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## **Zhongtian Construction (Hunan) Group Limited**

**中天建設（湖南）集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2433)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **FINANCIAL HIGHLIGHTS**

- For the six months ended 30 June 2023, the unaudited revenue of the Group was approximately RMB681.4 million, representing a decrease of approximately 10.1% as compared to approximately RMB758.3 million for the corresponding period in 2022.
- The Group's gross profit margin increased from approximately 11.0% for the six months ended 30 June 2022 to approximately 11.7% for the six months ended 30 June 2023.
- The profit attributable to owners of the Company for the six months ended 30 June 2023 was approximately RMB18.8 million (six months ended 30 June 2022: RMB23.6 million).
- For the six months ended 30 June 2023, basic earnings per share was approximately RMB4.47 cents (six months ended 30 June 2022: RMB6.56 cents).
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Zhongtian Construction (Hunan) Group Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together referred to as the “**Group**” or “**we**”) for the six months ended 30 June 2023 (the “**1H2023**”) together with the corresponding comparative figures for the six months ended 30 June 2022 (“**1H2022**”) as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue</b>	5	<b>681,356</b>	758,279
Cost of sales		<u>(601,869)</u>	<u>(675,168)</u>
<b>Gross profit</b>		<b>79,487</b>	83,111
Other income and other gains, net	6	<b>516</b>	255
Administrative expenses		<b>(37,228)</b>	(46,232)
Listing expenses		<b>(10,998)</b>	(3,974)
Impairment on financial and contract assets, net		<b>(5,771)</b>	(3,021)
Finance costs	7	<u><b>(4,054)</b></u>	<u>(2,436)</u>
<b>Profit before taxation</b>	8	<b>21,952</b>	27,703
Income tax expense	9	<u><b>(2,963)</b></u>	<u>(3,749)</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>18,989</b></u>	<u>23,954</u>
<b>Profit and total comprehensive income for the period attributable to</b>			
Owners of the Company		<b>18,824</b>	23,604
Non-controlling interests		<u><b>165</b></u>	<u>350</u>
		<u><b>18,989</b></u>	<u>23,954</u>
<b>Earnings per share attributable to owners of the Company for the period</b>			
Basic and diluted <i>(expressed in RMB cents per share)</i>	11	<u><b>4.47</b></u>	<u>6.56</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>17,834</b>	19,566
Deferred tax assets		<b>4,976</b>	4,107
Intangible assets		<b>43</b>	45
		<b>22,853</b>	23,718
<b>Current assets</b>			
Inventories		<b>537</b>	828
Trade, bills and other receivables	12	<b>489,911</b>	434,116
Contract assets		<b>1,259,334</b>	1,127,150
Amounts due from related companies		<b>20,604</b>	8,318
Amounts due from shareholders		<b>—</b>	4,352
Restricted bank deposits		<b>45,965</b>	17,599
Cash and cash equivalents		<b>71,596</b>	151,661
		<b>1,887,947</b>	1,744,024
<b>Current liabilities</b>			
Trade and bills payables	13	<b>716,553</b>	803,363
Accruals and other payables		<b>494,428</b>	420,745
Contract liabilities		<b>50,574</b>	17,267
Amounts due to related companies		<b>9,921</b>	8,618
Amounts due to shareholders		<b>—</b>	5,806
Amounts due to directors		<b>—</b>	748
Borrowings	14	<b>137,855</b>	136,705
Income tax payable		<b>13,610</b>	11,334
		<b>1,422,941</b>	1,404,586
<b>Net current assets</b>		<b>465,006</b>	339,438
<b>Total assets less current liabilities</b>		<b>487,859</b>	363,156

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>			
Borrowings	14	<u>2,847</u>	<u>3,425</u>
		<u>2,847</u>	<u>3,425</u>
<b>NET ASSETS</b>		<b><u>485,012</u></b>	<b><u>359,731</u></b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		4,245	1
Reserves		<u>470,679</u>	<u>349,807</u>
		<u>474,924</u>	349,808
<b>Non-controlling interests</b>		<u>10,088</u>	<u>9,923</u>
<b>TOTAL EQUITY</b>		<b><u>485,012</u></b>	<b><u>359,731</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 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 shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 30 March 2023.

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

In the opinion of the directors, as at the date of this announcement, the ultimate holding company is ZT (A) Limited, a company incorporated in British Virgin Islands.

