of the consolidated financial statements, the Group has appropriated a certain amount of retained earnings to a special reserve fund for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022 respectively, for safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

### (c) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

## 31. NON-CONTROLLING INTERESTS

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year/period | 4,125 | 6,484 | 7,573 | 8,906 |
| Capital contribution | 1,714 | 306 | — | — |
| Acquisition of additional interest | (39) | (95) | — | — |
| Dividend paid | (113) | (188) | — | — |
| Transfer upon Demerger *(Note 2.1)* | (285) | — | — | — |
| Profit for the year | 1,082 | 1,066 | 1,333 | 334 |
| At the end of the year/period | 6,484 | 7,573 | 8,906 | 9,240 |

## 32. NOTES SUPPORTING TO CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Non-cash transactions

(i) During the year ended 31 December 2019, certain property, plant and equipment, investment properties and prepayment amounting to approximately RMB13,702,000, RMB39,378,000 and RMB4,020,000 were transferred to Puhui Management upon the Demerger as set out in Note 2.1. The transfer of such assets were dealt through the current account with Puhui Management.

### (b) Reconciliation of liabilities arising from financing activities

The table below shows the details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities.

| | Borrowings | Lease liabilities | Amounts due to related companies | Amounts due to shareholders | Amounts due to directors | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | 107,653 | 1,051 | 92,558 | 84,900 | 2,958 | 289,120 |
| **Changes from cash flows:** | | | | | | |
| Proceeds from new borrowings | 91,415 | — | — | — | — | 91,415 |
| Repayments of borrowings | (122,851) | — | — | — | — | (122,851) |
| Interest paid | (8,708) | (48) | (165) | — | — | (8,921) |
| Repayments of lease liabilities | — | (954) | — | — | — | (954) |
| Repayments to related companies | — | — | (84,291) | — | — | (84,291) |
| Repayments to shareholders | — | — | — | (28,587) | — | (28,587) |
| Advances from directors | — | — | — | — | 2,370 | 2,370 |
| Total changes from financing cash flow | (40,144) | (1,002) | (84,456) | (28,587) | 2,370 | (151,819) |
| **Other changes:** | | | | | | |
| Interest expenses | 8,708 | 48 | 165 | — | — | 8,921 |
| New leases | — | 860 | — | — | — | 860 |
| Total other changes | 8,708 | 908 | 165 | — | — | 9,781 |
| At 31 December 2019 | 76,217 | 957 | 8,267 | 56,313 | 5,328 | 147,082 |

| | Borrowings | Lease liabilities | Amounts due to related companies | Amounts due to shareholders | Amounts due to directors | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2020 | 76,217 | 957 | 8,267 | 56,313 | 5,328 | 147,082 |
| **Changes from cash flows:** | | | | | | |
| Proceeds from new borrowings | 64,199 | — | — | — | — | 64,199 |
| Repayments of borrowings | (74,796) | — | — | — | — | (74,796) |
| Interest paid | (5,158) | (35) | (106) | — | — | (5,299) |
| Repayments of lease liabilities | — | (586) | — | — | — | (586) |
| Repayments to related companies | — | — | (7,681) | — | — | (7,681) |
| Repayments to shareholders | — | — | — | (28,233) | — | (28,233) |
| Repayments to directors | — | — | — | — | (3,458) | (3,458) |
| Total changes from financing cash flow | (15,755) | (621) | (7,787) | (28,233) | (3,458) | (55,854) |
| **Other changes:** | | | | | | |
| Interest expenses | 5,158 | 35 | 106 | — | — | 5,299 |
| Effect of lease modification | — | (368) | — | — | — | (368) |
| New lease | — | 492 | — | — | — | 492 |
| Total other changes | 5,158 | 159 | 106 | — | — | 5,423 |
| At 31 December 2020 | 65,620 | 495 | 586 | 28,080 | 1,870 | 96,651 |

