

The following is the text of a report (set out on pages I-1 to I-156) prepared for the purpose of inclusion in this document, received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANXI INSTALLATION GROUP CO., LTD., HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND SHANXI SECURITIES INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shanxi Installation Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”), set out on page I-4 to I-156, which comprises the consolidated statements of financial position of the Group as at December 31, 2020, 2021 and 2022 and June 30, 2023, the statements of financial position of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023, 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 years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on page I-4 to I-156 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●], 2023 (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Director’s responsibility for the Historical Financial Information

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

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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 presentation and preparation 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 directors of the Company, 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 purpose of the accountants’ report, a true and fair view of the Group’s consolidated financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023, the Company’s financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023, and of the consolidated financial performance and consolidated cash flows of the Group for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Review of interim period comparative financial information

We have reviewed the interim period comparative 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 six months ended June 30, 2022 and other explanatory information (the “Interim Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Interim Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 2 to the Historical

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Financial Information. Our responsibility is to express a conclusion on the Interim Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation 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 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.

Dividend

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Grant Thornton Hong Kong Limited

Certified Public Accountants

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Hong Kong

[Date]

Practicing Certificate:

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited under separate terms of engagement in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

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

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Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended December 31,			Six months ended June 30,	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 <i>(Unaudited)</i>	2023 RMB'000
Revenue	6	10,148,620	13,278,369	12,844,822	5,747,933	5,248,033
Cost of sales		<u>(8,720,525)</u>	<u>(11,530,441)</u>	<u>(11,002,776)</u>	<u>(4,905,675)</u>	<u>(4,462,039)</u>
Gross profit		1,428,095	1,747,928	1,842,046	842,258	785,994
Other income and gains, net	6	120,419	45,574	20,766	9,488	13,202
Change in fair value of investment properties		6,299	796	2,441	1,312	110
Selling and distribution expenses		(379)	(1,046)	(2,083)	(1,156)	(724)
Administrative and other operating expenses		(846,192)	(1,097,753)	(1,190,918)	(478,891)	(452,119)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	7	(293,755)	(392,610)	(397,208)	(195,731)	(179,180)
Provision for expected credit losses on financial assets, net		(57,827)	(80,562)	(59,979)	(13,953)	(44,139)
Share of (loss)/profit of associates		<u>(2,479)</u>	<u>(5,756)</u>	<u>5,521</u>	<u>6,095</u>	<u>2,310</u>
Profit before tax	8	354,181	212,155	212,782	162,550	120,924
Income tax expense	11	<u>(71,948)</u>	<u>(24,121)</u>	<u>(12,346)</u>	<u>(26,393)</u>	<u>(10,692)</u>
Profit for the year/period		<u>282,233</u>	<u>188,034</u>	<u>200,436</u>	<u>136,157</u>	<u>110,232</u>
Other comprehensive income/(loss)						
<i>Other comprehensive income/(loss) that will not be subsequently reclassified to profit or loss, net of tax:</i>						
Fair value changes of equity investment at FVOCI, net of tax		1,384	(2,337)	13,703	10,110	842
Remeasurement of defined benefit plan, net of tax		-	-	(2,322)	-	323
<i>Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax:</i>						
Exchange differences on translation of financial statements of foreign operations		<u>602</u>	<u>486</u>	<u>358</u>	<u>628</u>	<u>(30)</u>
Other comprehensive income/(loss), net of tax		<u>1,986</u>	<u>(1,851)</u>	<u>11,739</u>	<u>10,738</u>	<u>1,135</u>
Total comprehensive income for the year/period		<u>284,219</u>	<u>186,183</u>	<u>212,175</u>	<u>146,895</u>	<u>111,367</u>

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	Notes	Year ended December 31,			Six months ended June 30,	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 <i>(Unaudited)</i>	2023 RMB'000
Profit for the year/period attributable to:						
Equity holders of the Company	12	216,356	124,830	150,882	107,693	84,465
Non-controlling interests		65,877	63,204	49,554	28,464	25,767
		<u>282,233</u>	<u>188,034</u>	<u>200,436</u>	<u>136,157</u>	<u>110,232</u>
Total comprehensive income for the year/period attributable to:						
Equity holders of the Company		218,342	122,979	162,621	118,431	85,600
Non-controlling interests		65,877	63,204	49,554	28,464	25,767
		<u>284,219</u>	<u>186,183</u>	<u>212,175</u>	<u>146,895</u>	<u>111,367</u>
Earnings per share attributable to equity holders of the Company						
Basic and diluted (in RMB per share)	14	<u>0.31</u>	<u>0.14</u>	<u>0.15</u>	<u>0.11</u>	<u>0.08</u>

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Consolidated Statements of Financial Position

		As at December 31,			As at
	Notes	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Non-current assets					
Property, plant and equipment	15	748,458	823,100	972,349	1,068,584
Investment properties	16	182,748	183,679	186,120	186,230
Right-of-use assets	17	119,657	173,774	170,662	186,363
Intangible assets	18	604	1,436	1,219	954
Goodwill	19	15,000	15,000	15,000	15,000
Contract assets	20	1,538,069	931,545	1,163,796	1,146,261
Receivables under service concession arrangements	20	969,838	2,104,580	2,405,701	2,475,562
Investments in associates	21	32,609	46,137	183,327	193,941
Other non-current assets	23	15,262	11,714	7,571	3,903
Deferred tax assets	24	43,018	63,955	100,064	107,760
Financial assets measured at FVOCI	25	135,441	122,692	138,813	139,803
		<u>3,800,704</u>	<u>4,477,612</u>	<u>5,344,622</u>	<u>5,524,361</u>
Current assets					
Inventories	27	154,971	141,622	146,240	417,324
Contract assets	20	1,772,362	3,744,227	5,168,704	5,528,445
Receivables under service concession arrangements	20	78,803	308,791	330,658	365,608
Properties under development	28	91,703	–	–	–
Trade receivables and bills receivable	29	4,345,030	5,549,574	6,371,366	6,188,411
Prepayments, deposits and other receivables	30	2,051,044	1,983,573	1,956,437	1,914,734
Restricted bank deposits	31	269,646	328,983	748,105	597,762
Cash and cash equivalents	31	814,814	1,040,579	1,380,892	1,697,117
		<u>9,578,373</u>	<u>13,097,349</u>	<u>16,102,402</u>	<u>16,709,401</u>
Current liabilities					
Trade payables and bills payable	32	4,844,502	7,594,503	9,170,618	9,541,048
Contract liabilities	20	1,105,325	1,407,394	2,166,314	1,710,956
Employee benefits payable	33	50,620	60,041	81,096	80,625
Other payables and accruals	34	2,012,577	1,770,919	1,865,853	1,902,173
Short-term borrowings	35	954,804	1,550,582	2,201,325	2,984,022
Tax payable	36	32,753	15,808	32,704	19,730
Current portion of non-current liabilities	37	320,983	431,702	514,901	828,045
		<u>9,321,564</u>	<u>12,830,949</u>	<u>16,032,811</u>	<u>17,066,599</u>
Net current assets/(liabilities)		<u>256,809</u>	<u>266,400</u>	<u>69,591</u>	<u>(357,198)</u>
Total assets less current liabilities		<u>4,057,513</u>	<u>4,744,012</u>	<u>5,414,213</u>	<u>5,167,163</u>

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		As at December 31,			As at
	Notes	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Non-current liabilities					
Long-term payable	34	300,000	300,000	300,000	–
Long-term borrowings	35	1,832,557	2,285,492	2,687,191	2,692,764
Lease liabilities	39	70,213	68,329	66,300	70,733
Deferred income	38	–	–	23,000	21,954
Employee benefits payable	33	–	–	30,790	29,090
Deferred tax liabilities	24	70,660	76,118	74,012	72,690
		<u>2,273,430</u>	<u>2,729,939</u>	<u>3,181,293</u>	<u>2,887,231</u>
Net assets		<u>1,784,083</u>	<u>2,014,073</u>	<u>2,232,920</u>	<u>2,279,932</u>
Equity					
Share capital	40	800,000	1,000,000	1,000,000	1,000,000
Reserves		<u>679,646</u>	<u>675,545</u>	<u>809,316</u>	<u>823,238</u>
Equity attributable to equity holders of the Company		1,479,646	1,675,545	1,809,316	1,823,238
Non-controlling interests	41	<u>304,437</u>	<u>338,528</u>	<u>423,604</u>	<u>456,694</u>
Total equity		<u>1,784,083</u>	<u>2,014,073</u>	<u>2,232,920</u>	<u>2,279,932</u>

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Consolidated Statements of Changes in Equity

	Attributable to the equity holders of the Company							Total equity RMB’000	
	Share capital RMB’000	Capital reserve* RMB’000	Other reserves* RMB’000	Translation reserve* RMB’000	Special reserve* RMB’000	Statutory surplus reserve* RMB’000	Retained earnings* RMB’000		Non-controlling interests RMB’000
At January 1, 2020	600,000	50,801	67,853	–	–	37,451	404,870	207,926	1,368,901
Profit for the year	–	–	–	–	–	–	216,356	65,877	282,233
Other comprehensive income for the year	–	–	1,384	602	–	–	–	–	1,986
Total comprehensive income for the year	–	–	1,384	602	–	–	216,356	65,877	284,219
Transactions with owners									
Appropriation of statutory surplus reserve	–	–	–	–	–	8,601	(8,601)	–	–
Dividends declared and paid (Note 13)	–	–	–	–	–	–	(99,671)	–	(99,671)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	30,634	30,634
Capital injection from equity holders of the Company	200,000	–	–	–	–	–	–	–	200,000
Provision of special reserve	–	–	–	–	144,517	–	(144,517)	–	–
Utilization of special reserve	–	–	–	–	(144,517)	–	144,517	–	–
	200,000	–	–	–	–	8,601	(108,272)	30,634	130,963
At December 31, 2020	800,000	50,801	69,237	602	–	46,052	512,954	304,437	1,784,083

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	Attributable to the equity holders of the Company							Total equity RMB'000		
	Share capital RMB'000	Capital reserve* RMB'000	Other reserves* RMB'000	Translation reserve* RMB'000	Special reserve* RMB'000	Statutory surplus reserve* RMB'000	Retained earnings* RMB'000		Sub-total RMB'000	Non-controlling interests RMB'000
At January 1, 2021	800,000	50,801	69,237	602	-	46,052	512,954	1,479,646	304,437	1,784,083
Profit for the year	-	-	-	-	-	-	124,830	124,830	63,204	188,034
Other comprehensive (loss)/income for the year	-	-	(2,337)	486	-	-	-	(1,851)	-	(1,851)
Total comprehensive income for the year	-	-	(2,337)	486	-	-	124,830	122,979	63,204	186,183
Transactions with owners										
Appropriation of statutory surplus reserve	-	-	-	-	-	1,171	(1,171)	-	-	-
Dividends declared and paid (Note 13)	-	-	-	-	-	-	(113,469)	(113,469)	(22,000)	(135,469)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	9,033	9,033
Capital injection from equity holders of the Company ^①	200,000	272,206	-	-	-	(46,052)	(226,154)	200,000	-	200,000
Deemed distribution to equity holders of the Company ^② (Note 42.3)	-	(13,694)	-	-	-	-	-	(13,694)	-	(13,694)
Deemed divestment by non-controlling interests	-	-	-	-	-	-	-	-	(16,146)	(16,146)
Provision of special reserve	-	-	-	-	189,153	-	(189,153)	-	-	-
Utilization of special reserve	-	-	-	-	(189,070)	-	189,153	83	-	83
	200,000	258,512	-	-	83	(44,881)	(340,794)	72,920	(29,113)	43,807
At December 31, 2021	1,000,000	309,313	66,900	1,088	83	1,171	296,990	1,675,545	338,528	2,014,073

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	Attributable to the equity holders of the Company									
	Share capital	Capital reserve*	Other reserves*	Translation reserve*	Special reserve*	Statutory surplus reserve*	Retained earnings*	Sub-total	Non-controlling interests	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2022	1,000,000	309,313	66,900	1,088	83	1,171	296,990	1,675,545	338,528	2,014,073
Profit for the year	-	-	-	-	-	-	150,882	150,882	49,554	200,436
Other comprehensive income for the year	-	-	11,381	358	-	-	-	11,739	-	11,739
Total comprehensive income for the year	-	-	11,381	358	-	-	150,882	162,621	49,554	212,175
Transactions with owners										
Appropriation of statutory surplus reserve	-	-	-	-	-	7,526	(7,526)	-	-	-
Dividends declared (<i>Note 13</i>)	-	-	-	-	-	-	(28,767)	(28,767)	-	(28,767)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	35,522	35,522
Provision of special reserve	-	-	-	-	189,249	-	(189,249)	-	-	-
Utilisation of special reserve	-	-	-	-	(189,332)	-	189,249	(83)	-	(83)
	-	-	-	-	(83)	7,526	(36,293)	(28,850)	35,522	6,672
As at 31 December 2022	1,000,000	309,313	78,281	1,446	-	8,697	411,579	1,809,316	423,604	2,232,920

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	Attributable to the equity holders of the Company									
	Share capital	Capital reserve*	Other reserves*	Translation reserve*	Special reserve*	Statutory surplus reserve*	Retained earnings*	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	1,000,000	309,313	66,900	1,088	83	1,171	296,990	1,675,545	338,528	2,014,073
Profit for the period (unaudited)	-	-	-	-	-	-	107,693	107,693	28,464	136,157
Other comprehensive income for the period (unaudited)	-	-	10,110	628	-	-	-	10,738	-	10,738
Total comprehensive income for the period (unaudited)	-	-	10,110	628	-	-	107,693	118,431	28,464	146,895
Transactions with owners										
Appropriation of statutory surplus reserve (unaudited)	-	-	-	-	-	3,624	(3,624)	-	-	-
Dividends declared (unaudited) (Note 13)	-	-	-	-	-	-	(28,767)	(28,767)	-	(28,767)
Capital injection from non-controlling interests (unaudited)	-	-	-	-	-	-	-	-	18,349	18,349
Provision of special reserve (unaudited)	-	-	-	-	98,860	-	(98,860)	-	-	-
Utilisation of special reserve (unaudited)	-	-	-	-	(45,031)	-	45,031	-	-	-
As at 30 June 2022 (unaudited)	1,000,000	309,313	77,010	1,716	53,912	4,795	318,463	1,765,209	385,341	2,150,550

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	Attributable to the equity holders of the Company									
	Share capital	Capital reserve*	Other reserves*	Translation reserve*	Special reserve*	Statutory surplus reserve*	Retained earnings*	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	1,000,000	309,313	78,281	1,446	-	8,697	411,579	1,809,316	423,604	2,232,920
Profit for the period	-	-	-	-	-	-	84,465	84,465	25,767	110,232
Other comprehensive income/(loss) for the period	-	-	1,165	(30)	-	-	-	1,135	-	1,135
Total comprehensive income for the period	-	-	1,165	(30)	-	-	84,465	85,600	25,767	111,367
Transactions with owners										
Appropriation of statutory surplus reserve	-	-	-	-	-	3,982	(3,982)	-	-	-
Dividends declared (Note 13)	-	-	-	-	-	-	(71,678)	(71,678)	-	(71,678)
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	7,323	7,323
Provision of special reserve	-	-	-	-	65,072	-	(65,072)	-	-	-
Utilisation of special reserve	-	-	-	-	(65,072)	-	65,072	-	-	-
	-	-	-	-	-	3,982	(75,660)	(71,678)	7,323	(64,355)
At 30 June 2023	1,000,000	309,313	79,446	1,416	-	12,679	420,384	1,823,238	456,694	2,279,932