## 2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022 (the “**Annual Report 2022**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the Annual Report 2022 except for the adoption of new or amended HKFRSs as mentioned in note 3.

In preparing the unaudited condensed consolidated interim financial information, the significant judgment made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the Annual Report 2022.

The unaudited condensed consolidated interim financial information has been prepared under the historical cost basis and presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated. These unaudited condensed consolidated interim financial statements have not been audited or reviewed by the Company’s external auditors, but have been reviewed by the Company’s audit committee.

### **3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

In the current period, the Group has applied for the first time the following new standard, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2023.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The adoption of the above new or revised HKFRSs in the current period has no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

The following new or revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-Current<sup>2</sup></i>
Amendments to HKAS 1 HK Interpretation 5 (Revised)	<i>Non-current liabilities with Covenants<sup>2</sup></i> <i>Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause<sup>2</sup></i>
Amendments to HKFRS 16 Amendments to HKAS 7 and HKFRS 7	<i>Lease liability in a Sale and Leaseback<sup>2</sup></i> <i>Supplier Finance Arrangements<sup>2</sup></i>

<sup>1</sup> No mandatory effective date determined yet but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

#### 4. SEGMENT INFORMATION

##### (a) Operating segment information

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

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

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

The major operating entities of the Group is domiciled in the PRC. Accordingly, all of the Group’s revenue were derived in the PRC during the periods ended 30 June 2023 and 2022.

As at 30 June 2023 and 31 December 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 periods ended 30 June 2023 and 2022, is set out below:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Customer A	<u><u>N/A*</u></u>	<u><u>103,600</u></u>

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

**5. REVENUE**

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue from construction contracts</b>		
Civil building construction	<b>320,311</b>	355,068
Municipal works construction	<b>243,920</b>	266,135
Foundation works	<b>7,654</b>	16,997
Prefabricated steel structure construction works	<b>91,303</b>	113,091
Other specialised contracting works	<b>15,000</b>	3,405
<b>Revenue from provision of construction machinery and equipment service</b>	<u><b>3,168</b></u>	<u>3,583</u>
	<u><u><b>681,356</b></u></u>	<u><u>758,279</u></u>



Timing of revenue recognition:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Transferred over time	<b><u>681,356</u></b>	<u>758,279</u>

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Hunan	<b>487,436</b>	551,031
Hainan	<b>172,615</b>	156,185
	<b>660,051</b>	707,216
Others	<b>21,305</b>	51,063
	<b><u>681,356</u></b>	<u>758,279</u>

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

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables, net ( <i>note 12</i> )	<b>391,268</b>	354,373
Contract assets	<b>1,259,334</b>	1,127,150
Contract liabilities	<b>50,574</b>	17,267

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 reporting periods**

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

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Revenue recognised during the periods	<u><u>3,976</u></u>	<u><u>12,789</u></u>

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

The following table shows the amounts of the unsatisfied performance obligation in the reporting periods:

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Partially unsatisfied performance obligation	<u><u>1,057,379</u></u>	<u><u>968,450</u></u>

As at 30 June 2023, there is unsatisfied performance obligation amounted to approximately RMB1,880,885,000 (31 December 2022: approximately RMB1,304,590,000), 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.

## 6. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on bank deposits	276	164
Government grants ( <i>Note</i> )	205	172
Others	35	(81)
	<u>516</u>	<u>255</u>

*Note:*

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

## 7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest charge on lease liabilities	—	5
Interest charge on borrowings	4,054	2,431
	<u>4,054</u>	<u>2,436</u>

## 8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the followings:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories	268,658	292,175
Auditors' remuneration	329	19
Depreciation of property, plant and equipment owned	1,815	2,221
Depreciation of right-of-use assets	—	208
Amortisation of intangible assets	2	2
Research and development costs	17,987	23,205
Listing expenses	10,998	3,974
Short-term leases expenses		
— Office premises	214	29
— Machinery and equipment	41,491	70,269
Staff costs (including directors' emoluments)		
— Salaries and wages	10,856	17,970
— Retirement scheme contributions	3,173	2,937

## 9. INCOME TAX EXPENSE

Provision for the PRC Enterprise Income Tax (“EIT”) for the 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.