| | Borrowings | Lease liabilities | Amounts due to related companies | Amounts due to shareholders | Amounts due to directors | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2021 | 65,620 | 495 | 586 | 28,080 | 1,870 | 96,651 |
| **Changes from cash flows:** | | | | | | |
| Proceeds from new borrowings | 60,058 | — | — | — | — | 60,058 |
| Repayments of borrowings | (58,783) | — | — | — | — | (58,783) |
| Interest paid | (3,543) | (6) | — | — | — | (3,549) |
| Repayments of lease liabilities | — | (467) | — | — | — | (467) |
| Advances from related companies | — | — | 4,247 | — | — | 4,247 |
| Repayments to shareholders | — | — | — | (14,034) | — | (14,034) |
| Repayments to directors | — | — | — | — | (1,617) | (1,617) |
| Total changes from financing cash flow | (2,268) | (473) | 4,247 | (14,034) | (1,617) | (14,145) |
| **Other changes:** | | | | | | |
| Interest expenses | 3,543 | 6 | — | — | — | 3,549 |
| Total other changes | 3,543 | 6 | — | — | — | 3,549 |
| At 31 December 2021 | 66,895 | 28 | 4,833 | 14,046 | 253 | 86,055 |

| | Borrowings | Lease liabilities | Amounts due to related companies | Amounts due to shareholders | Amounts due to directors | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2022 | 66,895 | 28 | 4,833 | 14,046 | 253 | 86,055 |
| **Changes from cash flows:** | | | | | | |
| Proceeds from new borrowings | 108,868 | — | — | — | — | 108,868 |
| Repayments of borrowings | (32,942) | — | — | — | — | (32,942) |
| Interest paid | (4,771) | (5) | — | — | — | (4,776) |
| Repayments of lease liabilities | — | (207) | — | — | — | (207) |
| Advances from related companies | — | — | 188 | — | — | 188 |
| Repayments to shareholders | — | — | — | (7,269) | — | (7,269) |
| Advances from directors | — | — | — | — | 209 | 209 |
| Total changes from financing cash flow | 71,155 | (212) | 188 | (7,269) | 209 | 64,071 |
| **Other changes:** | | | | | | |
| Interest expenses | 4,771 | 5 | — | — | — | 4,776 |
| New lease | — | 370 | — | — | — | 370 |
| Total other changes | 4,771 | 375 | — | — | — | 5,146 |
| At 30 September 2022 | 142,821 | 191 | 5,021 | 6,777 | 462 | 155,272 |

| | Borrowings | Lease liabilities | Amounts due to related companies | Amounts due to shareholders | Amounts due to directors | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2021 | 65,620 | 495 | 586 | 28,080 | 1,870 | 96,651 |
| **Changes from cash flows:** | | | | | | |
| Proceeds from new borrowings | 38,058 | — | — | — | — | 38,058 |
| Repayments of borrowings | (35,783) | — | — | — | — | (35,783) |
| Interest paid | (2,647) | (4) | — | — | — | (2,651) |
| Repayments of lease liabilities | — | (457) | — | — | — | (457) |
| Advances from related companies | — | — | 4,746 | — | — | 4,746 |
| Advances from shareholders | — | — | — | 14,346 | — | 14,346 |
| Repayment to directors | — | — | — | — | (283) | (283) |
| Total changes from financing cash flow | (372) | (461) | 4,746 | 14,346 | (283) | 17,976 |
| **Other changes:** | | | | | | |
| Interest expenses | 2,647 | 4 | — | — | — | 2,651 |
| Total other changes | 2,647 | 4 | — | — | — | 2,651 |
| At 30 September 2021 (unaudited) | 67,895 | 38 | 5,332 | 42,426 | 1,587 | 117,278 |

## 33. CAPITAL COMMITMENT

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Commitments for the acquisition of property, plant and equipment: | | | | |
| Contracted for but not provided | — | 14,542 | 14,542 | 14,542 |