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- * As of December 31, 2020, 2021 and 2022 and June 30, 2023, these reserves accounts comprise the Group’s reserves in the consolidated statement of financial position of RMB679,646,000, RMB675,545,000, RMB809,316,000 and RMB823,238,000, respectively.
- ① The Company used to be a limited company and was changed to a joint stock limited company as a whole on December 31, 2021. On August 31, 2021, the base date of the share reform, the statutory surplus reserve and retained profit of RMB272,206,000 were converted into capital reserve.
- ② As of December 31, 2021, Shanxi CIG, the immediate holding company, approved the Company to transfer its 31% equity interest in Shanxi Yu’an Hengchuang Construction Engineering Co., Ltd. (山西晉安恒創建築工程有限公司) (“**Yu’an Hengchuang**”) to Shanxi Exquisite Construction Workforce Company Limited at nil consideration, and both the Company and the transferee were under common controlled by Shanxi CIG. On December 31, 2021, the net assets of Yu’an Hengchuang were RMB44,175,000, and the transfer of the 31% equity interest at nil consideration reduced the capital reserve of the Company by RMB13,694,000. Details are set out in Note 42.3.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,			Six months ended	
		2020	2021	2022	June 30,	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>	
Cash flows from operating activities						
Profit before tax		354,181	212,155	212,782	162,550	120,924
Adjustments for:						
Finance costs	7	293,755	392,610	397,208	195,731	179,180
Share of loss/(profit) of associates		2,479	5,756	(5,521)	(6,095)	(2,310)
Interest income	6	(38,984)	(24,146)	(14,101)	(6,664)	(7,657)
Dividend income from financial assets						
measured at FVOCI	6	(330)	(319)	–	–	(86)
Gain on disposal of subsidiaries	42	(3,662)	(9,093)	–	–	–
Gain on disposal of financial assets						
measured at FVOCI	6	–	(2,441)	–	–	–
Gain on disposal of investments in associates	6	–	(5,506)	–	–	–
Change in fair value of investment properties	16	(6,299)	(796)	(2,441)	(1,312)	(110)
Depreciation of property, plant and equipment	8	65,690	92,508	87,281	43,036	42,206
Depreciation of right-of-use assets	8	5,258	6,865	9,305	3,515	7,206
Amortization of intangible assets	8	401	446	728	404	339
Provision for expected credit losses on contract assets, net	8	2,453	19,427	42,986	8,482	3,472
Provision for expected credit losses on receivables under service concession arrangements, net	8	1,265	12,833	15,373	2,584	1,369
Provision for expected credit losses on trade receivable and bills receivable, net	8	58,826	76,231	48,685	6,196	37,511
(Reversal of provision)/provision for expected credit losses on deposits and other receivables, net	8	(999)	4,331	11,294	7,757	6,628
Written off of prepayment		–	–	–	–	6,919
Provision for contract delayed payment	8	–	–	10,427	–	–
Gain on disposal of property, plant and equipment	8	(216)	(131)	(4,170)	(2,625)	(1,316)
Gain on disposal of assets of disposal groups classified as held for sale	6	(68,138)	–	–	–	–
Operating cash flows before working capital changes		<u>665,680</u>	<u>780,730</u>	<u>809,836</u>	<u>413,559</u>	<u>394,275</u>

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<i>Notes</i>	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Increase)/decrease in inventories	(25,794)	13,349	(4,618)	(245,911)	(271,084)
Increase in contract assets	(1,046,986)	(1,384,768)	(1,444,965)	(1,236,165)	(345,678)
Increase in receivables service					
concession arrangements	(427,166)	(1,377,563)	(338,361)	(456,103)	(106,180)
(Decrease)/increase in contract liabilities	(298,342)	302,069	758,920	881,496	(455,358)
(Increase)/decrease in properties under					
development	(40,181)	106,332	-	-	-
(Increase)/decrease in trade receivables					
and bills receivable	(941,767)	(1,285,105)	(870,478)	(803,899)	145,444
Decrease/(Increase) in prepayments,					
deposits and other receivables	90,300	65,416	19,986	(198,053)	35,075
Increase in trade payables and bills					
payable	1,063,900	2,750,001	1,576,115	1,575,172	370,430
Increase/(decrease) in other payables					
and accruals	1,939,749	189,061	(29,125)	242,660	164,497
Increase in deferred income	-	-	23,000	3,000	-
Decrease/(increase) in restricted bank					
deposits	47,856	(59,337)	(419,122)	(83,420)	150,343
Cash generated from operations	1,027,249	100,185	81,188	92,336	81,764
Income tax paid	(50,918)	(32,670)	(35,944)	(20,180)	(32,890)
Net cash generated from operating					
activities	976,331	67,515	45,244	72,156	48,874

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	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
<i>Notes</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Cash flows from investing activities					
Interest received	37,682	41,864	12,586	6,664	6,483
Dividends received from financial assets measured at FVOCI	330	319	–	–	86
Purchase of property, plant and equipment	(38,990)	(149,524)	(81,463)	(58,933)	(115,531)
Purchase of right-of-use assets	(28,838)	(60,027)	–	–	(14,711)
Purchase of intangible assets	(264)	(1,282)	(57)	(57)	–
Capitalized expenditures for purchase of service concession arrangements	(1,043,435)	(519,030)	(254,749)	(151,935)	(216,002)
Increase in investment in associates	–	(17,340)	(131,669)	(83,800)	(8,304)
Increase in investment in financial assets measured at FVOCI	(114,964)	–	–	–	–
Proceeds from disposal of property, plant and equipment	18,840	4,822	56	–	94
Proceeds from disposal of subsidiaries, net of cash disposed of	1,786	15,941	10,000	–	–
Proceeds from disposal of disposal groups held for sale	103,762	–	–	–	–
Proceeds from disposal of associates	–	12,398	–	–	–
Proceeds from disposal of financial assets measured at FVOCI	3,000	12,441	–	–	–
Net cash used in investing activities	<u>(1,061,091)</u>	<u>(659,418)</u>	<u>(445,296)</u>	<u>(288,061)</u>	<u>(347,885)</u>

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	<i>Notes</i>	Year ended December 31,			Six months ended	
		2020	2021	2022	June 30,	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
Cash flows from financing activities						
Interest paid		(288,828)	(338,884)	(389,027)	(194,226)	(185,369)
Proceeds from interest-bearing bank borrowings and other borrowings	46	1,638,789	2,186,971	2,648,323	1,307,689	1,874,431
Repayment of interest-bearing bank borrowings and other borrowings	46	(1,657,122)	(1,327,876)	(1,601,624)	(812,131)	(809,895)
Net cash outflows of deemed distribution of the Company		-	(12,757)	-	-	-
Dividends paid to equity holders of the Company		(29,901)	(183,239)	(28,767)	-	-
Dividends paid to non-controlling interests		-	(22,000)	-	-	-
Proceeds from borrowings from related parties	46	153,438	862,844	518,360	363,260	89,220
Repayment of borrowings from related parties	46	(22,467)	(550,171)	(433,997)	(166,324)	(355,079)
Repayment of lease liabilities	46	(7,872)	(6,253)	(8,425)	(4,769)	(5,395)
Capital injection from non-controlling interests		30,634	9,033	35,522	18,349	7,323
Capital injection from equity holders of the Company	40	200,000	200,000	-	-	-
Net cash generated from financing activities		<u>16,671</u>	<u>817,668</u>	<u>740,365</u>	<u>511,848</u>	<u>615,236</u>
Net (decrease)/increase in cash and cash equivalents		(68,089)	225,765	340,313	295,943	316,225
Cash and cash equivalents at the beginning of year/period		<u>882,903</u>	<u>814,814</u>	<u>1,040,579</u>	<u>1,040,579</u>	<u>1,380,892</u>
Cash and cash equivalents at the end of year/period	31	<u><u>814,814</u></u>	<u><u>1,040,579</u></u>	<u><u>1,380,892</u></u>	<u><u>1,336,522</u></u>	<u><u>1,697,117</u></u>

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Statement of Financial Position

		As at December 31,			As at
	Notes	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Non-current assets					
Property, plant and equipment	15	187,317	215,576	208,907	200,158
Investment properties	16	182,748	183,679	186,120	186,230
Right-of-use assets	17	13,665	72,526	71,271	69,493
Intangible assets	18	280	1,124	992	671
Contract assets	20	105,550	275,913	600,474	501,766
Investments in subsidiaries	22	837,810	909,800	1,032,784	1,125,129
Investments in associates	21	32,609	46,137	183,327	193,941
Other non-current assets	23	15,262	11,714	7,571	3,903
Deferred tax assets	24	31,522	46,043	57,774	64,380
Financial assets measured at FVOCI	25	135,441	122,692	138,813	139,803
		<u>1,542,204</u>	<u>1,885,204</u>	<u>2,488,033</u>	<u>2,485,474</u>
Current assets					
Inventories	27	116,506	130,273	122,817	403,050
Contract assets	20	1,549,892	3,638,902	4,921,954	5,405,623
Receivables under service concession arrangements	20	112,593	75,739	131,229	142,126
Trade receivables and bills receivable	29	4,303,699	5,216,387	5,773,682	5,763,121
Prepayments, deposits and other receivables	30	2,513,272	2,216,566	2,150,567	1,935,832
Restricted bank deposits	31	269,646	328,983	747,505	597,162
Cash and cash equivalents	31	540,969	651,520	776,081	1,135,919
		<u>9,406,577</u>	<u>12,258,370</u>	<u>14,623,835</u>	<u>15,382,833</u>

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		As at December 31,			As at
	Notes	2020	2021	2022	June 30,
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
Current liabilities					
Trade payables and bills payable	32	4,750,365	6,623,467	9,417,093	10,376,487
Contract liabilities	20	1,198,165	1,478,741	2,055,348	1,638,687
Employee benefits payable	33	48,253	55,720	77,378	76,402
Other payables and accruals	34	2,273,652	2,367,751	1,869,318	1,835,310
Short-term borrowings	35	893,935	1,535,582	1,145,935	1,581,065
Current portion of non-current liabilities	37	188,219	255,843	312,910	598,277
		<u>9,352,589</u>	<u>12,317,104</u>	<u>14,877,982</u>	<u>16,106,228</u>
Net current assets/(liabilities)		<u>53,988</u>	<u>(58,734)</u>	<u>(254,147)</u>	<u>(723,395)</u>
Total assets less current liabilities					
		<u>1,596,192</u>	<u>1,826,470</u>	<u>2,233,886</u>	<u>1,762,079</u>
Non-current liabilities					
Long-term payables	34	300,000	300,000	300,000	–
Long-term borrowings	35	66,277	127,146	444,956	306,425
Lease liabilities	39	4,126	4,083	2,319	1,267
Employee benefit payable	33	–	–	30,790	29,090
Deferred tax liabilities	24	15,160	14,842	17,627	17,792
		<u>385,563</u>	<u>446,071</u>	<u>795,692</u>	<u>354,574</u>
Net assets		<u>1,210,629</u>	<u>1,380,399</u>	<u>1,438,194</u>	<u>1,407,505</u>
Equity					
Share capital	40	800,000	1,000,000	1,000,000	1,000,000
Reserves	41	410,629	380,399	438,194	407,505
Total equity		<u>1,210,629</u>	<u>1,380,399</u>	<u>1,438,194</u>	<u>1,407,505</u>

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II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. COMPANY INFORMATION

The Company is a joint stock limited company established in the People’s Republic of China (the “PRC”). The registered office and principal business address of the Company is No. 8, Xinhua Road, Shanxi Demonstration Zone, the PRC.

During the Track Record Period, the Company and its subsidiaries are principally engaged in the following businesses in the PRC:

- Specialized industrial works contracting
- Professional supporting works contracting
- Other works contracting
- Non-construction business

In the opinion of the Directors, the immediate holding company of the Group is Shanxi Construction Investment Group Co., Ltd., (“Shanxi CIG”) and the ultimate holding company of the Group is Shanxi State-owned Capital Operation Co., Ltd, who is ultimately controlled by the state-owned Assets Supervision and Administration Commission of the People’s Government of Shanxi Province.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries (all of which are state-owned limited liability companies). Details of the principal subsidiaries are as follows:

Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital <i>RMB’000</i>	Equity Attributable to the Company		Principal Operations
			Direct (%)	Indirect (%)	
Shanxi Shan’an Bluesky Energy Conservation Technology Co., Ltd. (“Shan’an Bluesky”) ⁽¹⁾ (山西山安藍天節能科技股份有限公司)	PRC/Mainland China June 2015	101,782	56.77	N/A	Investment, development and operation of clean heating projects
Shanxi Zhuo’an Materials Trading Company Limited ⁽²⁾ (山西卓安物資貿易有限公司)	PRC/Mainland China May 2015	3,100	100.00	N/A	Construction materials trading and leasing
Shanxi Shan’an Maode Distributed Energy Technology Company Limited (山西山安茂德分佈式能源科技有限公司) (formerly known as “Shanxi Shan’an Maode Solar Energy Technology Co., Ltd. (山西山安茂德太陽能科技有限公司)”) ⁽²⁾	PRC/Mainland China July 2016	300,000	100.00	N/A	New energy project investment, development and operation

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Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital RMB’000	Equity Attributable to the Company		Principal Operations
			Direct (%)	Indirect (%)	
Shanxi Ningyang Energy Company Limited ⁽²⁾ (山西寧揚能源有限公司)	PRC/Mainland China May 2013	30,000	51.00	N/A	Liquefied nature gas (“LNG”) production and sales
Shanxi Shan’an Lide Environmental Technology Company Limited ⁽²⁾ (山西山安立德環保科技有限公司) (formerly known as “Shanxi Shan’an Lide Energy Reservation Technology Company Limited (山西山安立德節能科技有限公司)” ⁽²⁾)	PRC/Mainland China December 2015	100,000	84.38	N/A	Investment, development and operation of solid disposal projects
Shanghai Shan’an Construction Engineering Company Limited ⁽²⁾ (上海山安建設工程有限公司)	PRC/Mainland China April 2017	100,000	100.00	N/A	Mechanical and electrical installation works construction
Shanxi Shan’an Lida Environmental Technology Company Limited (山西山安立德環保科技有限公司)	PRC/Mainland China May 2018	50,000	40.00	18.75	Ecological and Environmental Protection and Restoration
Son Tay Viet Nam Construction Company Limited ⁽³⁾	Vietnam/Vietnam August 2020	1,000	100.00	N/A	Construction and operation of new energy power generation projects
Shanxi Shan’an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限公司) (formerly known as “Shanxi Shan’an Biquan Waterwork Company Limited (山西山安碧泉水務有限公司)” ⁽²⁾)	PRC/Mainland China July 2016	100,000	100.00	N/A	Investment, development and operation of water environment control projects
Lingchuan Shan’an Construction Development Company Limited ⁽²⁾ (陵川山安建設發展有限公司)	PRC/Mainland China January 2018	54,712	90.00	N/A	Investment, construction and operation of municipal road projects

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Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital RMB’000	Equity Attributable to the Company		Principal Operations
			Direct (%)	Indirect (%)	
Guangdong Shan’an Construction Engineering Company Limited ⁽²⁾ (廣東山安建設工程有 限公司)	PRC/Mainland China May 2018	100,000	100.00	N/A	Mechanical and electrical installation works construction
Xiangyuan Shan’an Road and Bridge Construction Development Company Limited ⁽³⁾ (襄垣縣山安路橋建設 發展有限公司)	PRC/Mainland China December 2020	29,942	80.00	N/A	Investment, construction and operation of road and bridge projects
Linfen Shan’an Waterwork Development Company Limited ⁽⁴⁾ (臨汾市山安水務發展 有限公司)	PRC/Mainland China March 2021	20,805	85.67	9.52	Investment, construction and operation of sewage treatment projects
Australian Shan An Construction Engineering Pty Limited ⁽²⁾	Australia/Australia March 2018	2,784	100.00	N/A	Construction and operation of new energy power generation projects
Xinjiang Shan’an Waterwork Management Company Limited ⁽²⁾ (新絳縣山安水利管理 有限公司)	PRC/Mainland China September 2018	50,000	60.00	30.00	Investment, construction and operation of river and lake treatment projects
Shanxi Shan’an Maode Electricity Supply Company Limited (山西山安茂德售電有 限公司)	PRC/Mainland China July 2017	20,000	100.00	N/A	Electricity distribution and sales business
Xiyang Shan’an Comprehensive Pipeline Construction Development Company Limited ⁽²⁾ (昔陽山安綜合管廊建 設發展有限公司)	PRC/Mainland China January 2019	136,660	90.00	N/A	Investment, construction and operation of underground comprehensive pipe gallery facility projects
Qinshui Shan’an Culture and Sport Construction Development Company Limited ⁽²⁾ (沁水山安文體建設發 展有限公司)	PRC/Mainland China January 2019	67,463	94.99	N/A	Investment, construction and operation of municipal facility projects