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>PRC Enterprise Income Tax</b>		
Current year	3,832	4,213
Deferred tax	(869)	(464)
	<u>2,963</u>	<u>3,749</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the Group is 25% for the six months ended 30 June 2023 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 six months ended 30 June 2023 and 2022.

Two subsidiaries of the Company were qualified as small enterprise and are eligible for preferential tax rate for the six months ended 30 June 2023 and 2022.

## 10. DIVIDENDS

No dividends were paid or declared by the Company for the six months ended 30 June 2023 and 2022.

## 11. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Profit and total comprehensive income for the period attributable to owners of the Company ( <i>RMB'000</i> )	<b>18,824</b>	23,604
Weighted average number of shares in issue ( <i>note</i> )	<u><b>421,333,000</b></u>	<u>360,000,000</u>
Basic earnings per share ( <i>RMB cents</i> )	<u><b>4.47</b></u>	<u>6.56</u>

*Note:*

The calculation of basic earnings per share for the six months ended 30 June 2023 and 2022 is based on the profit for the period attributable to ordinary equity holders of the Company of approximately RMB18,824,000 (six months ended 30 June 2022: approximately RMB23,604,000), and the weighted average number of ordinary shares of 421,333,000 in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: 360,000,000).

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding for the six months ended 30 June 2023 and 2022.

## 12. TRADE, BILLS AND OTHER RECEIVABLES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables		
— Third parties	<b>370,376</b>	341,233
— Related parties	<b>34,184</b>	21,794
	<b>404,560</b>	363,027
Bills receivables	<b>11,266</b>	300
Impairment provision for		
— Trade receivables	<b>(13,292)</b>	(8,654)
— Bills receivables	<b>(104)</b>	(3)
	<b>(13,396)</b>	(8,657)
Trade and bills receivables, net	<b>402,430</b>	354,670
Deposits and other receivables	<b>56,746</b>	53,092
Prepayments	<b>38,869</b>	33,608
Impairment provision for deposits and other receivables	<b>(8,134)</b>	(7,254)
Other receivables, prepayments and deposits, net	<b>87,481</b>	79,446
	<b>489,911</b>	434,116

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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables, aged		
0–90 days	<b>97,882</b>	180,116
91–180 days	<b>89,511</b>	17,477
181–365 days	<b>88,626</b>	66,231
1–2 years	<b>63,177</b>	70,153
2–3 years	<b>34,806</b>	3,729
Over 3 years	<b>17,266</b>	16,667
	<b><u>391,268</u></b>	<b><u>354,373</u></b>

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 each reporting period:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables, aged		
Not yet past due	<b>100,649</b>	234,063
0–90 days	<b>107,833</b>	18,225
91–180 days	<b>42,145</b>	15,936
181–365 days	<b>57,045</b>	49,773
1–2 years	<b>55,419</b>	17,674
2–3 years	<b>11,183</b>	2,035
Over 3 years	<b>16,994</b>	16,667
	<b><u>391,268</u></b>	<b><u>354,373</u></b>

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

As at 30 June 2023, no trade and bills receivables arising from provision of construction services were pledged as securities for the Group's borrowings (31 December 2022: approximately RMB1,910,000) (note 14).

### 13. TRADE AND BILLS PAYABLES

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables		
— Third parties	<b>664,010</b>	767,508
— Related parties	<b>28,739</b>	20,855
	<hr/>	<hr/>
	<b>692,749</b>	788,363
Bills payables	<b>23,804</b>	15,000
	<hr/>	<hr/>
	<b>716,553</b>	803,363
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0–90 days	<b>127,344</b>	223,588
91–180 days	<b>65,542</b>	116,288
181–365 days	<b>109,609</b>	252,924
1–2 years	<b>283,406</b>	92,018
Over 2 years	<b>106,848</b>	103,545
	<hr/>	<hr/>
	<b>692,749</b>	788,363
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## 14. BORROWINGS

	<b>30 June 2023</b>	31 December 2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>Current</b>		
— Bank borrowings, secured/guaranteed	<b>134,010</b>	135,560
— Bank borrowings, unsecured	<b>2,700</b>	—
— Other borrowings, secured	<b>1,145</b>	1,145
	<b>137,855</b>	136,705
<b>Non-current</b>		
— Bank borrowings, secured	<b>1,880</b>	1,885
— Other borrowings, secured	<b>967</b>	1,540
	<b>2,847</b>	3,425
	<b>140,702</b>	140,130