## 34. RELATED PARTY TRANSACTIONS

**(a)** The Group entered into the following related party transactions with related companies during the Relevant Periods:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Interest expenses paid to a related company | 165 | 106 | — | — | — |
| Rental income earned from related companies | 111 | — | — | — | — |
| Rental expenses paid/accrued to a related company | — | 443 | 443 | 323 | 319 |
| Purchase of materials from related companies | 21,860 | 22,236 | 92,270 | 71,973 | 55,720 |
| Construction services income earned from related companies | 328,490 | 312,131 | 367,739 | 294,754 | 223,330 |
| Consulting fee paid to related companies | 1,570 | 337 | — | — | — |
| Consulting fee earned from related companies | 1,023 | — | — | — | — |
| Sub-contracting service fee paid to related companies | 3,216 | 8,008 | 642 | — | 6,571 |
| Transfer of certain assets to a related company upon the Demerger *(Note 2.1)* | 57,100 | — | — | — | — |
| Management fee paid to related companies | 339 | 12 | — | — | — |
| Gain on disposal of an associate to a related company *(Note 17)* | 935 | — | — | — | — |
| Purchase of property, plant and equipment from a related company | — | 57 | — | — | — |

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

### (b) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group during the Relevant Periods represented the directors' emoluments as disclosed in Note 14(a) to the Historical Financial Information.

## 35. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings, respectively.

The director reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as at 31 December 2019, 2019, 2020 and 2021 and 30 September 2022 amounted to approximately RMB179,745,000, RMB232,187,000, RMB294,168,000 and RMB345,202,000, respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

## 36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| *Financial assets at amortised costs:* | | | | |
| Trade, bills and other receivables | 543,308 | 565,240 | 494,817 | 436,167 |
| Amounts due from related companies | — | 3,623 | 6,475 | 10,479 |
| Amounts due from shareholders | 3,894 | 12,542 | 9,260 | 2,847 |
| Restricted bank deposits | 27,467 | 26,156 | 18,429 | 9,966 |
| Cash and cash equivalents | 80,585 | 76,838 | 89,106 | 126,958 |
| | 655,254 | 684,399 | 618,087 | 586,417 |
| **Financial liabilities** | | | | |
| *Financial liabilities measured at amortised cost* | | | | |
| Trade and bills payables | 1,320,754 | 1,341,678 | 1,166,117 | 867,599 |
| Accruals and other payables | 98,331 | 113,544 | 110,071 | 100,420 |
| Amounts due to related companies | 8,267 | 586 | 4,833 | 5,021 |
| Amounts due to shareholders | 56,313 | 28,080 | 14,046 | 6,777 |
| Amounts due to directors | 5,328 | 1,870 | 253 | 462 |
| Lease liabilities | 957 | 495 | 28 | 191 |
| Borrowings | 76,217 | 65,620 | 66,895 | 142,821 |
| | 1,566,167 | 1,551,873 | 1,362,243 | 1,123,291 |

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk and liquidity risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

**(a) Interest rate risk**

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk primarily arising from borrowings. Certain of the borrowings is arranged at variable rates which expose the Group to cash flow interest rate risk. The interest rates and repayment terms of borrowings outstanding at the end of each of the reporting period are disclosed in Note 28.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table illustrates the sensitivity of the net profit for the Relevant Periods and retained earnings to a change in interest rates of +50 basis point and -50 basis point with effect from the beginning of each reporting period. The calculations are based on the Group's borrowings held at the end of each of reporting period. All other variables are held constant.

| | **Year ended 31 December** | | | **Nine months ended 30 September** | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| If interest rates were 50 basis points higher | | | | | |
| Net profit for the year/period and retained earnings would decrease by: | (381) | (328) | (334) | (255) | (536) |
| If interest rates were 50 basis points lower | | | | | |
| Net profit for the year/period and retained earnings would increase by: | 381 | 328 | 334 | 255 | 536 |

The policies to manage interest rate risk have been followed by the Group and are considered to be effective.