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Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital RMB’000	Equity Attributable to the Company		Principal Operations
			Direct (%)	Indirect (%)	
Jiexiu Shan’an Waterwork Construction Development Company Limited ⁽²⁾ (介休山安水利建設發展有限公司)	PRC/Mainland China March 2019	117,620	75.28	5.00	Investment, construction and operation of water environment control projects
Huguan Shan’an Two Roads Three Streets Construction Development Company Limited ⁽²⁾	PRC/Mainland China June 2018	60,928	90.00	N/A	Investment, construction and operation of municipal road projects
Shanxi Shan’an Yunneng Environmental Technology Company Limited ⁽²⁾ (山西山安運能環保科技有限公司)	PRC/Mainland China March 2019	50,000	41.00	14.25	Comprehensive utilization of solid waste
Changzhi Shan’an Construction Development Company Limited ⁽²⁾ (長治市山安建設發展有限公司)	PRC/Mainland China July 2018	40,000	90.00	N/A	Investment, construction and operation of industrial park projects
Gaoping City Shan’an Five Roads One River Construction Development Company Limited ⁽²⁾ (高平市山安五路一河建設發展有限公司)	PRC/Mainland China December 2017	41,880	95.00	N/A	Investment, construction and operation of municipal road projects
Sichuan Shan’an Construction Engineering Company Limited ⁽⁴⁾ (四川山安建設工程有限公司)	PRC/Mainland China September 2021	100,000	100.00	N/A	Water environment control works construction
Yangquan Shan’an Construction Development Company Limited ⁽⁵⁾ (陽泉山安建設發展有限公司)	PRC/Mainland China September 2021	130,000	80.00	N/A	Investment, construction and operation of civil engineering projects
Qinshui Shan’an Construction Development Company Limited ⁽⁵⁾ (沁水山安建設發展有限公司)	PRC/Mainland China May 2022	170,863	80.00	N/A	Investment, construction and operation of commercial services projects

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Name of Subsidiary	Place and date of establishment/ incorporation and place of business	Share Capital RMB’000	Equity Attributable to the Company		Principal Operations
			Direct (%)	Indirect (%)	
Jinzhong Shan’an Lide Solid Waste Utilization Technology Company Limited ⁽⁵⁾ (晉中山安立德固廢利 用科技有限公司)	PRC/Mainland China November 2022	30,000	49	3.75	Handling of urban construction waste and cargo logistic
Hubei Shan’an Construction Engineering Company Limited ⁽⁵⁾ (湖北山安建設工程有 限公司)	PRC/Mainland China September 2022	100,000	100	N/A	Construction, engineering design, quality inspection, installation and repair of special equipment
Shaanxi Shan’an Construction Engineering Company Limited (陝西山安建 設工程有限公司)	PRC/Mainland China March 2023	100,000	100	N/A	Construction management services, subcontracting and construction labor subcontracting
Yushe County Shan’an Xinyuan Company Limited (榆社縣山安 新源有限公司)	PRC/Mainland China September 2023	1,000	100	N/A	Electricity, heating, gas and water production and supply
Liaoning Yingkou Shan’an New Energy Company Limited (遼寧營口山安新能源 有限公司)	PRC/Mainland China October 2023	10,000	100	N/A	Operating of new energy power generation, power transmission and power supply projects

Notes:

- (1) The statutory financial statements of these entities for the years ended December 31, 2020, 2021 and 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises (“PRC GAAP”) were audited by Grant Thornton (Special General Partnership) (PRC CPA).
- (2) The statutory financial statements of these entities for the years ended December 31, 2020 prepared in accordance with the PRC GAAP were audited by Shanxi Lihong Certified Public Accountants Co., Ltd. (PRC CPA); the statutory financial statements for the year ended December 31, 2021 were audited by Shanxi Tongxing Certified Public Accountants Co., Ltd. (PRC CPA). The statutory financial statements of these entities for the year ended December 31, 2022 were prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).
- (3) The statutory financial statements of these entities for the year ended December 31, 2020 prepared in accordance with the PRC GAAP were audited by Shanxi Lihong Certified Public Accountants Co., Ltd. (PRC CPA); the statutory financial statements for the year ended December 31, 2021 were audited by Shanxi Tongxing Certified Public Accountants Co., Ltd. (PRC CPA). The statutory financial statements of these entities for the year ended December 31, 2022 prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).

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- (4) The statutory financial statements of these entities for the year ended December 31, 2021 prepared in accordance with the PRC GAAP were audited by Shanxi Tongxing Certified Public Accountants Co., Ltd. (PRC CPA). The statutory financial statements of these entities for the year ended December 31, 2022 prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).
- (5) The statutory financial statements of these entities for the year ended December 31, 2022 were prepared in accordance with the PRC GAAP were audited by Grant Thornton (Special General Partnership) (PRC CPA).

Since the Company did not have a registered English name, the management of the Company directly translated the Chinese name of the Company into English as the English name of the Company registered in China.

2. BASIS OF PRESENTATION AND PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) approved by the International Accounting Standards Board (“IASB”), which comprise all applicable individual IFRSs, International Accounting Standards and interpretations. All IFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. The early adoption of the IFRSs do not have any significant impact on the financial positions or results of the Group during the Track Record Period.

In preparing the Historical Financial Information, the directors of the Company have given consideration to the future liquidity of the Group in light of its net current liabilities of RMB357,198,000 as at June 30, 2023. This indicates a condition which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company had made an assessment, and concluded that the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to the following:

- i. after assessing the Group’s current and forecasted cash positions, the Group expects to generate sufficient cash flows for the next twelve months from the end of the reporting period;
- ii. the Group has obtained confirmation from Shanxi CIG that Shanxi CIG will continue to provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period; and
- iii. the Group has significant undrawn borrowing facilities, subject to certain conditions, of not less than RMB4.7 billion and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable.

Accordingly, the Historical Financial Information have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost basis, except for investment properties, financial assets measured at fair value through other comprehensive income and financial guarantee contracts which are stated at fair value. Disposal groups held for sale are stated at the lower of carrying amounts and fair values less costs to sell as fully described in Note 3.2.

The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarized below. These policies have been consistently applied to all the years presented in the Historical Financial Information, unless otherwise stated.

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It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IFRS 16	Lease Liabilities in a Sale and Leaseback ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after January 1, 2024

² Effective for annual periods beginning on or after January 1, 2025

³ Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the new and amended IFRSs. Information on new and amended IFRSs that are expected to have an impact on the Group’s accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group’s Historical Financial Information.

Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments remove an acknowledged inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and those in IAS 28 (2011) “Investments in Associates and Joint Ventures” in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments are originally effective prospectively to transactions occurring in annual period beginning on or after January 1, 2016. However, such effective date has been postponed indefinitely with earlier adoption permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” and Amendments to IAS 1 “Non-current Liabilities with Covenants” (“2022 Amendments”)

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current, which are summarized as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

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- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity’s own equity instruments. Thus, if the counterparty conversion option is classified as liability under IAS 32 “Financial Instruments: Presentation”, the transfer of equity instruments by exercising the conversion option constitutes settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with IAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the related liabilities;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the “Classification of Liabilities as Current or Non-current” (2020 Amendments) to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

Amendments to IFRS16 “Lease Liabilities in a Sale and Leaseback”

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 “Revenue from Contracts with Customers” to be accounted for as a sale.

The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

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Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

The amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangement (“SFA”) and introduce new disclosure requirements to enhance the transparency of SFA and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

SFAs are arrangements in which one or more finance providers offer to pay amounts an entity owes its suppliers, and the entity agrees to pay according to the terms and conditions of the arrangement at the same date as, or a date later than, suppliers are paid. The arrangements typically provide the entity with extended payment terms, or the entity’s suppliers with early payment terms, compared to the related invoice payment due date. Arrangements that are solely credit enhancements for the entity (e.g. financial guarantees including letter of credit used as guarantees) or instruments used to settle the amount owed directly with a supplier (e.g. credit card) are not SFAs.

The new disclosure requirements for the SFAs includes:

- Terms and conditions of the arrangements;
- At as the beginning and end of the reporting period:
 - the carrying amounts of SFA financial liabilities and the line items in which those liabilities are presented;
 - the carrying amounts of financial liabilities and the line items, for which the finance providers have already settled the corresponding trade payables;
 - the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements;
- The type and effect of non-cash changes in the carrying amounts of SFA financial liabilities; and
- Additional liquidity information arising from SFA (e.g. whether the entity has accessed, or has access to, facilities under supplier finance arrangements that provide the entity with extended payment terms or the entity’s suppliers with early payment terms, any concentration of liquidity risk and market risk arising from SFA).

In addition, the amendments also provide certain transition relief when the amendments become effective.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

Amendments to IAS 21 “Lack of Exchangeability”

The amendments respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies. The amendments help entities and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates.

The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Early application is permitted.

The directors of the Group expect that the amendments have no material impact on the Historical Financial Information.

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3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Track Record Period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests ("NCI"), even if this results in the NCI having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

NCI represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any NCI either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity holders of the Company.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any NCI and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any NCI in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any NCI in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as bargain purchase gain.

Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In Historical Financial Information, an investment in an associate is initially recognized at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year/period includes the Group's share of the post-acquisition, post-tax results of the associate for the year/period, including any impairment loss on the investment in associate recognized for the year/period. The Group's other comprehensive income for the year/period includes its share of the associate's other comprehensive income for the year/period.

Unrealized gains or losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealized gains or losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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After the application of equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group’s investment in its associates. At the end of each reporting period, the Group determines whether there is any objective evidence that the investments in the associates are impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investments, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associates, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investments.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. The difference between (i) the fair value of any retained interest and any proceeds from disposing of partial interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognized in the profit or loss by the Group. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognized in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Foreign currency translation

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

In the individual financial statements of the combined entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from retranslation of monetary assets and liabilities at the end of the reporting period are recognized in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rate at the transaction date).

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognized in other comprehensive income and accumulated separately in the translation reserve in equity.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below and cost of right-of-use assets as described in “Leases” below) are initially recognized at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group’s management). Except for land and building held for administrative purpose as described below, they are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives. The estimated useful lives are as follows:

Items	Number of years
Buildings and structure	2 – 30 years
Construction machinery	8 years
Transportation and production equipment	8 – 20 years
Office equipment and others	5 years

Accounting policy for depreciation of right-of-use assets is set out in “Leases” below.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Subsequent costs are included in the asset’s carrying amount or recognized 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 derecognized. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost, and subsequently at fair value, unless fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognized at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

When the use of a property changes such that it is reclassified as property, plant and equipment/inventories/properties held for sale, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, and other costs directly attributable to such properties incurred during the development period and net realizable value.

Net realizable value takes into account the proceeds ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to complete.

Properties under development are classified as current assets unless those will not be realized in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

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Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains an NCI in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and other contract costs once classified as held for sale are not depreciated or amortized.

Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of interest in associates is set out in “Associates” above.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any NCI in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the Group’s interest in the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any NCI in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Intangible assets (other than goodwill)

Acquired intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortization commences when the intangible assets are available for use. The following useful lives are applied:

Items	Number of years
Patent rights	10 years
Software	2 years

The assets’ amortization methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognized as intangible assets provided they meet all of the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group’s ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;

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- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognized as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows (“pass through” requirements) and transfers substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 “Revenue from Contracts with Customers”, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss (“FVTPL”), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- financial assets at amortized cost;
- financial assets at FVTPL; or
- financial assets at fair value through other comprehensive income (“FVOCI”).

The classification is determined by both:

- the Group’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, interest income or other financial items, except for expected credit losses (“ECL”) on financial assets which is presented as a separate item in consolidated statements of profit or loss and other comprehensive income.

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Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, restricted bank deposits, trade receivable, deposits and other receivables, and other current assets fall into this category of financial instruments.

Financial assets at FVOCI

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Equity instruments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income and accumulated in “other reserves” in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer’s perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in “other reserves” will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in “other income” of profit or loss.

Financial liabilities

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade and bills payables, employee benefits payable, other payables, interest-bearing bank borrowings and other borrowings and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortized cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

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All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included in finance costs or other income.

Accounting policies of lease liabilities are set out in “Leases” below.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 twelve months after the end of the reporting period.

Trade payables and bills payable, employee benefits payable, other payables, interest-bearing bank borrowings and other borrowings

Trade payables and bills payable, employee benefits payable, other payables, interest-bearing bank borrowings and other borrowings are recognized initially at their fair value and subsequently measured at amortized cost, using the effective interest method.

Impairment of financial assets, receivables under service concession arrangements and contract assets

IFRS 9’s impairment requirements use forward-looking information to recognize ECL – the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade and bills receivable, receivables under service concession arrangements and contract assets recognized and measured under IFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the end of the reporting period.

“12-month ECL” are recognized for the Stage 1 category while “lifetime ECL” are recognized for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables, receivables under service concession arrangements and contract assets

For trade receivables, contract assets and receivables under service concession arrangements, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

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To measure the ECL, trade receivables, receivables under service concession arrangements and contract assets have been grouped based on shared credit risk characteristics and the days past due. The receivables under service concession arrangements and contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the receivables under service concession arrangements and contract assets.

Other financial assets measured at amortized cost and debt investments at FVOCI

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of the reporting period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when 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 collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, receivables under service concession arrangements, contract assets and other financial assets measured at amortized cost are set out in note 52.

Inventories

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. For raw materials and finished goods recognized in inventories, cost is determined using the first in first out basis or weighted average basis, and in the case of finished goods, costs comprise direct materials, direct labor and an appropriate proportion of overheads. It excludes borrowing costs.

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Cash and cash equivalents and restricted bank deposits

Cash and cash equivalents include cash at bank and in hand and demand deposits with banks.

Bank deposits which are restricted to use are included in “restricted bank deposits” of the consolidated statements of financial position. Restricted bank deposits are excluded from cash and cash equivalents.

Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in “Impairment of financial assets, receivables under service concession arrangements and contract assets” above and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists. Those right-of-use assets meeting the definition of investment properties or relating to a class of property, plant and equipment to which revaluation model was applied are subsequently measured at fair value in accordance with the Group’s accounting policies.

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Land use rights (which meet the definition of a right-of-use asset) represent prepayments for leasing land located in the PRC for periods arranging from 25-50 years. Land use rights are recognized as an expense and measured at a straight-line basis over the term of the leasehold/right-to-use.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 “Leases”. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognized the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these leases are recognized as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in “right-of-use assets” as a separate line item. Right-of-use assets that meet the definition of investment property are presented within “investment properties”. The prepaid lease payments for leasehold land are presented as “land use right” under right-of-use assets.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognized on a straight-line basis over the term of the lease.

Provisions, contingent liabilities and contingent assets

Provisions are recognized 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.

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All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. 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 benefits 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.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered as contingent assets.

Paid-up capital/share capital

Paid-up capital/share capital are classified as equity. Share capital is recognized at the amount of consideration of shares issued, after deducting any transaction costs associated with the issue of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Revenue recognition

Revenue arises mainly from the sales and contracts for the construction services. To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligations are satisfied

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Principal and agent consideration

The Group reports the revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The determination of whether to report the revenues of the Group on a gross or net basis is based on an evaluation made of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) changes the product or performs part of the service; (iv) has involvement in the determination of product and service specifications.

Further details of the Group’s revenue and other income recognition policies are as follows:

Revenue from the sales of LNG, electricity and residential properties and trading of commodities are recognized when the Group transfers control of the assets to the customer in which the control is transferred at the point in time the customer takes undisputed delivery of the goods.

Construction contract

Revenue from construction contracts is recognized over time as the Group’s performance creates and enhances an asset that the customer controls. The progress towards complete satisfaction of a performance obligation is measured based on input method, i.e. the costs incurred up to date compared with the total budgeted costs, which depict the Group’s performance towards satisfying the performance obligation.

In addition to the fixed fee, some contracts include bonus payments which the Group can earn by early completion. At inception of each contract, the Group begins by estimating the amount of the bonus to be received using the “best estimate” approach. This amount is then included in the Group’s estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus

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is resolved. In making this assessment, the Group considers its historical record of performance on similar contracts, whether the Group has access to the labor and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

Besides, claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

When the outcome of the contract cannot be reasonably measured, revenue is recognized only to the extent of contract costs incurred that are expected to be recovered.