Bank borrowings were repayable as follows:

	<b>30 June 2023</b>	31 December 2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Within 1 year	<b>136,710</b>	135,560
1–2 years	<b>10</b>	10
2–5 years	<b>1,870</b>	1,875
	<b>138,590</b>	137,445

Other borrowings were repayable as follows:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 1 year	1,145	1,145
1–2 years	967	1,145
2–5 years	—	395
	<u>2,112</u>	<u>2,685</u>

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Fixed-rate borrowings	110,702	90,130
Floating-rate borrowings	30,000	50,000
	<u>140,702</u>	<u>140,130</u>
Interest rate range per annum	<u>3.7%–8.6%</u>	<u>3.7%–8.6%</u>

The borrowings were secured by the following assets:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Property, plant and equipment	7,234	7,539
Trade and bills receivables ( <i>note 12</i> )	—	1,910
	<u>7,234</u>	<u>9,449</u>

*Note:*

As at 31 December 2022, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB15,000,000 (note 13) 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 borrowings with principal amount of RMB6,550,000 were guaranteed by a director and his spouse of the Company; bank borrowings with principal amount of RMB2,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by one director and his spouse of a subsidiary; bank borrowings with principal amount of RMB2,000,000 were secured by the properties of the Group; bank borrowings 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 borrowings 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 borrowings with principal amount of RMB1,895,000 were secured by bank deposits; and bank borrowings 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. The securities and guarantees listed above will be released before or upon Listing.

As at 30 June 2023, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB15,000,000 (note 13) were guaranteed by the Company; bank borrowings with principal amount of RMB8,000,000 were guaranteed by the Company; bank borrowings with principal amount of RMB17,000,000 were guaranteed by a subsidiary; bank borrowings with principal amount of RMB30,000,000, bills payables of RMB8,804,000 (note 13) were guaranteed by a subsidiary; bank borrowings with principal amount of RMB2,000,000 were secured by the property, plant and equipment of the Group and guaranteed by a subsidiary and bank borrowings with principal amount of RMB28,890,000 were secured by bank deposits.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND FUTURE OUTLOOK

The Group is a general contracting construction group in Hunan Province with over 40 years of operating history and is principally engaged in the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consist of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting. In 2023, the business environment of the real estate industry in the PRC has worsened, especially since the second quarter of 2023. Such overall downturn of the domestic real estate market in the PRC has caused a challenging business environment for the construction sector which adversely impacted the financial performance of the Group for 1H2023 and its financial position as at 30 June 2023.

In the face of the complicated industry situation, the Group would continue to adhere to its aspiration and review the prevailing situation to operate steadily and forge ahead. The Group considered that the projects from government entities, state-owned enterprises and state-invested enterprises (collectively, the “**Government-related Entities**”) are generally less vulnerable or sensitive to the property sales market or individual performance or financial conditions of the project owners in the PRC than the projects from non-Government-related Entities. Furthermore, Government-related Entities customers in general have better creditability and less history of default. Therefore, to maintain a healthy customer mix and leveraging on our Group’s experience and proven track records in undertaking projects from Government-related Entities, we would put more focus on securing new projects from Government-related Entities, perform periodic review on the existing customer mix and make appropriate adjustment when needed to cope with the changing external environment.

### FINANCIAL REVIEW

#### Revenue

Our Group’s revenue for 1H2023 amounted to approximately RMB681.4 million, representing a decrease of approximately RMB76.9 million or 10.1% from approximately RMB758.3 million for 1H2022.

### ***Construction contracts***

For 1H2023, our revenue generated from construction contracts decreased by approximately RMB76.5 million or 10.1% from approximately RMB754.7 million in 1H2022 to approximately RMB678.2 million in 1H2023. The decrement was mainly due to the decrease in revenue generated from civil building construction, municipal works construction, foundation works and prefabricated steel structure construction works, which decreased by approximately RMB34.8 million, RMB22.2 million, RMB9.3 million and RMB21.8 million respectively while partially net-off by the increment in revenue generated from other specialised contracting works of approximately RMB11.6 million.