**(b) Credit risk**

The Group's credit risk is primarily attributable to its trade, bills and other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. 10.3%, 9.8%, 14.8%, 12.2% and 31.9%, 25.2%, 26.7%, 27.0% of the Group's trade, bills and other receivables and contract assets was due from the Group's largest customer and the five largest customers respectively within the construction business segment as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

***(i) Trade and bills receivables/Contract assets***

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer bases, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets as at the end of each reporting period:

| | Current | 1 – 90 days | 91 – 180 days | 181 – 365 days | 1 – 2 years | Over 2 – 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | | | |
| Expected loss rate (%) | 0.39% | 0.39% | 2.21% | 2.51% | 3.18% | 4.05% | 4.08% | |
| Gross carrying amount (RMB'000) | 1,480,538 | 30,312 | 27,657 | 58,220 | 37,101 | 8,024 | 24,997 | 1,666,849 |
| Loss allowance (RMB'000) | 5,814 | 117 | 611 | 1,462 | 1,179 | 325 | 1,019 | 10,527 |
| **At 31 December 2020** | | | | | | | | |
| Expected loss rate (%) | 0.55% | 0.55% | 2.78% | 3.27% | 4.09% | 4.75% | 5.07% | |
| Gross carrying amount (RMB'000) | 1,492,931 | 68,107 | 22,747 | 104,605 | 28,684 | 11,196 | 24,371 | 1,752,641 |
| Loss allowance (RMB'000) | 8,180 | 373 | 633 | 3,423 | 1,172 | 532 | 1,236 | 15,549 |
| **At 31 December 2021** | | | | | | | | |
| Expected loss rate (%) | 0.66% | 0.66% | 3.16% | 3.75% | 4.46% | 4.99% | 5.03% | |
| Gross carrying amount (RMB'000) | 1,437,679 | 61,334 | 77,353 | 80,419 | 2,286 | 1,003 | 17,913 | 1,677,987 |
| Loss allowance (RMB'000) | 9,537 | 407 | 2,447 | 3,019 | 102 | 50 | 901 | 16,463 |
| **At 30 September 2022** | | | | | | | | |
| Expected loss rate (%) | 0.83% | 0.83% | 3.25% | 3.89% | 4.73% | 5.22% | 5.29% | |
| Gross carrying amount (RMB'000) | 1,418,267 | 27,371 | 21,977 | 80,563 | 16,371 | 958 | 17,959 | 1,583,466 |
| Loss allowance (RMB'000) | 11,804 | 228 | 715 | 3,132 | 775 | 50 | 951 | 17,655 |

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the Relevant Periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance for impairment of trade and bills receivables are as follows:

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | 2,352 | 5,954 | 8,789 | 8,342 |
| Provision for/(Reversal of) loss allowance | 3,602 | 2,835 | (447) | (582) |
| At 31 December/30 September | 5,954 | 8,789 | 8,342 | 7,760 |

Change in loss allowance for impairment of trade and bills receivables during the Relevant Periods was mainly contributed from the followings:

— For the year ended 31 December 2019 and 2020, increase in past due trade and bills receivables resulted in an increase in loss allowance of RMB3,602,000 and RMB2,835,000, respectively;

— For the year ended 31 December 2021 and nine months ended 30 September 2022, decrease in past due trade and bills receivables resulted in a decrease in loss allowance of RMB447,000 and RMB582,000, respectively.

Movements in the loss allowance for impairment of contract assets are as follows:

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | 1,594 | 4,573 | 6,760 | 8,121 |
| Provision for loss allowance | 2,979 | 2,187 | 1,361 | 1,774 |
| At 31 December/30 September | 4,573 | 6,760 | 8,121 | 9,895 |

The change in loss allowance for impairment of contract assets during the Relevant Periods was mainly due to origination of new contract assets net of those settled, which resulted in an increase in loss allowance of RMB2,979,000, RMB2,187,000 and RMB1,361,000 and RMB1,774,000 for the year ended 31 December, 2019, 2020 and 2021 and nine months ended 30 September 2022, respectively.