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 recognized in accordance with IAS 37.

The Group generally provides warranties for repairs to any construction defects and does not provide extended warranties in its construction contract with customers. As such, most of all existing warranties are considered as assurance-type warranties under IFRS 15, which are accounted for under IAS 37. Retention receivables, prior to expiration of retention period, are classified as contract assets. The relevant amount of contract asset is reclassified to trade receivables when the retention period expires.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (including certain service concession projects such as “Build-Operate-Transfer”), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The transaction price for a contract excludes any amounts collected on behalf of third parties. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties to the contract. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Interest income from service concession arrangements

Interest income from service concession arrangements is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of receivables under service concession arrangements.

Dividend income

Dividend income is recognized when the right to receive payment is established.

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Interest income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Rental income

Accounting policies for rental income are set out in “Leases” above.

Accounting treatment for service concession projects (also known as, public-private partnership projects, “PPP projects”)

The Group has entered into a number of service concession project agreements with certain entities (the “Grantors”).

For PPP projects, the Group review each of PPP project agreements and generally classify the activities under such arrangements into two categories, namely (i) construction and renovation, and (ii) operation. During the construction or renovation of PPP projects, the Group design the relevant facilities, procure the necessary equipment, and build and/or renovate the facilities. Upon the completion of the construction or renovation, the Group are granted the right to operate the facilities during a specified concession period, which typically lasts for 12-30 years, and are entitled to services fees during the concession period to recover the costs of investment, construction, operation and maintenance and to provide us reasonable returns.

All PPP projects of the Group are within the scope of service concession arrangements under IFRS Interpretations Committee Interpretation 12 “Service Concession Arrangements” (“IFRIC 12”) because service concession projects contain the following:

- the Grantors control or regulate the services that the Group must provide with the infrastructure, to whom the Group must provide such services, and at prices agreed with the Grantors;
- the Grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and
- the Grantors restrict the Group’s practical ability to sell or pledge the infrastructure that give the Group continuing right of use throughout the period of the arrangements.

The accounting treatment of PPP projects involves judgment and affects the presentation of the Group’s results of operation. Several key aspects of this accounting treatment are summarized below.

Accounting treatment associated with the construction of the PPP projects

During the construction of the PPP projects, the Group recognize construction revenue in accordance with the progress of construction projects and determined based on the construction costs incurred and the gross profit margins agreed in the contract. The Group determined the mark-up with reference to the gross profit margins agreed in the contract or the historical experience of engineering, procurement and construction (“EPC”) projects.

The Group entitled to receive payment of construction revenue until the operation of the project commences. The construction revenue is recorded as an contract asset on the consolidated statement of financial position.

During the Track Record Period, all the Group’s PPP projects had guaranteed minimum revenue as construction revenue which was pre-determined by the agreement of PPP projects. For PPP projects with a guaranteed future revenue stream, the Group treat the construction revenue as contract assets under PPP projects on the consolidated statement of financial position during the construction of the PPP projects. The amount of the contract assets is determined as the present value of such guaranteed minimum payment that the Group are entitled to receive, using a discount rate, which is determined with reference to the market interest rate and credit risk exposure to the relevant customer. When the operation of the project commences, receivables under service concession arrangements would reclassify from contract assets to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction rendered and/or the consideration paid and payable by the Group for the right to manage operate the infrastructure for public service. The Group has an

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unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified requirements. When the Group receive service fees during the operation of the project, the Group allocate the service fees as follows: (i) portion to settle the balance of the relevant trade receivables of the PPP projects (i.e. the receivables under service concession arrangements transferred to trade receivables when the right to receive payment becomes unconditional); (ii) amortized interest income on the receivables under service concession arrangements (the amortization on interest income on the receivables under services concession arrangements is determined using effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts to the receivables under services concession arrangements as at construction completion date over the expected life of the PPP projects); and (iii) the remainder to be recognized as operating fee income of PPP projects by considering the performance obligation of the rendered operation service according to the terms of PPP projects. The total service concession receivables and the contract assets for the PPP projects will be completely settled at the end of the concession period.

Accounting treatment associated with operation of the PPP projects

Revenue from the operation of the PPP projects is recognized in the period in which services are rendered. Payment from customer are apportioned into (i) repayment of the relevant trade receivables of the PPP projects (i.e. the receivables under service concession arrangements transferred to trade receivables when the right to receive payment becomes unconditional), (ii) amortized interest income on the receivables under service concession arrangements, and (iii) the remainder being recognized as operating fee income of PPP Projects. The operation costs incurred were recognized in cost of sales and services during the operation of the PPP projects.

During the operation of the PPP projects, the Group received service fees from the PPP projects. Receipts of service fees and payments of operation costs are recognized as cash flows in the Group’s operating activities on the consolidated statements of cash flows during the operation of the PPP projects.

Expected credit losses of contract assets, receivables under services concession arrangements and trade receivables under PPP projects is recognized in accordance with the accounting policies set out in “impairment of financial assets, receivables under services concession arrangements and contract assets” above.

Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer, which are not capitalized as inventories, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalized when incurred if the costs relate to revenue, which will be recognized in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalized as inventories, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized.

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Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognized in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as “deferred income” in the consolidated statement of financial position and are recognized in profit or loss on a straight-line basis over the expected lives of the related assets. Government grants that compensate the Group for expenses incurred are set-off with relevant expenses. Government grants relating to assets and those not directly attributable to any specific asset or expense are presented gross under “Other income and gains, net” in profit or loss.

Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- The Company’s interests in subsidiaries and associates.

Goodwill and intangible assets not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset’s carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, 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 generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset’s recoverable amount and only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairment losses recognized in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

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Employee benefits

Retirement benefits (defined contribution plan)

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute fixed rate of its payroll costs to the central pension scheme.

Contributions are recognized as an expense in profit or loss as employees render services during the year. The Group’s obligations under these plans are limited to the fixed percentage contributions payable. Any forfeited contributions by employees who leave the scheme prior to vesting fully in the contributions will not be used by the Group to reduce the existing level of contributions.

Retirement benefits (defined benefit plans)

For defined benefit plans, the independent actuary makes actuarial estimation to determine cost of benefits offered and attributable period by using projected unit credit method. Defined benefit costs are categorized as follows:

- (i) Service costs include current service cost, past service cost, as well as gains and losses on and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;
- (ii) Net interest expense or income net of liabilities or assets (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling);
- (iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

Unless benefits costs recognized in the cost of assets are required or permitted by other standards, the Group presents the above (i) and (ii) in profit or loss while (iii) in other comprehensive income, which will not be reversed to the profit or loss during the subsequent accounting period.

The defined benefit plans provided by the Group are set out in note 33.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 “Provisions, Contingent liabilities and Contingent Assets” and involves the payment of terminations benefits.

Housing benefits

Housing subsidies paid to PRC employees which stipulates the employees will not leave to the Group within five years from the grant date. The Group has recognized as prepaid employees housing subsidies to the consolidated statement of financial position. The prepaid employees housing subsidies is amortized on a straight-line basis over five years from the grant date.

Short-term employee benefits

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

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Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalized as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at the end of the reporting period.

Under EIT Law, the Group’s PRC operation are entitled to additional 50% tax allowance when research and development expenditure incurred. According to tax notice and announcement issued by relevant authorities in the PRC, the additional allowance have been increased from 50% to 75% from January 1, 2018 to December 31, 2023.

In March 2023, according to the announcement issued by relevant authorities in the PRC, the additional tax allowance of research and development expenses was increased on the current deduction ratio from 75% to 100% since October 1, 2022.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

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When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognized amounts; and
- (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, being the chief operating decision maker, 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 directors are determined following the Group’s major product and service lines.

The Group has identified the following two reportable segments according to its services, for the purpose of management:

Construction contracting segment – this segment provides services related to construction contracting as contractors engaged in professional industrial construction, professional auxiliary construction projects and other construction projects. The construction projects mainly includes electric power engineering, petrochemical engineering, hydromechanical installer engineering, metallurgical engineering, hydraulic and hydro-power engineering, urban railway engineering, mining, standardized plants, heating, water supply, sewage, gas, lighting, environmental protection engineering, road and bridge engineering, agricultural engineering, residential construction engineering, office construction engineering, commercial construction engineering, science, education, culture and health construction engineering, building decoration and decoration engineering, electronic and intelligent engineering, assembly trial construction engineering and other project construction contracting services.

Non-construction segment – this segment is mainly engaged in non-construction business, which mainly includes contractual energy management income, sales of LNG, PPP’s interest income, trading income and PPP’s operating fee income and other services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group’s profit before tax.

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Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The measurement policies the Group used for reporting segment results under IFRS 8 “Operating Segments” are the same as those used in its financial statements prepared under IFRSs.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and 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 the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (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) the entity and the Group 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 employees of either 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 the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

Safety production expenses

Safety production expenses accrued in accordance with the Safety Production Regulation of the People’s Republic of China are recorded in other reserve. When the expenditures are utilized as expenses, they should be recognized in profit or loss and offset against special reserve; when the expenditures incurred used to form property, plant and equipment, they shall be recognized in the property, plant and equipment when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognized as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilized. The realization of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognized in profit or loss in the period in which such a reversal takes place.

The carrying amount of deferred tax assets as at December 31, 2020, 2021 and 2022 and June 30, 2023 amounted to RMB43,018,000, RMB63,955,000, RMB100,064,000 and RMB107,760,000, respectively.

PRC land appreciation tax (“LAT”)

The Group is subject to LAT in the PRC. The provision for LAT is based on management’s best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalized its LAT calculation and payments with the tax authorities for certain its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period in which LAT is ascertained.

During the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the Group’s residential properties appreciation values do not exceed 20% of the sum of the total deductible items and hence no LAT provided under the available exemption of relevant PRC tax law.

Impairment of trade receivables and bills receivables

The Group maintains an allowance on trade receivables and bills receivable subjects to ECL based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward-looking estimates at the end of each Track Record Period.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and bills receivable and other items within the scope of expected credit losses under IFRS 9 and credit losses in the periods in which such estimate has been changed.

The Group recognized the net of provision for ECL of trade receivable and bill receivables of RMB58,826,000, RMB76,231,000, RMB48,685,000 and RMB37,511,000 during years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023, respectively.

Estimation on the fair value of investment properties

Investment properties (including completed investment properties) were revalued at the end of each of Track Record Period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each of Track Record Period.

The carrying amount of investment properties as at December 31, 2020, 2021 and 2022 and June 30, 2023 amounted to RMB182,748,000, RMB183,679,000, RMB186,120,000 and RMB186,230,000, respectively.

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Significant influence over Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd.

The Group holds 50% of the equity interest and voting rights in Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. as at December 31, 2020 respectively, and was entitled to appoint two of board of directors of Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. out of a total of five respectively. The management has assessed the Group’s involvement in Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. and concluded that it has significant influence over Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. that are classified as associates of the Group as at December 31, 2020, details of which are set out in note 21.

Significant influence over Shanxi Jiantou Linfen Construction Industry Co., Ltd.

The Group holds 10% of the equity interest and voting rights in Shanxi Jiantou Linfen Construction Industry Co., Ltd., as at December 31, 2021 and 2022 and June 30, 2023 and is entitled to appoint one of Shanxi Jiantou Linfen Construction Industry Co., Ltd.’s board of directors out of a total of five. The management has assessed the Group’s involvement in Shanxi Jiantou Linfen Construction Industry Co., Ltd. and concluded that it has significant influence over Shanxi Jiantou Linfen Construction Industry Co., Ltd. Shanxi Jiantou Linfen Construction Industry Co., Ltd. is classified as an associate of the Group as at December 31, 2021 and 2022 and June 30, 2023, details of which are set out in note 21.

Significant influence over Shanxi Jinjian Shan’an Equity Investment Partnership (Limited Partnership) (“Jinjian Shan’an”)

As at December 31, 2022 and June 30, 2023, the Group owned 74% equity interest in Jinjian Shan’an, pursuant to the partnership agreement, the decision of operating and financial policies is governed by the investment committee. The two-third of the committee member is appointed by the general partner of Jinjian Shan’an, an independent third party. The Group only possesses significant influence over the operating and financial policies of the Jinjian Shan’an through the power to appoint the one-third of committee member of the investment committee. The Group only possessed significant influence over Jinjian Shan’an, therefore, the investment has been classified as an associate of the Group as at December 31, 2022 and June 30, 2023, details of which are set out in note 21.

Significant influence over Changzi Jinjian Flood Control and Drainage Project Management Co., Ltd (“Changzi Jinjian”)

The Group holds 26.4% of the equity interest and voting rights in Changzi Jinjian as at June 30, 2023 and is entitled to appoint one of Changzi Jinjian’s board of directors out of a total of five. The management has assessed the Group’s involvement in Changzi Jinjian and concluded that it has significant influence over Changzi Jinjian. Changzi Jinjian is classified as an associate of the Group as at June 30, 2023, details of which are set out in note 21.

Critical accounting judgements

Revenue recognition for construction contracts

As explained in Note 3.2 “Revenue recognition”, the Group recognizes construction revenue under construction contracts by reference to the progress of satisfying the performance obligation based on input method. This is measured based on the costs incurred up to the end of the reporting period and budgeted costs which depict the Group’s performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets and the extent of the costs incurred. In making the above estimation, the Group conducts periodic review on the budgets and make reference to past experience and work of contractors and surveyors.

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labor, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and contracts for services, management makes reference to information such as (i) current quoted price from subcontractors and suppliers, (ii) recent quoted price agreed with subcontractors and suppliers, and (iii) estimation on material costs, labor costs and other costs.

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Accounting for the Group's service concession arrangements under IFRIC 12

The Group's service concession arrangements are accounted for as contract assets under service concession arrangement in accordance with IFRIC 12 because, in the opinion of the directors of the Company, the Group's service concession arrangements contain the following:

- the grantors control or regulate the services the Group must provide with the infrastructure, to whom the Group must provide such services, and at prices agreed with the grantors;
- the grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and
- the grantors restrict the Group's practical ability to sell or pledge the infrastructure that give the Group continuing right of use throughout the period of the arrangements.

Going concern basis for preparation of the Historical Financial Information

As disclosed in note 2, the Historical Financial Information have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration of all relevant available information about the future of the Group, including the proposed measures as described in note 2 and the cash flow projections for at least next twelve months from the date of June 30, 2023. Such projections about the future inherently involve uncertainties in the purchasing prices of the raw materials, and the renewal of banking facilities. The Directors have reviewed the relevant available information and key assumptions used in the cash flow projections for the twelve months after end of the reporting period, and have concluded that the use of going concern basis for preparation of the Historical Financial Information for the six months ended June 30, 2023 remains proper.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is separated into business units based on their services line and identified two reportable operating segments as follows:

Construction contracting segment – is principally engaged in the provision of services in relation to construction contracting by general contractors of specialized industrial works, professional supporting works and other construction, which mainly includes construction general contracting services such as power engineering, petrochemical engineering, electromechanical installation engineering, metallurgical engineering, water conservancy and hydropower engineering, urban rail transit engineering, mine engineering, standardized workshops, heating, water supply, sewage, gas, lighting, environmental protection engineering, road bridge engineering, agricultural engineering, construction of residential, office and commercial buildings, science, education, culture and health buildings, building decoration engineering, electronic and intelligent engineering, prefabricated construction engineering.

Non construction segment – principally derives its revenue from other non-construction business, which mainly includes revenue from urban heating technical services income, sales of LNG, interest income from PPP projects, trading income, operating fee from PPP projects and other services.