### ***Civil building construction***

For 1H2023, our revenue generated from civil building construction decreased by approximately RMB34.8 million or 9.8% from approximately RMB355.1 million in 1H2022 to RMB320.3 million in 1H2023, which was mainly attributable to (i) the decrease in revenue generated from a project started in 1H2022 namely Kairuisi Phase I\* (凱睿思(一期)) project with a contract sum (excluded VAT) amounting to approximately RMB130.8 million and generated revenue of approximately RMB48.7 million in 1H2022, compared to revenue of approximately RMB17.0 million in 1H2023 as the project is approaching its middle stage; (ii) owing to the negative impact from the real estate industry, our Group has secured fewer new contracts for civil building construction in 2023; and (iii) the delay in commencement of the Sharing Lease Housing\* (共享租賃住房) project from April 2023 to December 2023 because the site preparation work is not yet ready for commencement of the construction works. The decrement was partially net-off with a number of new projects commenced in 1H2023 but were comparatively less sizable and generated revenue of approximately RMB21.2 million.

### ***Municipal works construction***

Our revenue generated from municipal works construction decreased by approximately RMB22.2 million or 8.3% from approximately RMB266.1 million in 1H2022 to RMB243.9 million in 1H2023, which was mainly due to decrease in revenue contributed by Xupu County Chengbei School Supporting Facilities Construction\* (澱浦縣城北學校配套設施建設工程) project by approximately RMB24.8 million compared to 1H2022 due to completion of substantial parts in 1H2022.

### ***Foundation works***

Our revenue generated from foundation works substantially decreased by approximately RMB9.3 million or 55.0% from approximately RMB17.0 million in 1H2022 to approximately RMB7.7 million in 1H2023, mainly due to our foundation works were mostly ancillary work to civil building construction or municipal works construction and we usually do not undertake isolated foundation works as a subcontractor. For 1H2023, the decrement was mainly because of (i) the decrement in revenue contributed from Chaling Creative Park Foundation Works\* (茶陵創業園土方) project by approximately RMB2.2 million compared to 1H2022; and (ii) the decrement in revenue contributed from Zhuzhou Luosha Hongbei Cultural and Creative Park Plant Water, Electricity, Road, Land Levelling and Ancillary Works\* (株洲羅莎烘焙文創園地塊三通一平及附屬工程) project that was substantially completed in 2022 with approximately RMB4.3 million of revenue recognised in 1H2022 while no revenue was recognised in 1H2023.

### ***Prefabricated steel structure construction works***

For 1H2023, our revenue generated from prefabricated steel structure construction works decreased from approximately RMB113.1 million for 1H2022 to approximately RMB91.3 million for 1H2023, mainly due to the decrement in revenue generated from Zhongtian Lutai\* (中天•麓台) project by approximately RMB51.0 million compared with 1H2022 as the project has completed the majority parts of its construction works in 2022 and was approaching its later stage of construction and integration in 1H2023.

### ***Other specialised contracting works***

For 1H2023, our revenue from other specialised contracting works increased from approximately RMB3.4 million in 1H2022 to approximately RMB15.0 million in 1H2023 as the Group has undertaken a new project in late 2022 which generated a revenue of approximately RMB12.3 million for 1H2023.

### ***Provision of construction machinery and equipment service***

For 1H2023, our revenue from this sub-segment remained relatively stable at approximately RMB3.2 million compared to approximately RMB3.6 million in 1H2022.

## Cost of sales

Our cost of sales decreased by approximately 10.9% from approximately RMB675.2 million in 1H2022 to approximately RMB601.9 million in 1H2023, which is in line with the decrease in revenue of approximately 10.1%.

## Gross profit margin

For 1H2023, our overall gross profit margin increased from approximately 11.0% in 1H2022 to 11.7% in 1H2023, in which our gross profit margin from construction contracts increased from approximately 10.9% in 1H2022 to 11.6% in 1H2023. The increment was mainly because (i) we have made careful selection on our projects before we submitted our tenders and (ii) we have made efforts to reduce our costs by engaging labour subcontractors and by making bulk purchases.