***(ii) Deposits and other receivables/Amounts due from related companies/shareholders***

In respect of deposits and other receivables, and amounts due from related companies/shareholders, the Group has applied the general approach prescribed by HKFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables, and amounts due from related companies/shareholders. To measure the ECLs, deposits and other receivables, and amounts due from related companies/shareholders have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at the end of each of the reporting period, all deposits and other receivables, and amounts due from related companies/shareholders are measured at an amount equal to 12-month ECLs. The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables, and amounts due from related companies/shareholders:

| | As at 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Gross carrying amount** | | | | |
| — Deposits and other receivables | 66,421 | 64,086 | 56,001 | 56,789 |
| — Amounts due from related companies | — | 3,638 | 6,498 | 10,521 |
| — Amounts due from shareholders | 4,568 | 12,779 | 11,245 | 3,530 |
| | 70,989 | 80,503 | 73,744 | 70,840 |
| **Loss allowance** | | | | |
| — Deposits and other receivables | 5,910 | 8,783 | 6,613 | 7,416 |
| — Amounts due from related companies | — | 15 | 23 | 42 |
| — Amounts due from shareholders | 674 | 237 | 1,985 | 683 |
| | 6,584 | 9,035 | 8,621 | 8,141 |

Movements in the loss allowance account for impairment of deposits and other receivables, and amounts due from related companies/shareholders during the Relevant Periods is as follows:

| | Year ended 31 December | | | Nine months ended 30 September |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January | 5,756 | 6,584 | 9,035 | 8,621 |
| Provision for/(Reversal of) loss allowance | 828 | 2,451 | (414) | (480) |
| At 31 December/30 September | 6,584 | 9,035 | 8,621 | 8,141 |

Change in loss allowance for impairment of deposits and other receivables, and amounts due from related companies/shareholders during the Relevant Periods was mainly contributed from the followings:

— For the year ended 31 December 2019, increase in the ending balances of deposits and other receivables, and amounts due from related companies/shareholders resulted in an increase in loss allowance of RMB828,000.

— For the year ended 31 December 2020, increase in the ending balances of deposits and other receivables, and amounts due from related companies/ shareholders resulted in an increase in loss allowance of RMB2,451,000.

— For the year ended 31 December 2021, decrease in the ending balances of deposits and other receivables, and amounts due from related companies resulted in an decrease in loss allowance of RMB414,000.

— For the nine months ended 30 September 2022, decrease in the ending balances of deposits and other receivables, and amounts due from related companies/shareholders resulted in an decrease in loss allowance of RMB480,000.

In respect of the Group's cash and cash equivalents and restricted bank deposits, the directors consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

**(c) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amounts are derived from current interest rate at the end of each reporting period.

| | Carrying amount | Total contractual undiscounted cash flows | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2019** | | | | | | |
| Trade and bills payables | 1,320,754 | 1,320,754 | 1,320,754 | — | — | — |
| Accruals and other payables | 98,331 | 98,331 | 98,331 | — | — | — |
| Amounts due to related companies | 8,267 | 8,432 | 8,432 | — | — | — |
| Amounts due to shareholders | 56,313 | 56,313 | 56,313 | — | — | — |
| Amounts due to directors | 5,328 | 5,328 | 5,328 | — | — | — |
| Borrowings | 76,217 | 77,959 | 77,719 | 240 | — | — |
| Lease liabilities | 957 | 1,035 | 561 | 115 | 248 | 111 |
| | 1,566,167 | 1,568,152 | 1,567,438 | 355 | 248 | 111 |
| Financial guarantee issued — Maximum outstanding guarantee *(Note 38)* | — | 93,510 | 7,218 | 10,432 | 34,074 | 41,786 |