Management monitors the operating results of the Group's operating segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit and loss, which is a measure of adjusted profit and loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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Year ended December 31, 2020

	Construction contracting segment RMB’000	Non construction segment RMB’000	Total RMB’000
Segment revenue			
Sales to external customers	9,421,704	726,916	10,148,620
Intersegment sales	136,892	4,485,027	4,621,919
	<u>9,558,596</u>	<u>5,211,943</u>	<u>14,770,539</u>
Total revenue			
Reconciliation:			
Elimination of intersegment sales			(4,621,919)
			<u>10,148,620</u>
Operating revenue			<u>10,148,620</u>
Segment result			
Reconciliation:			
Elimination of intersegment results			2,822
	138,772	212,587	351,359
Profit before tax			<u>354,181</u>
Segment assets			
Reconciliation:			
Elimination of intersegment receivables			(3,733,007)
	10,983,126	6,128,958	17,112,084
Total assets			<u>13,379,077</u>
Segment liabilities			
Reconciliation:			
Elimination of intersegment payables			(2,849,495)
	9,763,800	4,680,689	14,444,489
Total liabilities			<u>11,594,994</u>
Other segment information			
Depreciation of property, plant and equipment	12,883	52,807	65,690
Depreciation of right-of-use assets	2,187	3,071	5,258
Amortization of intangible assets	376	25	401
Interest income	(38,053)	(931)	(38,984)
Finance costs	181,532	112,223	293,755
Loss/(gain) on disposal of property, plant and equipment	11	(227)	(216)
Gain on disposal of assets of disposal group classified as held for sales	–	(68,138)	(68,138)
Provision of expected credit losses on financial assets, net	57,491	336	57,827
Provision of expected credit losses on contract assets, net	348	2,105	2,453
Provision for expected credit losses on receivables under service concession arrangements, net	1,265	–	1,265
Share of loss of associates	2,479	–	2,479
Capital expenditure*	22,073	179,206	201,279

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Year ended December 31, 2021

	Construction contracting segment RMB'000	Non construction segment RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	12,170,554	1,107,815	13,278,369
Intersegment sales	160,890	3,564,144	3,725,034
	<u>12,331,444</u>	<u>4,671,959</u>	<u>17,003,403</u>
Total revenue			17,003,403
Reconciliation:			
Elimination of intersegment sales			<u>(3,725,034)</u>
Operating revenue			<u><u>13,278,369</u></u>
Segment result			
Reconciliation:			
Elimination of intersegment results	61,347	209,563	270,910
			<u>(58,755)</u>
Profit before tax			<u><u>212,155</u></u>
Segment assets			
Reconciliation:			
Elimination of intersegment receivables	14,235,766	6,077,238	20,313,004
			<u>(2,738,043)</u>
Total assets			<u><u>17,574,961</u></u>
Segment liabilities			
Reconciliation:			
Elimination of intersegment payables	12,841,957	4,481,030	17,322,987
			<u>(1,762,099)</u>
Total liabilities			<u><u>15,560,888</u></u>
Other segment information			
Depreciation of property, plant and equipment	27,760	64,748	92,508
Depreciation of right-of-use assets	3,519	3,346	6,865
Amortization of intangible assets	398	48	446
Interest income	(22,522)	(1,624)	(24,146)
Finance costs	259,885	132,725	392,610
Gain on disposal of property, plant and equipment	(67)	(64)	(131)
Provision of expected credit losses on financial assets, net	75,379	5,183	80,562
Provision of expected credit losses on contract assets, net	9,278	10,149	19,427
Provision for expected credit losses on receivables under services concession arrangements, net	12,833	–	12,833
Share of loss of associates	5,756	–	5,756
Capital expenditure*	130,807	135,984	266,791

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Year ended December 31, 2022

	Construction contracting segment RMB’000	Non construction segment RMB’000	Total RMB’000
Segment revenue			
Sales to external customers	11,578,792	1,266,030	12,844,822
Intersegment sales	85,473	1,235,945	1,321,418
	<u>11,664,265</u>	<u>2,501,975</u>	<u>14,166,240</u>
Total revenue			14,166,240
Reconciliation:			
Elimination of intersegment sales			(1,321,418)
			<u>12,844,822</u>
Operating revenue			<u>12,844,822</u>
Segment result			
Reconciliation:			
Elimination of intersegment results	75,158	131,554	206,712
			<u>6,070</u>
Profit before tax			<u>212,782</u>
Segment assets			
Reconciliation:			
Elimination of intersegment receivables	17,275,884	8,634,003	25,909,887
			<u>(4,462,863)</u>
Total assets			<u>21,447,024</u>
Segment liabilities			
Reconciliation:			
Elimination of intersegment payables	15,823,939	6,760,570	22,584,509
			<u>(3,370,405)</u>
Total liabilities			<u>19,214,104</u>
Other segment information			
Depreciation of property, plant and equipment	25,162	62,119	87,281
Depreciation of right-of-use assets	5,949	3,356	9,305
Amortization of intangible assets	635	93	728
Interest income	(10,066)	(4,035)	(14,101)
Finance costs	270,489	126,719	397,208
Gain on disposal of property, plant and equipment	(4,170)	–	(4,170)
Provision for expected credit losses on financial assets, net	40,348	19,631	59,979
Provision for expected credit losses on contract assets, net	23,197	19,789	42,986
Provision for expected credit losses on receivables under service concession arrangements, net	15,373	–	15,373
Provision for contract delayed payment	10,427	–	10,427
Share of profit of associates	(5,521)	–	(5,521)
Capital expenditure*	33,921	219,898	253,819

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Six months ended June 30, 2022 (unaudited)

	Construction contracting segment RMB’000	Non construction segment RMB’000	Total RMB’000
Segment revenue			
Sales to external customers	5,207,375	540,558	5,747,933
Intersegment sales	54,531	1,092,853	1,147,384
	<u>5,261,906</u>	<u>1,633,411</u>	<u>6,895,317</u>
Total revenue			
Reconciliation:			
Elimination of intersegment sales			(1,147,384)
			<u>5,747,933</u>
Operating revenue			<u>5,747,933</u>
Segment result			
Reconciliation:			
Elimination of intersegment results			(7,902)
			<u>162,550</u>
Profit before tax			<u>162,550</u>
Other segment information			
Depreciation of property, plant and equipment	12,613	30,423	43,036
Depreciation of right-of-use assets	1,864	1,651	3,515
Amortization of intangible assets	329	75	404
Interest income	(5,521)	(1,143)	(6,664)
Finance costs	130,884	64,847	195,731
Gain on disposal of property, plant and equipment	(2,625)	–	(2,625)
Provision of expected credit losses on financial assets, net	8,926	5,027	13,953
Provision/(reversal of provision) for expected credit losses on contract assets, net	8,772	(290)	8,482
Provision/(reversal of provision) for expected credit losses on receivables under service concession arrangements, net	2,584	–	2,584
Share of profit of associates	(6,095)	–	(6,095)
Capital expenditure*	16,309	51,819	68,128

Six month ended June 30, 2023

	Construction contracting segment RMB’000	Non construction segment RMB’000	Total RMB’000
Segment revenue			
Sales to external customers	4,619,597	628,436	5,248,033
Intersegment sales	93,204	287,256	380,460
	<u>4,712,801</u>	<u>915,692</u>	<u>5,628,493</u>
Total revenue			
Reconciliation:			
Elimination of intersegment sales			(380,460)
			<u>5,248,033</u>
Operating revenue			<u>5,248,033</u>

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	Construction contracting segment RMB’000	Non construction segment RMB’000	Total RMB’000
Segment result	27,083	83,652	110,735
Reconciliation:			
Elimination of intersegment results			<u>10,189</u>
Profit before tax			<u><u>120,924</u></u>
Segment assets	17,803,943	8,850,299	26,654,242
Reconciliation:			
Elimination of intersegment receivable			<u>(4,420,480)</u>
Total assets			<u><u>22,233,762</u></u>
Segment liabilities	16,600,646	6,800,311	23,400,957
Reconciliation:			
Elimination of intersegment payable			<u>(3,447,127)</u>
Total liabilities			<u><u>19,953,830</u></u>
Other segment information			
Depreciation of property, plant and equipment	11,552	30,654	42,206
Depreciation of right-of-use assets	5,195	2,011	7,206
Amortization of intangible assets	321	18	339
Interest income	(5,237)	(2,420)	(7,657)
Finance costs	116,696	62,484	179,180
Gain on disposal of property, plant and equipment	(1,316)	–	(1,316)
Provision of expected credit losses on financial assets, net	42,204	1,935	44,139
Provision for expected credit losses on contract assets, net	2,125	1,347	3,472
Provision for expected credit losses on receivables under service concession arrangements, net	1,369	–	1,369
Share of profit of associates	(2,310)	–	(2,310)
Capital expenditure*	6,169	155,770	161,939

* Capital expenditures include additions to property, plant and equipment, right-of-use assets and intangible assets.

Geographical information

Majority of the Group’s operations are conducted in the PRC. The revenue and non-current assets outside the PRC are insignificant, and therefore no geographical segment information is disclosed.

Information of major customers

The Group has a large numbers of customers and no single customer accounted for more than 10% of the Group’s total revenue for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

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6. REVENUE, OTHER INCOME AND GAINS

6.1 An analysis of the Group’s revenue, other income and gains, net is as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Revenue					
1. Specialized industrial construction					
– Construction income of PPP projects	284,191	163,216	53,190	46,675	16,780
– Construction income of EPC projects	5,137,448	6,801,687	7,537,942	3,140,376	2,915,791
	<u>5,421,639</u>	<u>6,964,903</u>	<u>7,591,132</u>	<u>3,187,051</u>	<u>2,932,571</u>
2. Specialized auxiliary construction					
– Construction income of PPP projects	455,595	252,201	94,658	3,935	121,945
– Construction income of EPC projects	2,183,935	2,866,116	1,996,405	1,107,432	799,555
	<u>2,639,530</u>	<u>3,118,317</u>	<u>2,091,063</u>	<u>1,111,367</u>	<u>921,500</u>
3. Other construction					
– Construction income of PPP projects	125,733	87,963	85,432	13,162	52,724
– Construction income of EPC projects	1,234,803	1,999,371	1,811,165	895,795	712,802
	<u>1,360,536</u>	<u>2,087,334</u>	<u>1,896,597</u>	<u>908,957</u>	<u>765,526</u>
4. Non construction business					
– Interest income of PPP projects	77,837	140,963	146,955	69,918	78,630
– Operating fee income of PPP projects	70,368	77,518	90,199	47,537	52,842
– Urban heating technical services income	281,262	276,646	296,598	154,500	220,429
– Sales of LNG	172,593	256,245	308,204	123,162	139,894
– Sales of electricity	20,109	21,795	22,129	11,776	11,816
– Trading	21,189	147,993	300,654	91,706	79,559
– Rental	7,445	30,647	37,604	22,364	7,037
– Residential properties	4,378	15,737	–	–	–
– Labor services	16,382	72,207	6,079	3,110	12,254
– Others	55,352	68,064	57,608	16,485	25,975
	<u>726,915</u>	<u>1,107,815</u>	<u>1,266,030</u>	<u>540,558</u>	<u>628,436</u>
	<u>10,148,620</u>	<u>13,278,369</u>	<u>12,844,822</u>	<u>5,747,933</u>	<u>5,248,033</u>

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	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Other income and gains, net					
Government grants	7,281	3,804	2,062	199	4,126
Interest income	38,984	24,146	14,101	6,664	7,657
Non-operating income	1,808	134	433	–	17
Dividend income from financial assets measured at FVOCI	330	319	–	–	86
Gain on disposal of subsidiaries	3,662	9,093	–	–	–
Gain on disposal of investments in associates	–	5,506	–	–	–
Gain on disposal of financial assets measured at FVOCI	–	2,441	–	–	–
Gain on disposal of property, plant and equipment, net	216	131	4,170	2,625	1,316
Gains on disposal of assets of disposal group classified as held for sale	68,138	–	–	–	–
	<u>120,419</u>	<u>45,574</u>	<u>20,766</u>	<u>9,488</u>	<u>13,202</u>

6.2 Classification of revenue from contracts with customers under IFRS 15

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Timing of revenue recognition					
Recognized at a point in time	641,633	936,205	1,081,471	448,276	542,769
Recognized over time	9,421,705	12,170,554	11,578,792	5,207,375	4,619,597
	<u>10,063,338</u>	<u>13,106,759</u>	<u>12,660,263</u>	<u>5,655,651</u>	<u>5,162,366</u>

The above excludes interest income on PPP projects and rental income, which are recognized in accordance with IFRS 9 and IFRS 16, respectively.

6.3 Revenue by geographical segment

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
China	10,143,304	13,210,717	12,752,249	5,740,949	5,099,786
Overseas	5,316	67,652	92,573	6,984	148,247
	<u>10,148,620</u>	<u>13,278,369</u>	<u>12,844,822</u>	<u>5,747,933</u>	<u>5,248,033</u>

The geographical location of customers is based on the location at which the services were provided or goods delivered.

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6.4 Remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Within one year	10,292,307	12,527,197	14,689,314	14,743,418	11,430,917
After one year but within five years	10,278,379	16,686,108	21,664,213	21,759,601	25,924,018
After five years	2,216,128	3,066,907	2,044,178	372,821	405,024
	<u>22,786,814</u>	<u>32,280,212</u>	<u>38,397,705</u>	<u>36,875,840</u>	<u>37,759,959</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interests on bank loans and other borrowings	296,208	391,050	394,134	198,775	182,366
Interest on lease liabilities	3,392	3,552	3,733	1,505	1,924
Finance charge on factoring	–	–	9,534	–	–
Actuarial interest adjustment	–	–	158	–	490
	<u>299,600</u>	<u>394,602</u>	<u>407,559</u>	<u>200,280</u>	<u>184,780</u>
Less: capitalized interest	<u>(5,845)</u>	<u>(1,992)</u>	<u>(10,351)</u>	<u>(4,549)</u>	<u>(5,600)</u>
	<u>293,755</u>	<u>392,610</u>	<u>397,208</u>	<u>195,731</u>	<u>179,180</u>

The borrowing costs have been capitalized at a rate of 6.08%, 6.15%, 6.15%, 6.15% and 6.15% per annum at the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

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8. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Cost of services rendered for service concession arrangements	654,387	464,115	221,450	51,809	195,301
Cost of goods and services rendered, including:	8,066,138	11,066,326	10,781,326	4,853,866	4,266,738
– cost of inventories recognized as an expense	295,646	427,091	545,207	215,744	136,644
Depreciation of property, plant and equipment (<i>Note 15</i>)	65,690	92,508	87,281	43,036	42,206
Depreciation of right-of-use assets (<i>Note 17</i>)	5,258	6,865	9,305	3,515	7,206
Amortization of intangible assets (<i>Note 18</i>)	401	446	728	404	339
Research and development costs	427,327	562,038	678,720	262,220	185,266
Provision for expected credit losses on contract assets, net (<i>Note 20</i>)	2,453	19,427	42,986	8,482	3,472
Provision for expected credit losses on receivables under service concession arrangements, net (<i>Note 20</i>)	1,265	12,833	15,373	2,584	1,369
Provision for expected credit losses on trade receivables and bills receivable, net (<i>Note 29</i>)	58,826	76,231	48,685	6,196	37,511
(Reversal of provision)/Provision for expected credit losses on deposits and other receivables, net (<i>Note 30</i>)	(999)	4,331	11,294	7,757	6,628
Provision for contract delayed payment	–	–	10,427	–	–
Auditors’ remuneration	740	4,163	6,215	593	1,942
Gain on disposal of property, plant and equipment	(216)	(131)	(4,170)	(2,625)	(1,316)
Gain on disposal of subsidiaries (<i>Note 42</i>)	(3,662)	(9,093)	–	–	–
Short-term lease charges	10,971	9,150	12,524	3,044	4,107
Employee benefits expenses (including remuneration of directors and supervisors)					
– Wages, salaries and allowances	304,104	320,970	381,074	167,374	191,123
– Social insurance	60,872	86,359	99,319	48,887	60,420
– Welfare and other expenses	45,946	66,891	62,503	27,646	31,357
	<u>410,922</u>	<u>474,220</u>	<u>542,896</u>	<u>243,907</u>	<u>282,900</u>

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9. REMUNERATION OF THE DIRECTORS (THE “BOARD”) AND THE MEMBERS OF THE SUPERVISORY COMMITTEE

During the Track Record Period, the Company did not have any chief executive officer and non-executive directors.