In particular, the gross profit margin of civil building construction in 1H2023 exhibited an increment of approximately 1.4% from approximately 10.1% in 1H2022 to approximately 11.5% in 1H2023 mainly because we undertook a new project in 1H2023 namely Old Village Revampment\* (花垣縣移動公司宿舍片區老舊社區配套基礎設施改造項目) project, which recorded higher gross profit margin due to the relatively higher construction complexity and requirement compared to other types of civil building construction works engaged in 2022 while the gross profit margin of municipal works construction exhibited a moderate increment of approximately 0.8% from approximately 10.9% in 1H2022 to approximately 11.7% in 1H2023 as some major revenue contribution projects in 1H2023 were projects that were approaching their later stage of development, namely Tongdao County Sports Stadium\* (通道縣體育館) project and Sanya City Third Ring Road\* (三亞市三環路) project, which incurred lower costs at this stage compared to the beginning stage, leading to higher gross profit.

For 1H2023, the gross profit margin of foundation works slightly increased to approximately 7.9% compared with approximately 6.6% in 1H2022 as while in 1H2023, the revenue for foundation works also included projects with higher gross profit margin such as Chaling Degang Furniture Limited\* (茶陵德港傢俱土石方項目) project of approximately 9.3%.

The gross profit margin of other specialised contracting works was approximately 12.5% and 13.1% for 1H2023 and 1H2022, respectively, depending on the nature and level of complexity of the specialised contracting works being engaged.

## **Other income and other gains**

The other income and gains in 1H2023 slightly increased by approximately RMB0.3 million as compared to 1H2022 mainly due to the increase in interest income on bank deposits and increase in government grants which were one-off in nature.

## **Administrative expenses**

Our administrative expenses mainly consisted of research and development costs, salaries and other benefits, depreciation and amortisation, repair and maintenance expenses, office administration expenses and other expenses. For 1H2023, our administrative expenses decreased from approximately RMB46.2 million to approximately RMB37.2 million mainly due to (i) the decrement in research and development costs of approximately RMB5.2 million; and (ii) the decrement in salaries and other benefits of approximately RMB2.6 million as a result of the decrement in discretionary bonus for employees in 1H2023.

## **Listing expenses**

Listing expenses represented professional services fees incurred for the purpose of the listing of the shares of the Company (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited on 30 March 2023 (the “**Listing Date**”). The Group incurred Listing expenses of approximately RMB11.0 million and RMB4.0 million for 1H2023 and 1H2022, respectively.

## **Impairment on financial and contract assets, net**

Our impairment on financial and contract assets (net) represents the expected credit losses on our trade receivables, other receivables and contract assets. We conducted impairment analysis at the end of each year using a provision matrix to measure expected credit losses. For 1H2022 and 1H2023, our impairment on financial and contract assets was approximately RMB3.0 million and RMB5.8 million, respectively.

For 1H2023, impairment losses on financial and contract assets increased by approximately RMB2.8 million or 91.0% as compared to 1H2022 mainly due to the increase in contract assets and trade receivables balances as at 30 June 2023 for prudent sake in response to the overall market conditions and real estate market in the PRC.



## **Finance costs**

Our finance costs in 1H2023 increased by approximately RMB1.6 million as compared to 1H2022, which was in line with the increase in bank and other borrowings as at 30 June 2023.

## **Income tax expenses**

Our income tax expenses consist principally of enterprise income tax and movements in deferred tax assets. For 1H2022 and 1H2023, our income tax was RMB3.8 million and RMB3.0 million, respectively, and our effective tax rate for the corresponding periods was 13.5% and 13.5%, respectively. Since 1 January 2018, Hunan Zhongtian Construction Group Corporation\* (湖南中天建設集團股份有限公司) (“**Zhongtian Construction**”), our principal operating subsidiary has been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulation and was entitled to a preferential tax treatment of 15%, which is lower than the statutory rate of 25%. The preferential tax treatment in relation to the High and New Technology Enterprise Certificate (高新技術企業證書) will expire on 17 September 2024 unless the High and New Technology Enterprise Certificate (高新技術企業證書) is renewed.

## **Net profit**

Our net profit decreased by approximately RMB5.0 million in 1H2023 as compared to 1H2022 mainly attributable to the decrement in gross profit of approximately RMB3.6 million and the increase in Listing expenses of approximately RMB7.0 million and the increase in impairment on financial and contract assets of approximately RMB2.8 million, which was partially net-off by the decrement in administrative expenses of approximately RMB9.0 million.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

Our sources of funds are a combination of internal generated funds, bank and other borrowings as well as net proceeds from the Listing. There has been no change in the capital structure of the Company since the Listing Date up to the date of this announcement. As at 30 June 2023, the capital structure of the Company comprised mainly issued share capital and reserves.