| | Carrying amount | Total contractual undiscounted cash flows | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2020** | | | | | | |
| Trade and bills payables | 1,341,678 | 1,341,678 | 1,341,678 | — | — | — |
| Accruals and other payables | 113,544 | 113,544 | 113,544 | — | — | — |
| Amounts due to related companies | 586 | 586 | 586 | — | — | — |
| Amounts due to shareholders | 28,080 | 28,080 | 28,080 | — | — | — |
| Amounts due to directors | 1,870 | 1,870 | 1,870 | — | — | — |
| Borrowings | 65,620 | 67,176 | 67,176 | — | — | — |
| Lease liabilities | 495 | 503 | 474 | 29 | — | — |
| | 1,551,873 | 1,553,437 | 1,553,408 | 29 | — | — |
| Financial guarantee issued — Maximum outstanding guarantee *(Note 38)* | — | 87,215 | 10,603 | 10,261 | 37,247 | 29,104 |

| | Carrying amount | Total contractual undiscounted cash flows | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2021** | | | | | | |
| Trade and bills payables | 1,166,117 | 1,166,117 | 1,166,117 | — | — | — |
| Accruals and other payables | 110,071 | 110,071 | 110,071 | — | — | — |
| Amounts due to related companies | 4,833 | 4,833 | 4,833 | — | — | — |
| Amounts due to shareholders | 14,046 | 14,046 | 14,046 | — | — | — |
| Amounts due to directors | 253 | 253 | 253 | — | — | — |
| Borrowings | 66,895 | 67,737 | 67,737 | — | — | — |
| Lease liabilities | 28 | 31 | 31 | — | — | — |
| | 1,362,243 | 1,363,088 | 1,363,088 | — | — | — |
| Financial guarantee issued — Maximum outstanding guarantee *(Note 38)* | — | 85,455 | 8,031 | 12,200 | 65,224 | — |

| | Carrying amount | Total contractual undiscounted cash flows | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 30 September 2022** | | | | | | |
| Trade and bills payables | 867,599 | 867,599 | 867,599 | — | — | — |
| Accruals and other payables | 100,420 | 100,420 | 100,420 | — | — | — |
| Amounts due to related companies | 5,021 | 5,021 | 5,021 | — | — | — |
| Amounts due to shareholders | 6,777 | 6,777 | 6,777 | — | — | — |
| Amounts due to directors | 462 | 462 | 462 | — | — | — |
| Borrowings | 142,821 | 146,445 | 142,342 | 2,962 | 1,141 | — |
| Lease liabilities | 191 | 194 | 194 | — | — | — |
| | 1,123,291 | 1,126,918 | 1,122,815 | 2,962 | 1,141 | — |
| Financial guarantee issued — Maximum outstanding guarantee *(Note 38)* | — | 81,786 | 10,513 | 11,990 | 59,283 | — |

## 38. FINANCIAL GUARANTEE

As at 31 December 2019 and 2020 and 2021 and 30 September 2022, the Group provided guarantee to a former associate, which became a related company of the Group upon disposal, in relation to the related company's banking facilities up to a maximum amount of RMB120,450,000 and RMB84,200,000 and RMB84,200,000 and RMB84,200,000, respectively. As at 31 December 2019 and 2020 and 2021 and 30 September 2022, the outstanding amount of the bank loans drawn under the guarantee amounted to approximately RMB76,000,000 and RMB75,000,000 and RMB73,000,000 and RMB72,000,000, respectively. The directors do not consider it probable that a claim will be made against the Group under the guarantee. The Group has not recognised any deferred income nor loss allowance for expected credit loss in respect of the financial guarantee as its fair value and the amount of expected credit loss was considered insignificant. The guarantee provided to a former associate will be released before or upon **[REDACTED]**.

## 39. LITIGATION

A number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as at the end of the Relevant Periods. Based on the legal opinion of PRC lawyers, in the opinion of the directors, the related construction payables may arisen for these lawsuits and claims have been made and recognised on the consolidated financial statements of the Group.

## 40. EVENTS AFTER THE END OF THE RELEVANT PERIOD

The Group has no significant subsequent events entered into subsequent to 30 September 2022.

## 41. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2022.