Certain directors are also appointed as directors of the Company’s subsidiaries. The remuneration of the directors is as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Fees	–	–	–	–	–
Other emoluments:					
– Salary, allowances and other benefits	1,449	1,224	1,176	609	692
– Performance related bonuses	1,711	1,077	4,399	1,288	724
– Pension scheme contributions	374	391	376	180	203
	<u>3,534</u>	<u>2,692</u>	<u>5,951</u>	<u>2,077</u>	<u>1,619</u>

During the Track Record Period, no independent non-executive directors were appointed and hence no fees and other emoluments payable to the independent non-executive directors.

The list of the directors and supervisors and their remuneration during the Track Record Period are as follows:

	Year ended December 31, 2020				
	Fees	Salary, allowances and other benefits	Performance related bonuses	Pension scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Board members					
Mr. GENG Pengpeng ¹	–	199	344	36	579
Mr. WANG Limin	–	254	352	52	658
Mr. ZHANG Yan	–	230	364	52	646
Mr. YAO Mingming ⁸	–	53	–	13	66
Mr. LI Junhong ⁹	–	54	–	13	67
Mr. REN Rui	–	200	301	52	553
	<u>–</u>	<u>990</u>	<u>1,361</u>	<u>218</u>	<u>2,569</u>
Members of the board of Supervisors					
Mr. LI Huanwen ⁶	–	153	–	52	205
Mr. SHI Linxiong ⁷	–	148	223	52	423
Mr. ZHANG Qingfu ³	–	158	127	52	337
	<u>–</u>	<u>459</u>	<u>350</u>	<u>156</u>	<u>965</u>
	<u>–</u>	<u>1,449</u>	<u>1,711</u>	<u>374</u>	<u>3,534</u>

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	Year ended December 31, 2021				
	Fees	Salary, allowances and other benefits	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Board members					
Mr. GEN Pengpeng ¹	–	–	–	–	–
Mr. WANG Limin	–	258	405	73	736
Mr. ZHANG Yan	–	220	379	73	672
Mr. REN Rui	–	231	293	73	597
Mr. FENG Cheng ¹³	–	–	–	–	–
Mr. ZHANG Hongjie ¹³	–	–	–	–	–
Mr. YANG Xiaoqing ^{13, 14}	–	–	–	–	–
Mr. XU Guanshi ¹³	–	–	–	–	–
Mr. YAO Mingming ⁸	–	–	–	–	–
Mr. LI Junhong ⁹	–	–	–	–	–
Mr. ZHAO Haijiang ²	–	17	–	6	23
Mr. WANG Jianjun ⁴	–	18	–	6	24
Mr. NIU Xiaoping ⁵	–	18	–	6	24
	–	762	1,077	237	2,076
Members of the board of Supervisors					
Mr. LI Huanwen ⁶	–	124	–	10	134
Mr. SHI Linxiong ⁷	–	120	–	53	173
Mr. ZHANG Qingfu ³	–	118	–	54	172
Mr. CAO Haiyang ¹⁰	–	39	–	12	51
Ms. ZHANG Caixia ¹¹	–	27	–	9	36
Mr. SHI Meng ¹²	–	34	–	16	50
	–	462	–	154	616
	–	1,224	1,077	391	2,692

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	Year ended December 31, 2022				
	Fees <i>RMB'000</i>	Salary, allowances and benefits in kind <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Board members					
Mr. GENG Pengpeng ¹	–	–	–	–	–
Mr. WANG Limin	–	304	1,448	81	1,833
Mr. ZHANG Yan	–	253	1,328	81	1,662
Mr. REN Rui	–	283	1,294	81	1,658
Mr. FENG Cheng ¹³	–	–	–	–	–
Mr. ZHANG Hongjie ¹³	–	–	–	–	–
Mr. YANG Xiaoqing ^{13, 14}	–	–	–	–	–
Mr. MU Jianwei ¹⁵	–	–	–	–	–
Mr. XU Guanshi ¹³	–	–	–	–	–
Mr. ZHAO Haijiang ²	–	–	–	–	–
Mr. WANG Jianjun ⁴	–	–	–	–	–
Mr. NIU Xiaoping ⁵	–	–	–	–	–
	–	840	4,070	243	5,153
Members of the board of Supervisors					
Mr. LI Huanwen ⁶	–	–	–	–	–
Mr. SHI Linxiong ⁷	–	–	–	–	–
Mr. ZHANG Qingfu ³	–	–	–	–	–
Mr. CAO Haiyang ¹⁰	–	43	57	14	114
Ms. ZHANG Caixia ¹¹	–	130	114	40	284
Mr. SHI Meng ¹²	–	163	158	79	400
	–	336	329	133	798
	–	1,176	4,399	376	5,951

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	Six months ended June 30, 2022 (unaudited)				
	Fees	Salary, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Board members					
Mr. GENG Pengpeng ¹	–	–	–	–	–
Mr. WANG Limin	–	153	457	37	647
Mr. ZHANG Yan	–	126	195	37	358
Mr. REN Rui	–	141	433	37	611
Mr. FENG Cheng ¹³	–	–	–	–	–
Mr. ZHANG Hongjie ¹³	–	–	–	–	–
Mr. YANG Xiaoqing ^{13, 14}	–	–	–	–	–
Mr. MU Jianwei ¹⁵	–	–	–	–	–
Mr. XU Guanshi ¹³	–	–	–	–	–
Mr. ZHAO Haijiang ²	–	–	–	–	–
Mr. WANG Jianjun ⁴	–	–	–	–	–
Mr. NIU Xiaoping ⁵	–	–	–	–	–
	–	420	1,085	111	1,616
Members of the board of Supervisors					
Mr. LI Huanwen ⁶	–	–	–	–	–
Mr. SHI Linxiong ⁷	–	–	–	–	–
Mr. ZHANG Qingfu ³	–	–	–	–	–
Mr. CAO Haiyang ¹⁰	–	43	51	14	108
Ms. ZHANG Caixia ¹¹	–	64	68	19	151
Mr. SHI Meng ¹²	–	82	84	36	202
	–	189	203	69	461
	–	609	1,288	180	2,077

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	Six months ended June 30, 2023				
	Fees	Salary, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Board members					
Mr. GENG Pengpeng ¹	–	–	–	–	–
Mr. WANG Limin	–	179	204	42	425
Mr. ZHANG Yan	–	155	177	42	374
Mr. REN Rui	–	173	207	42	422
Mr. FENG Cheng ¹³	–	–	–	–	–
Mr. ZHANG Hongjie ¹³	–	–	–	–	–
Mr. YANG Xiaoqing ^{13, 14}	–	–	–	–	–
Mr. MU Jianwei ¹⁵	–	–	–	–	–
Mr. XU Guanshi ¹³	–	–	–	–	–
Mr. ZHAO Haijiang ²	–	–	–	–	–
Mr. WANG Jianjun ⁴	–	–	–	–	–
Mr. NIU Xiaoping ⁵	–	–	–	–	–
	–	507	588	126	1,221
Members of the board of Supervisors					
Mr. LI Huanwen ⁶	–	–	–	–	–
Mr. SHI Linxiong ⁷	–	–	–	–	–
Mr. ZHANG Qingfu ³	–	–	–	–	–
Mr. CAO Haiyang ¹⁰	–	–	–	–	–
Ms. ZHANG Caixia ¹¹	–	87	57	35	179
Mr. SHI Meng ¹²	–	98	79	42	219
	–	185	136	77	398
	–	692	724	203	1,619

Notes:

- (1) Mr. GENG Pengpeng resigned as the legal representative of the Company in November 2020;
- (2) Mr. ZHAO Haijiang appointed as a Director of the Company in August 2021, resigned as a Director of the Company in September 2021.
- (3) Mr. ZHANG Qingfu resigned as a supervisor of the Company in October 2021.
- (4) Mr. WANG Jianjun appointed as a Director of the Company in August 2021, resigned as a Director of the Company in September 2021.
- (5) Mr. NIU Xiaoping appointed as a Director of the Company in August 2021, resigned as a Director of the Company in September 2021.
- (6) Mr. LI Huanwen resigned as a supervisor of the Company in October 2021.
- (7) Mr. SHI Linxiong resigned as a supervisor of the Company in October 2021.
- (8) Mr. YAO Mingming resigned as a Director of the Company in April 2020.

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- (9) Mr. LI Junhong resigned as a Director of the Company in April 2020.
- (10) Mr. CAO Haiyang appointed as a supervisor of the Company in October 2021.
- (11) Ms. ZHANG Caixia appointed as a supervisor of the Company in October 2021.
- (12) Mr. SHI Meng appointed as a supervisor of the Company in October 2021.
- (13) Mr. ZHANG Hongjie, Mr. YANG Xiaoqing, Mr. XU Guanshi and Mr. FENG Cheng appointed as an outside Directors of the Company in October 2021.
- (14) Mr. YANG Xiaoqing resigned as a Director of the Company in March 2022.
- (15) Mr. MU Jianwei appointed as a Director of the Company in March 2022.

During the Track Record Period, Mr. ZHANG Hongjie, Mr. YANG Xiaoqing, Mr. XU Guanshi, Mr. FENG Cheng and Mr. MU Jianwei were appointed by Shanxi CIG, where they shall perform their duties. The remuneration of such Directors was paid by Shanxi CIG. In March 2022, Mr. CAO Haiyang was also appointed by Shanxi CIG, where he shall perform his duties. His remuneration was paid by Shanxi CIG since March 2022.

All of those resigned Directors and supervisors have left the Group either due to their respective other work arrangements or due to retirement and none of them has any disagreement with the Board.

10. FIVE HIGHEST PAID EMPLOYEES

During the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the five highest paid employees included 2, 3, 3, 2 and 2 directors, respectively, details of whose emoluments are set out in Note 9. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the highest paid employees who are not the directors or supervisors of the Company were 3, 2, 2, 3 and 3 respectively. The five highest paid employees of the Company are as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salary, allowances and other benefits	666	395	543	419	500
Performance related bonuses	1,292	720	1,844	904	751
Pension scheme contributions	164	140	162	113	125
	<u>2,122</u>	<u>1,255</u>	<u>2,549</u>	<u>1,436</u>	<u>1,376</u>

The number of the highest paid employees who are not the Board members or members of the Board of Supervisors whose remuneration fell within the following bands:

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
HK\$nil-HK\$1,000,000	3	2	–	3	3
HK\$1,000,001-HK\$1,500,000	–	–	1	–	–
HK\$1,500,001-HK\$2,000,000	–	–	1	–	–
	<u>–</u>	<u>–</u>	<u>1</u>	<u>–</u>	<u>–</u>

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11. INCOME TAX EXPENSE

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the Track Record Period.

Income tax provision for PRC enterprises is provided on the statutory rate of 25% on the taxable profits of the subsidiaries of the Group as determined in accordance with the Enterprise Income Tax Law of the PRC (“EIT”).

Income Tax Preference and Approvals

- (I) The Company has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in November 2018, which are eligible to pay EIT at a preferential rate of 15% from November 21, 2018 to December 7, 2024.
- (II) Shan’an Bluesky, a subsidiary of the Company, has complied with the requirements under *Notice of the MOF and the SAT regarding the Policies of Value-added Tax, Business Tax and Enterprise Income Tax on Promoting the Development of Energy-saving Service Industry* (《財政部國家稅務總局關於促進節能服務產業發展增值稅營業稅和企業所得稅政策問題的通知》) (Cai Shui [2010] No. 110), which stipulated that qualified energy-saving service enterprises, from the tax year in which the first production and operation income is obtained, those qualified enterprises are exempted from EIT from the first year to the third year of profitability, and from the fourth year to the sixth year, halved. As the contract energy management project of Phase I and Phase II units of heat supply engineering by Shanxi Xingneng Power Generation Co., Ltd.* (山西興能發電有限責任公司), satisfy the relevant conditions, it enjoy such preferential tax treatment with a valid period from January 1, 2016 to December 31, 2021. Shan’an Bluesky has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.
- (III) Gaoping Xinshi Yangtian Solar Power Company Limited (高平市鑫時陽田光伏發電有限公司), a subsidiary of the Company, has complied with the requirements under *Notice of the MOF and the SAT regarding the Implementation of the Catalogue of Preferential Enterprise Income Taxes for Public Infrastructure Projects* (《財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》) (Cai Shui [2008] No. 46), which stipulated that enterprises that engaged in public infrastructure projects approved on January 1, 2008 and satisfied the relevant conditions and technical standards and the relevant national investment management regulations in the catalogue, from the tax year in which the first production and operation income is obtained, the proceeds from investment in those qualified enterprises are exempted from EIT from the first year to the third year of profitability, and from the fourth year to the sixth year, halved. As the Company’s photovoltaic power generation projects fall under the preferential matters that “the proceeds from the investment and operation of key public infrastructure projects supported by the state shall be reduced or exempted from EIT on a regular basis” and has initiated the relevant filings, it enjoys such preferential tax treatment valid from January 1, 2017 to December 31, 2022. Gaoping Xinshi Yangtian Solar Power Company Limited has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.
- (IV) Shanxi Shan’an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限有限公司), Shanxi Shan’an Lide Environmental Technology Company Limited (山西山安立德環保科技有限有限公司) and Shanxi Shan’an Maode Distributed Energy Technology Company Limited (山西山安茂德分布式能源科技有限有限公司), subsidiaries of the Company, have obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in September 2019 and November 2019, respectively, which are eligible to pay EIT at a preferential rate of 15% for a term of three years from September 16, 2019 to September 15, 2022 and from November 25, 2019 to November 24, 2022, respectively. In 2022, the Shanxi Shan’an Biquan Haimian City Technology Company Limited, and Shanxi Shan’an Maode Distributed Energy

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Technology Company Limited have further obtained the Certificates of High and New-Technology Enterprise, which are eligible to pay EIT at a preferential rate of 15% for a term of three years from December 12, 2022 to December 11, 2025. From November 25, 2022, Shanxi Shan’an Lide Environmental Technology Company Limited is not entitle to this preferential tax treatment.

- (V) The Group’s operations in the PRC enjoys an additional research and development allowance tax treatment in accordance to EIT.

An additional 50% deduction of the research and development expense incurred from the research and development of new technologies, new products, and new techniques on the basis of the actual expenditure where no intangible asset has been capitalized from the research and development. If intangible assets have been capitalized, an additional 150% deduction was allowed on the amortization of the intangible assets.

According to the announcement and notice issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the State Taxation Administration of the PRC (中華人民共和國國家稅務總局), additional deduction ratio of research and development expenses was increase from 50% to 75% and additional deduction ratio of amortization of the intangible assets was increase from 150% to 175% during the period from January 1, 2018 to December 31, 2023.

According to the announcement issued by the Ministry of Finance of the PRC, the State Taxation Administration of the PRC, and the Ministry of Science and Technology, additional deduction of research and development expenses was increased on the current deduction ratio from 75% to 100% and additional deduction ratio of amortization of the intangible assets was increased on the current deduction ratio from 175% to 200% since October 1, 2022.

Land appreciation tax

According to the requirements of the Provisional Regulations of the PRC on LAT (“Provisional Regulations”) effective from January 1, 1994, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on LAT effective from January 27, 1995, all income from the sale, transfer or lease of state-owned land, buildings and their attached facilities is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and recognized tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. During the Track Record Period, the Group’s residential properties’ appreciation values do not exceed 20% of the sum of the total deductible items and hence no LAT provided. The actual LAT are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

Total income tax expenses are as follow:

	Year ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Current income tax	54,288	39,257	52,568	27,369	19,916
Over provision in prior years	(821)	—	—	—	—
	53,467	39,257	52,568	27,369	19,916
Deferred tax	18,481	(15,136)	(40,222)	(976)	(9,224)
Income tax expense	71,948	24,121	12,346	26,393	10,692

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A reconciliation of the income tax expense applicable to profit before tax using the income tax rate applicable in Mainland China to the income tax expense at the Group’s effective income tax rate during the Track Record Period is as follows:

	Year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Profit before tax	354,181	212,155	212,782	162,550	120,924
Income tax charge at the statutory income tax rate	78,354	49,417	34,758	33,693	17,927
Over provision in prior years	(821)	–	–	–	–
Tax effect of non-taxable income	(49)	(4,247)	–	–	–
Tax effect of share of loss/(profit) of associates	372	863	(828)	(914)	(346)
Tax effect of non-deductible expense*	24,069	42,284	42,134	7,330	7,235
Tax effect of temporary differences not recognized	–	(59)	–	–	–
Tax affect at utilization of temporary differences previously not recognized	–	–	–	9,229	–
Tax effect at utilization of tax losses previously not recognized	–	(105)	–	–	–
Tax effect of tax losses not recognized	28,324	13,378	19,538	6,555	11,974
Tax effect of PRC tax concession	(8,445)	(10,644)	–	–	(13)
Tax effect of additional research and development expenditure	(49,856)	(66,766)	(83,256)	(29,500)	(26,085)
Income tax expense	71,948	24,121	12,346	26,393	10,692

* Mainly includes ECL allowance for financial assets and contract assets, the expenditures that were not incurred in chargeable income, including fines and other penalties as well as other miscellaneous expenses that not eligible for tax deductible purpose during the Track Record Period.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2022 and 2023, the profit for the year/period attributable to equity holders of the parent company amounted to RMB216,356,000, RMB124,830,000, RMB150,882,000, RMB107,693,000 and RMB84,465,000, respectively.