As at 30 June 2023, the Group had net current assets of approximately RMB465.0 million (31 December 2022: RMB339.4 million). The Group's current ratio improved from approximately 1.24 as at 31 December 2022 to approximately 1.33 as at 30 June 2023 due to the increase in contract assets by approximately RMB132.2 million, partially offset by the decrease in trade and bills payables by approximately RMB86.8 million. Our increase in contract assets was mainly due to the prolonged settlement audit process of our projects, and the outstanding contract assets accumulated for some major sizable projects with long project duration remained on-going as at 30 June 2023. The worsened business environment of the real estate industry in the PRC contributed to the prolonged settlement audit process of our projects.

We had lower cash and cash equivalents of approximately RMB71.6 million as at 30 June 2023 as compared with cash and cash equivalents of RMB151.7 million as at 31 December 2022. Our cash and cash equivalents dropped mainly because (i) more working capital was used for settling trade payables; (ii) the increase in contract assets due to reasons stated above; (iii) the increase in outstanding trade receivables due to the worsened business environment of the real estate industry in the PRC and the longer settlement process of Government-related Entities; (iv) the increase in restricted bank deposits from approximately RMB17.6 million as at 31 December 2022 to approximately RMB46.0 million for securing the Group's borrowing.

Our aggregate indebtedness (total interest-bearing borrowings) increased slightly from approximately RMB140.1 million as at 31 December 2022 to approximately RMB140.7 million as at 30 June 2023. Our gearing ratio dropped from approximately 39.0% as at 31 December 2022 to approximately 29.0% as at 30 June 2023, mainly because our equity grew significantly by approximately 34.8% between 31 December 2022 and 30 June 2023 due to the Listing while our borrowing remained at a similar level.

## **FUNDING AND TREASURY POLICY**

The Group maintains a prudent funding and treasury policy. Surplus funds are maintained in the form of cash deposits with licensed banks. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **CAPITAL COMMITMENTS**

As at 30 June 2023, the Group had approximately RMB14.5 million (31 December 2022: RMB14.5 million) of capital commitments in respect of the acquisition of property, plant and equipment.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group employed 332 employees in the PRC (30 June 2022: 353 employees). The total staff costs incurred by the Group for 1H2023 was approximately RMB14.0 million compared to approximately RMB20.9 million for 1H2022. Our Group's employees may be remunerated by way of fixed salary, hourly wage or on project-by-project basis, depending on their job nature. Our Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary review and determining the amount of bonuses. Our employees are also entitled to a number of fringe benefits and welfare, including transportation allowance, health care allowance and paid leave. Our Group provides trainings to our employees, which includes induction training which is held by our human resources department, on-the-board training, and sometimes education opportunities depending on the job function of the employees. Our Group will hold seminars and events occasionally for our employees, in order for them to catch up with market trends.

## **SHARE OPTION SCHEME**

The share option scheme (the “**Share Option Scheme**”) was conditionally adopted by written resolutions of the Company's shareholders passed on 10 March 2023. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” in the report of the Directors in the annual report of the Company for the year ended 31 December 2022.

As at the Listing Date and 30 June 2023, no Share option has been granted by the Company and the outstanding number of Share options available for grant under the Share Option Scheme is 48,000,000 Share options to subscribe for the Shares, representing 10% of the issued share capital of the Company, out of which the outstanding number of Share options available for grant under the Service Provider Sublimit is 4,800,000 Shares options to subscribe for the Shares, representing 1% of the issued share capital of the Company.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during 1H2023 and there was no outstanding option as at 30 June 2023.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

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

## **CONTINGENT LIABILITIES**

Other than a number of lawsuits and claims arising from the normal course of business were lodged against our Group which remained outstanding as at 30 June 2023, the Group had no material contingent liability as at 30 June 2023.

## **FOREIGN EXCHANGE RISK**

The assets, liabilities and transactions of the Group are principally denominated in Renminbi. As at 30 June 2023, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

## **GEARING RATIO**

As at 30 June 2023, the gearing ratio, which is calculated as total interest-bearing debt divided by total equity, is 29.0%. (31 December 2022: 39.0%).

## **PLEDGE OF ASSETS**

As at 30 June 2023, fixed deposits of approximately RMB32.0 million (31 December 2022: approximately RMB2.0 million), certain plant and machinery with carrying amount of approximately RMB7.2 million (31 December 2022: approximately RMB7.5 million) and nil trade and bills receivables arising from provision of construction services (31 December 2022: approximately RMB1.9 million) were pledged as securities for the Group’s borrowings.

## **PURCHASE, SALE OR REDEMPTION OF OUR COMPANY’S SHARES**

Since the Listing Date up to 30 June 2023, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company has been listed on the Stock Exchange since the Listing Date following the completion of the global offering (the “**Global Offering**”) of 120,000,000 new ordinary shares of the Company (the “**Shares**”). The amount of net proceeds from the Global Offering amounted to approximately RMB76.6 million (equivalent to approximately HK\$84.1 million), after deduction of the underwriting commission and other expenses. The Company applied the proceeds from the Global Offering in accordance with the purposes as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the Prospectus which is also set out below. During 1H2023, net proceeds of approximately RMB20.1 million (equivalent to approximately HK\$22.1 million) were used.

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

Purpose	Intended use of proceeds <i>RMB' million</i>	Net proceeds	Utilised	Unutilised	Estimated timeline for utilising the unutilised net proceeds
		utilised during 1H2023 <i>RMB' million</i>	amount as at 30 June 2023 <i>RMB' million</i>	amount as at 30 June 2023 <i>RMB' million</i>	
To fund our upfront expenditure of three projects on hand ( <i>Note</i> )	38.3	6.9	6.9	31.4	Before December 2023
To acquire and/or replace our construction machinery and equipment	15.3	—	—	15.3	Before December 2023
To fund the establishment and operation of our know-how centre	15.3	5.5	5.5	9.8	Before December 2024
Working capital and general corporate purposes	7.7	7.7	7.7	—	N/A
<b>Total</b>	<u>76.6</u>	<u>20.1</u>	<u>20.1</u>	<u>56.5</u>	

*Note:* As the commencement of the Sharing Lease Housing\* (共享租賃住房) project has been delayed from April 2023 to December 2023 because the site preparation work is not ready for commencement of the construction works, the full amounts proceeds of approximately RMB7.9 million utilised was used for Old Village Revampment\* (花垣縣移動公司宿舍片區老舊社區配套基礎設施改造項目) project.

## **SIGNIFICANT INVESTMENTS HELD, ACQUISITION AND DISPOSALS**

Except for investment in subsidiaries, there were no significant investments held by the Group during 1H2023. The Group did not have any material acquisitions or disposal of subsidiaries, associates or joint ventures during 1H2023.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for 1H2023 (1H2022: Nil).

## **AUDIT COMMITTEE**

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

## **REVIEW OF INTERIM FINANCIAL RESULTS BY AUDIT COMMITTEE**

The unaudited consolidated interim financial information of the Group for 1H2023 and the accounting information given in this announcement has not been reviewed by the external auditor of the Company but has been reviewed by the Audit Committee, which agreed with the accounting treatment adopted by the Company, and was of the opinion that the preparation of such accounting information complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

## **CORPORATE GOVERNANCE PRACTICES**

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

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Since the Listing Date up to 30 June 2023, our Group has adopted and complied with the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) as its own code of corporate governance.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

As the Company was listed on the Stock Exchange since the Listing Date, related rules under the Listing Rules concerning the Model Code that Directors shall observe applied to the Company since the Listing Date.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code since the Listing Date.

## **SIGNIFICANT EVENT AFTER REPORTING PERIOD**

There was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors subsequent to 30 June 2023.

## **INTERIM REPORT**

The interim report for the six months ended 30 June 2023 containing all information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.ztcon.com](http://www.ztcon.com) in due course.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the period.

By order of the Board  
**Zhongtian Construction (Hunan) Group Limited**  
**Mr. Yang Zhongjie**  
*Chairman and Executive Director*

Hong Kong, 31 August 2023

*As at the date of this announcement, the Board comprises Mr. Yang Zhongjie as Chairman of the Board and executive Director; Mr. Liu Xiaohong, Mr. Min Shixiong, Mr. Shen Qiang and Mr. Chen Weiwu as executive Directors; and Dr. Liu Jianlong, Ms. Deng Jianhua and Mr. Lau Kwok Fai Patrick as independent non-executive Directors.*