13. DIVIDENDS

Dividends during the Track Record Period are recorded as follows:

	For the year ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Dividends declared to equity holders of the Company	99,671	113,469	28,767	28,767	71,678

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14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the Company, and the deemed weighted average number of ordinary shares in issue during the Track Record Period.

The basic earnings per share during the Track Record Period is calculated based on the profit attributable to the equity holders of the Company and on the assumption that the conversion of the Company from a limited liability company to a joint stock company with limited liability had been taken place since 1 January 2020 (the earliest date presented in the Historical Financial Information).

Diluted earnings per share is the same as the basic earnings per share amounts presented for the Track Record Period as the Group had no potentially dilutive ordinary shares in issue during the Track Record Period.

The following table illustrates the earnings and share information used in the calculation of basic earnings per share:

	For the year ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Earnings:					
Profit attributable to equity holders of ordinary shares of the parent company for the purpose of calculating basic earnings per share	216,356	124,830	150,882	107,693	84,465

	For the year ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	<i>’000</i>	<i>’000</i>	<i>’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Number of shares:					
Weighted average number of ordinary shares issued during the year/period for the purpose of calculating basic earnings per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Earnings per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structure <i>RMB'000</i>	Construction machinery <i>RMB'000</i>	Transportation and production equipment <i>RMB'000</i>	Office equipment and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2020						
Cost	241,376	37,247	519,553	26,460	515,394	1,340,030
Accumulated depreciation	(35,598)	(15,502)	(206,530)	(14,445)	–	(272,075)
Net book amount	<u>205,778</u>	<u>21,745</u>	<u>313,023</u>	<u>12,015</u>	<u>515,394</u>	<u>1,067,955</u>
For the year ended December 31, 2020						
Net book amount at the beginning of the year	205,778	21,745	313,023	12,015	515,394	1,067,955
Additions	5,960	13,319	1,488	11,921	130,118	162,806
Disposals	(17,790)	(724)	(14)	(96)	–	(18,624)
Disposal of a subsidiary (<i>Note 42.1</i>)	–	–	–	–	(397,989)	(397,989)
Transfers	47,130	351	160,043	7,447	(214,971)	–
Depreciation	(9,975)	(5,677)	(46,854)	(3,184)	–	(65,690)
	<u>231,103</u>	<u>29,014</u>	<u>427,686</u>	<u>28,103</u>	<u>32,552</u>	<u>748,458</u>
As at December 31, 2020 and January 1, 2021						
Cost	276,676	50,193	681,070	45,732	32,552	1,086,223
Accumulated depreciation	(45,573)	(21,179)	(253,384)	(17,629)	–	(337,765)
Net book amount	<u>231,103</u>	<u>29,014</u>	<u>427,686</u>	<u>28,103</u>	<u>32,552</u>	<u>748,458</u>
For the year ended December 31, 2021						
Net book amount at the beginning of the year	231,103	29,014	427,686	28,103	32,552	748,458
Additions	50,832	10,839	26,704	10,807	103,946	203,128
Disposals	(1,201)	(1,370)	(1,699)	(421)	–	(4,691)
Disposal of subsidiaries (<i>Note 42</i>)	–	(20,342)	(10,426)	(384)	–	(31,152)
Transferred to investment properties	(135)	–	–	–	–	(135)
Transfers	50,872	1,023	2,816	216	(54,927)	–
Depreciation	(24,412)	(6,955)	(53,018)	(8,123)	–	(92,508)
Net book amount at the end of the year	<u>307,059</u>	<u>12,209</u>	<u>392,063</u>	<u>30,198</u>	<u>81,571</u>	<u>823,100</u>
As at December 31, 2021 and January 1, 2022						
Cost	377,044	40,343	698,465	55,950	81,571	1,253,373
Accumulated depreciation	(69,985)	(28,134)	(306,402)	(25,752)	–	(430,273)
Net book amount	<u>307,059</u>	<u>12,209</u>	<u>392,063</u>	<u>30,198</u>	<u>81,571</u>	<u>823,100</u>

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	Buildings and structure	Construction machinery	Transportation and production equipment	Office equipment and others	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For year ended December 31, 2022						
Net book amount at the beginning						
of the year	307,059	12,209	392,063	30,198	81,571	823,100
Additions	17,144	2,673	4,206	6,529	216,563	247,115
Disposals	(6,783)	–	(2,415)	(1,387)	–	(10,585)
Transfer	–	–	3,852	89	(3,941)	–
Depreciation	(24,098)	(1,657)	(53,121)	(8,405)	–	(87,281)
Net book amount at the end of the year	<u>293,322</u>	<u>13,225</u>	<u>344,585</u>	<u>27,024</u>	<u>294,193</u>	<u>972,349</u>
As at December 31, 2022 and January 1, 2023						
Cost	387,405	43,016	704,108	61,181	294,193	1,489,903
Accumulated depreciation	(94,083)	(29,791)	(359,523)	(34,157)	–	(517,554)
Net book amount	<u>293,322</u>	<u>13,225</u>	<u>344,585</u>	<u>27,024</u>	<u>294,193</u>	<u>972,349</u>
For six months ended June 30, 2023						
Net book amount at the beginning						
of the period	293,322	13,225	344,585	27,024	294,193	972,349
Additions	725	33	1,821	2,169	134,210	138,958
Disposals	–	(25)	(310)	(182)	–	(517)
Transfer	149,906	–	310	17	(150,233)	–
Depreciation	(10,770)	(1,092)	(26,586)	(3,758)	–	(42,206)
Net book amount at the end of the period	<u>433,183</u>	<u>12,141</u>	<u>319,820</u>	<u>25,270</u>	<u>278,170</u>	<u>1,068,584</u>
As at June 30, 2023						
Cost	538,036	43,024	705,929	63,185	278,170	1,628,344
Accumulated depreciation	(104,853)	(30,883)	(386,109)	(37,915)	–	(559,760)
Net book amount	<u>433,183</u>	<u>12,141</u>	<u>319,820</u>	<u>25,270</u>	<u>278,170</u>	<u>1,068,584</u>

The Company

	Buildings and structure	Construction machinery	Transportation and production equipment	Office equipment and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2020					
Cost	208,566	13,126	23,451	24,127	269,270
Accumulated depreciation	(33,146)	(8,900)	(11,306)	(13,823)	(67,175)
Net book amount	<u>175,420</u>	<u>4,226</u>	<u>12,145</u>	<u>10,304</u>	<u>202,095</u>

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	Buildings and structure <i>RMB’000</i>	Construction machinery <i>RMB’000</i>	Transportation and production equipment <i>RMB’000</i>	Office equipment and others <i>RMB’000</i>	Total <i>RMB’000</i>
For the year ended					
December 31, 2020					
Net book amount at the beginning					
of the year	175,420	4,226	12,145	10,304	202,095
Additions	5,370	7,705	1,292	–	14,367
Disposals	(15,761)	(421)	(15)	(95)	(16,292)
Depreciation	(7,652)	(1,340)	(2,434)	(1,427)	(12,853)
	<u>175,420</u>	<u>4,226</u>	<u>12,145</u>	<u>10,304</u>	<u>202,095</u>
Net book amount at the end					
of the year	<u>157,377</u>	<u>10,170</u>	<u>10,988</u>	<u>8,782</u>	<u>187,317</u>
As at December 31, 2020 and					
January 1, 2021					
Cost	198,175	20,410	24,728	24,032	267,345
Accumulated depreciation	(40,798)	(10,240)	(13,740)	(15,250)	(80,028)
	<u>198,175</u>	<u>20,410</u>	<u>24,728</u>	<u>24,032</u>	<u>267,345</u>
Net book amount	<u>157,377</u>	<u>10,170</u>	<u>10,988</u>	<u>8,782</u>	<u>187,317</u>
For the year ended					
December 31, 2021					
Net book amount at the beginning					
of the year	157,377	10,170	10,988	8,782	187,317
Additions	50,832	2,482	4,953	2,257	60,524
Disposals	(1,201)	(469)	(1,554)	(156)	(3,380)
Transfer into investment properties	(135)	–	–	–	(135)
Depreciation	(19,633)	(2,693)	(2,570)	(3,854)	(28,750)
	<u>157,377</u>	<u>10,170</u>	<u>10,988</u>	<u>8,782</u>	<u>187,317</u>
Net book amount at the end					
of the year	<u>187,240</u>	<u>9,490</u>	<u>11,817</u>	<u>7,029</u>	<u>215,576</u>
As at December 31, 2021 and					
January 1, 2022					
Cost	247,671	22,423	28,127	26,133	324,354
Accumulated depreciation	(60,431)	(12,933)	(16,310)	(19,104)	(108,778)
	<u>247,671</u>	<u>22,423</u>	<u>28,127</u>	<u>26,133</u>	<u>324,354</u>
Net book amount	<u>187,240</u>	<u>9,490</u>	<u>11,817</u>	<u>7,029</u>	<u>215,576</u>
For year ended December 31, 2022					
Net book amount at the beginning of					
the year	187,240	9,490	11,817	7,029	215,576
Additions	17,144	2,673	2,203	5,207	27,227
Disposals	(6,783)	–	(2,152)	–	(8,935)
Depreciation	(18,580)	(1,341)	(2,204)	(2,836)	(24,961)
	<u>187,240</u>	<u>9,490</u>	<u>11,817</u>	<u>7,029</u>	<u>215,576</u>
Net book amount at the end					
of the year	<u>179,021</u>	<u>10,822</u>	<u>9,664</u>	<u>9,400</u>	<u>208,907</u>

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	Buildings and structure <i>RMB’000</i>	Construction machinery <i>RMB’000</i>	Transportation and production equipment <i>RMB’000</i>	Office equipment and others <i>RMB’000</i>	Total <i>RMB’000</i>
As at December 31, 2022 and January 1, 2023					
Cost	258,032	25,096	28,178	31,340	342,646
Accumulated depreciation	(79,011)	(14,274)	(18,514)	(21,940)	(133,739)
Net book amount	<u>179,021</u>	<u>10,822</u>	<u>9,664</u>	<u>9,400</u>	<u>208,907</u>
For six months ended June 30, 2023					
Net book amount at the beginning of the period	179,021	10,822	9,664	9,400	208,907
Additions	725	33	579	1,882	3,219
Disposals	–	(25)	(310)	(182)	(517)
Depreciation	(8,171)	(1,010)	(845)	(1,425)	(11,451)
Net book amount at the end of the period	<u>171,575</u>	<u>9,820</u>	<u>9,088</u>	<u>9,675</u>	<u>200,158</u>
As at June 30, 2023					
Cost	258,757	25,104	28,447	33,040	345,348
Accumulated depreciation	(87,182)	(15,284)	(19,359)	(23,365)	(145,190)
Net book amount	<u>171,575</u>	<u>9,820</u>	<u>9,088</u>	<u>9,675</u>	<u>200,158</u>

As of December 31, 2020, 2021, 2022 and June 30, 2023, the Group have not pledged property, plant and equipment to secure bank borrowings and other borrowings granted to the Group.

16. INVESTMENT PROPERTIES

The Group and the Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at the beginning of the year/period	176,449	182,748	183,679	186,120
Transfer from property, plant and equipment	–	135	–	–
Fair value gain for the year/period, net	<u>6,299</u>	<u>796</u>	<u>2,441</u>	<u>110</u>
Carrying amount at the end of the year/period	<u>182,748</u>	<u>183,679</u>	<u>186,120</u>	<u>186,230</u>

The Group’s investment properties consist of commercial properties located in Taiyuan, Datong and Jinzhong, Shanxi Province in mainland China. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the fair values of the investment properties of the Group were assessed by an independent professional qualified valuer.

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Investment properties are leased in the manner specified in the operating leases, details of which are summarized in note 47 to the Historical Financial Information.

Fair value hierarchy

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the fair value of all of the Group’s investment properties were categorized as level 3 fair value hierarchy, details of the changes are stated above.

The Board are of the view that all fair value measurement are based on the investment properties’ highest and best use.

The following table sets out the fair value of the Group’s investment properties:

	Fair value measurement using significant unobservable inputs (level 3)			As at
	As at December 31,			June 30,
	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000
Recurring fair value measurement:				
Office properties	182,748	182,785	185,218	185,330
Residential properties	–	894	902	900
	<u>182,748</u>	<u>183,679</u>	<u>186,120</u>	<u>186,230</u>

During the Track Record Period, there have been no transfers into or out of Level 3.

The following is a summary of the valuation techniques used and the key inputs to the fair value measurement of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average				Relationship between unobservable inputs and fair value
			As at December 31,			As at	
			2020	2021	2022	June 30,	
			RMB’000	RMB’000	RMB’000	RMB’000	
			/ m ²	/ m ²	/ m ²	/ m ²	
Office properties – Taiyuan	Market comparison approach	Price adjustment	10	10	10	10	The higher the price adjustment, the higher the fair value.
Office properties – Datong	Market comparison approach	Price adjustment	7	9	9	9	The higher the price adjustment, the higher the fair value.
Residential properties – Jinzhong	Market comparison approach	Price adjustment	–	9	9	9	The higher the price adjustment, the higher the fair value.

The market comparison approach making reference to recent selling prices of comparable properties per square meter with price adjustment, the adjustment are made by comparing the quality, location, views, floors and remaining useful lives of the properties of comparable properties and subject properties. There were no changes in valuation techniques during the Track Record Period.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the Group has not pledged investment properties to secure bank borrowings and other borrowings.

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17. RIGHT-OF-USE ASSETS

The Group

An analysis of the net book amount of right-of-use assets by relevant asset class is as follows:

	Land use right <i>RMB'000</i>	Leased properties and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2020			
Cost	21,659	69,887	91,546
Accumulated depreciation	(2,058)	(2,782)	(4,840)
Net book amount	<u>19,601</u>	<u>67,105</u>	<u>86,706</u>
For the year ended December 31, 2020			
Net book amount at the beginning of the year	19,601	67,105	86,706
Additions	28,838	9,371	38,209
Depreciation	(592)	(4,666)	(5,258)
Net book amount at the end of the year	<u>47,847</u>	<u>71,810</u>	<u>119,657</u>
As at December 31, 2020 and January 1, 2021			
Cost	50,497	79,258	129,755
Accumulated depreciation	(2,650)	(7,448)	(10,098)
Net book amount	<u>47,847</u>	<u>71,810</u>	<u>119,657</u>
For the year ended December 31, 2021			
Net book amount at the beginning of the year	47,847	71,810	119,657
Additions	60,027	2,354	62,381
Disposals	–	(579)	(579)
Disposal of a subsidiary (<i>Note 42.3</i>)	–	(820)	(820)
Depreciation	(2,507)	(4,358)	(6,865)
Net book amount at the end of the year	<u>105,367</u>	<u>68,407</u>	<u>173,774</u>
As at December 31, 2021 and January 1, 2022			
Cost	110,524	80,213	190,737
Accumulated depreciation	(5,157)	(11,806)	(16,963)
Net book amount	<u>105,367</u>	<u>68,407</u>	<u>173,774</u>

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	Land use right <i>RMB’000</i>	Leased properties and equipment <i>RMB’000</i>	Total <i>RMB’000</i>
For year ended December 31, 2022			
Net book amount at the beginning of the year	105,367	68,407	173,774
Additions	2,460	3,733	6,193
Depreciation	(2,423)	(6,882)	(9,305)
	<u>105,404</u>	<u>65,258</u>	<u>170,662</u>
Net book amount at the end of the year	<u>105,404</u>	<u>65,258</u>	<u>170,662</u>
As at December 31, 2022 and January 1, 2023			
Cost	112,984	83,946	196,930
Accumulated depreciation	(7,580)	(18,688)	(26,268)
	<u>105,404</u>	<u>65,258</u>	<u>170,662</u>
Net book amount	<u>105,404</u>	<u>65,258</u>	<u>170,662</u>
For six months ended June 30, 2023			
Net book amount at the beginning of the period	105,404	65,258	170,662
Addition	17,474	5,433	22,907
Depreciation	(1,400)	(5,806)	(7,206)
	<u>121,478</u>	<u>64,885</u>	<u>186,363</u>
Net book amount at the end of the period	<u>121,478</u>	<u>64,885</u>	<u>186,363</u>
As at June 30, 2023			
Cost	130,458	89,379	219,837
Accumulated depreciation	(8,980)	(24,494)	(33,474)
	<u>121,478</u>	<u>64,885</u>	<u>186,363</u>
Net book amount	<u>121,478</u>	<u>64,885</u>	<u>186,363</u>

During the Track Record Period, the Group has entered into three, five, two and eight lease agreements for the purpose of, inter alia, an existing centralized heating facilities for a lease term of 20 years, 12 pieces of land for lease terms of 25-50 years and 17 office buildings for lease teams of 1-5 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants. Details of the carrying amount of right-of-use assets are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Land use right	47,847	105,367	105,404	121,478
Office buildings	14,544	13,217	12,144	12,808
Centralized heating facilities	57,266	55,190	53,114	52,077
	<u>119,657</u>	<u>173,774</u>	<u>170,662</u>	<u>186,363</u>

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The Company

An analysis of the net book amount of right-of-use assets by relevant asset class is as follows:

	Land use right <i>RMB’000</i>	Leased properties and equipment <i>RMB’000</i>	Total <i>RMB’000</i>
As at January 1, 2020			
Cost	8,589	510	9,099
Accumulated depreciation	(1,451)	(340)	(1,791)
Net book amount	<u>7,138</u>	<u>170</u>	<u>7,308</u>
For the year ended December 31, 2020			
Net book amount at the beginning of the year	7,138	170	7,308
Additions	–	7,682	7,682
Depreciation	(172)	(1,153)	(1,325)
Net book amount at the end of the year	<u>6,966</u>	<u>6,699</u>	<u>13,665</u>
As at December 31, 2020 and January 1, 2021			
Cost	8,589	8,192	16,781
Accumulated depreciation	(1,623)	(1,493)	(3,116)
Net book amount	<u>6,966</u>	<u>6,699</u>	<u>13,665</u>
For the year ended December 31, 2021			
Net book amount at the beginning of the year	6,966	6,699	13,665
Additions	60,027	2,353	62,380
Depreciation	(1,522)	(1,997)	(3,519)
Net book amount at the end of the year	<u>65,471</u>	<u>7,055</u>	<u>72,526</u>
As at December 31, 2021 and January 1, 2022			
Cost	68,616	10,545	79,161
Accumulated depreciation	(3,145)	(3,490)	(6,635)
Net book amount	<u>65,471</u>	<u>7,055</u>	<u>72,526</u>
For year ended December 31, 2022			
Net Book amount at the beginning of the year	65,471	7,055	72,526
Addition	2,460	1,373	3,833
Depreciation	(1,523)	(3,565)	(5,088)
Net book amount at the end of the year	<u>66,408</u>	<u>4,863</u>	<u>71,271</u>

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	Land use right <i>RMB'000</i>	Leased properties and equipment <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2022 and January 1, 2023			
Cost	71,076	11,918	82,994
Accumulated depreciation	(4,668)	(7,055)	(11,723)
Net book amount	<u>66,408</u>	<u>4,863</u>	<u>71,271</u>
For six months ended June 30, 2023			
Net Book amount at the beginning of the period	66,408	4,863	71,271
Addition	–	2,933	2,933
Depreciation	(802)	(3,909)	(4,711)
Net book amount at the end of the period	<u>65,606</u>	<u>3,887</u>	<u>69,493</u>
As at June 30, 2023			
Cost	71,076	14,851	85,927
Accumulated depreciation	(5,470)	(10,964)	(16,434)
Net book amount	<u>65,606</u>	<u>3,887</u>	<u>69,493</u>

During the Track Record Period, the Company has entered into two, five, one and three lease agreements for the purpose of 7 pieces of land for lease terms of 40-50 years and 12 office buildings for lease terms of 1-5 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants. Details of the carrying amount of right-of-use assets are as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land use right	6,966	65,471	66,408	65,606
Production facilities	6,699	7,055	4,863	3,887
	<u>13,665</u>	<u>72,526</u>	<u>71,271</u>	<u>69,493</u>

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18. INTANGIBLE ASSETS

The Group

	Patent rights <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
Cost			
As at January 1, 2020	126	1,471	1,597
Additions	112	152	264
	<u>112</u>	<u>152</u>	<u>264</u>
As at January 1, 2021	238	1,623	1,861
Additions	169	1,113	1,282
Disposal of a subsidiary (<i>Note 42</i>)	–	(4)	(4)
	<u>–</u>	<u>(4)</u>	<u>(4)</u>
As at December 31, 2021 and January 1, 2022	407	2,732	3,139
Additions	2	509	511
	<u>2</u>	<u>509</u>	<u>511</u>
As at December 31, 2022 and January 1, 2023	409	3,241	3,650
Additions	74	–	74
	<u>74</u>	<u>–</u>	<u>74</u>
As at June 30, 2023	<u>483</u>	<u>3,241</u>	<u>3,724</u>
Accumulated amortization			
As at January 1, 2020	25	831	856
Amortization	17	384	401
	<u>17</u>	<u>384</u>	<u>401</u>
As at December 31, 2020 and January 1, 2021	42	1,215	1,257
Amortization	31	415	446
	<u>31</u>	<u>415</u>	<u>446</u>
As at December 31, 2021 and January 1, 2022	73	1,630	1,703
Amortization	39	689	728
	<u>39</u>	<u>689</u>	<u>728</u>
As at December 31, 2022 and January 1, 2023	112	2,319	2,431
Amortization	21	318	339
	<u>21</u>	<u>318</u>	<u>339</u>
As at June 30, 2023	<u>133</u>	<u>2,637</u>	<u>2,770</u>
Net book amount			
As at December 31, 2020	<u>196</u>	<u>408</u>	<u>604</u>
As at December 31, 2021	<u>334</u>	<u>1,102</u>	<u>1,436</u>
As at December 31, 2022	<u>297</u>	<u>922</u>	<u>1,219</u>
As at June 30, 2023	<u>350</u>	<u>604</u>	<u>954</u>

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The Company

	Patent rights <i>RMB’000</i>	Software <i>RMB’000</i>	Total <i>RMB’000</i>
Cost			
As at January 1, 2020	–	1,463	1,463
Additions	–	20	20
As at December 31, 2020 and January 1, 2021	–	1,483	1,483
Additions	134	1,108	1,242
As at December 31, 2021 and January 1, 2022	134	2,591	2,725
Additions	–	500	500
As at December 31, 2022 and January 1, 2023	134	3,091	3,225
Additions	–	–	–
As at June 30, 2023	<u>134</u>	<u>3,091</u>	<u>3,225</u>
Accumulated amortization			
As at January 1, 2020	–	827	827
Amortization	–	376	376
As at December 31, 2020 and January 1, 2021	–	1,203	1,203
Amortization	6	392	398
As at December 31, 2021 and January 1, 2022	6	1,595	1,601
Amortization	13	619	632
As at December 31, 2022 and January 1, 2023	19	2,214	2,233
Amortization	7	314	321
As at June 30, 2023	<u>26</u>	<u>2,528</u>	<u>2,554</u>
Net book amount			
As at December 31, 2020	<u>–</u>	<u>280</u>	<u>280</u>
As at December 31, 2021	<u>128</u>	<u>996</u>	<u>1,124</u>
As at December 31, 2022	<u>115</u>	<u>877</u>	<u>992</u>
As at June 30, 2023	<u>108</u>	<u>563</u>	<u>671</u>

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19. GOODWILL

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
Goodwill	15,000	15,000	15,000	15,000

On April 3, 2018, the Company acquired 51% equity of Shanxi Ningyang Energy Co., Ltd. from two independent third parties, resulting in goodwill of RMB15,000,000.

The Company conducted impairment assessment of goodwill at the end of each of the Track Record Period by engaging independent professional valuers to value the recoverable amount of the entire shareholders’ equity interest of Shanxi Ningyang, and issued the asset evaluation reports. The value in use calculation is used for valuation of the recoverable amount. The assessment is based on the estimated cash flow forecast in the next 5 years based on the financial budget approved by the management. The terminal growth rate of the cash flow forecast adopted in the following years is 0% for prudence sake. The pre-tax discount rate adopted as at December 31, 2020, 2021 and 2022 and June 30, 2023 was 12.77%, 12.36%, 11.23% and 11.23%, respectively. The management prepared the above financial budgets based on past performance and its expectations for market development. The present value of future cash flows reflects the risk relative to the segment concerned.

Based on the results of the impairment assessment of goodwill, the recoverable amounts of CGU of approximately RMB355,718,000, RMB418,944,000, RMB376,330,000 and RMB276,884,000 is greater than its carrying amounts of approximately RMB271,904,000, RMB265,022,000, RMB251,174,000 and RMB244,655,000 as at December, 31 2020, 2021 and 2022 and June 30, 2023 respectively. Based on the results of the impairment testing of goodwill, in the opinion of the management of the Group, no impairment provision is considered necessary for the Group’s goodwill as at December 31, 2020, 2021 and 2022 and June 30, 2023. Management believes that any reasonably possible changes to the key assumptions applied would not lead to impairment of goodwill as at December 31, 2020, 2021 and 2022 and June 30, 2023.

The sensitivity analysis as at December 31, 2020, 2021 and 2022 and June 30, 2023 set forth below has been determined based on the exposure to the pre-tax discount rate and five-year period growth rate, representing the key inputs to the determination of the recoverable amounts.

The management performed the sensitivity analysis assuming the abovementioned key assumptions have been changed. Had the estimated key assumptions been changed as below, the headroom would be increased/(decreased) by:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
Five-year period growth rate increased by 2%	45,099	46,870	56,221	32,176
Five-year period growth rate decreased by 2%	(45,101)	(46,876)	(52,469)	(30,477)
Pre-tax discount rate decreased by 0.5%	11,758	16,311	16,771	11,843
Pre-tax discount rate increased by 0.5%	(10,927)	(15,073)	(15,354)	(10,846)

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20. CONTRACT ASSETS, RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS AND CONTRACT LIABILITIES

The Group

(a) Contract assets and receivables under service concession arrangements

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Contract assets arising from construction contracts				
– Contract assets on PPP projects	1,725,663	901,296	764,296	820,601
– EPC projects	1,468,470	3,521,803	5,090,635	5,433,806
	<u>3,194,133</u>	<u>4,423,099</u>	<u>5,854,931</u>	<u>6,254,407</u>
Retention receivable	130,367	286,169	554,051	500,253
Expected credit losses	(14,069)	(33,496)	(76,482)	(79,954)
	<u>3,310,431</u>	<u>4,675,772</u>	<u>6,332,500</u>	<u>6,674,706</u>
Less: Non-current portion of contract assets (Note)	<u>(1,538,069)</u>	<u>(931,545)</u>	<u>(1,163,796)</u>	<u>(1,146,261)</u>
	<u>1,772,362</u>	<u>3,744,227</u>	<u>5,168,704</u>	<u>5,528,445</u>
Receivables under service concession arrangements	1,053,098	2,430,661	2,769,022	2,875,202
Expected credit losses	(4,457)	(17,290)	(32,663)	(34,032)
	<u>1,048,641</u>	<u>2,413,371</u>	<u>2,736,359</u>	<u>2,841,170</u>
Less: Non-current portion of receivables under service concession arrangements (Note)	<u>(969,838)</u>	<u>(2,104,580)</u>	<u>(2,405,701)</u>	<u>(2,475,562)</u>
	<u>78,803</u>	<u>308,791</u>	<u>330,658</u>	<u>365,608</u>

Note: As of December 31, 2020, 2021 and 2022 and June 30, 2023, the non-current portion of contract assets and receivables under service concession arrangements of the PPP projects was amounted to approximately RMB2,450,852,000, RMB2,901,220,000, RMB2,972,086,000 and RMB3,126,528,000 respectively. Please refer to Note 26 for the details of the Group’s arrangements under the PPP projects.

The Group’s construction contracts include payment schedule that requires progress payments to be made during the construction period once certain milestones are reached. The Group requests customers to pay a deposit as part of its credit risk management policy. The Group also agrees to use 3%-10% of the contract value as a retention for the completed contracts for a retention period of 1-3 years. This amount will be included in the contract assets until the end of the retention period, as the Group’s right to this final payment is subject to customer’s satisfaction with the Group’s work.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the receivables under service concession arrangements of the Group were not past due.

For the year ended December 31, 2021, the significant increase in contract assets was mainly due to an increase in construction engineering services at the end of the year. During the year ended December 31, 2022, the significant increase in contract assets was primarily due to the impact of COVID-19 on the Company’s settlement cycle with the owner.

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(b) Contract liabilities

The Group’s contract liabilities are mainly arising from construction contracts from billings in advance of performance.

Movements in contract liabilities

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
At the beginning of the year/period	1,403,667	1,105,325	1,407,394	2,166,314
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the year/period	(2,137,677)	(2,298,429)	(1,768,519)	(1,740,908)
Increase of receipts in advance from customers	1,839,335	2,600,498	2,527,439	1,285,550
At the end of the year/period	<u>1,105,325</u>	<u>1,407,394</u>	<u>2,166,314</u>	<u>1,710,956</u>

Receiving a deposit before the production activity commences will give rise to contract liabilities at the commencement of a contract until the revenue recognized on the construction project exceeds the amount of the deposit.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the gross amount due to customers for contract work is expected to be settled within one year.

The Company

(a) Contract assets and receivables under service concession arrangements

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Contract assets arising from construction contracts				
– Contract assets on PPP projects	124,965	222,709	42,786	113,870
– EPC projects	1,407,621	3,435,147	4,992,567	5,363,842
	<u>1,532,586</u>	<u>3,657,856</u>	<u>5,035,353</u>	<u>5,477,712</u>
Retention receivable	130,367	286,169	553,440	498,834
Expected credit losses	(7,511)	(29,210)	(66,365)	(69,157)
	<u>1,655,442</u>	<u>3,914,815</u>	<u>5,522,428</u>	<u>5,907,389</u>
Less: Non-current portion of contract assets	(105,550)	(275,913)	(600,474)	(501,766)
	<u>1,549,892</u>	<u>3,638,902</u>	<u>4,921,954</u>	<u>5,405,623</u>
Receivables under service concession arrangements	113,104	76,304	132,806	143,790
Expected credit losses	(511)	(565)	(1,577)	(1,664)
	<u>112,593</u>	<u>75,739</u>	<u>131,229</u>	<u>142,126</u>

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The Company’s construction contracts include payment schedule that requires progress payments to be made during the construction period once certain milestones are reached. The Company requests customers to pay a deposit as part of its credit risk management policy. The Company also agrees to use 3%-10% of the contract value as a retention for the completed contracts for a retention period of 1-3 years. This amount will be included in the contract assets until the end of the retention period, as the Company’s right to this final payment is subject to customer’s satisfaction with the Company’s work.

For the year ended December 31, 2021, the significant increase in contract assets was mainly due to an increase in construction engineering services at the end of the year. During the year ended December 31, 2022, the significant increase in contract assets was primarily due to the adverse impact of COVID-19 on the Company’s settlement cycle with the owner.

b) Contract liabilities

The Company’s contract liabilities mainly arising from construction contracts from billings in advance of performance.

Movements in contract liabilities

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
At the beginning of the year/period	1,497,046	1,198,165	1,478,741	2,055,348
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the year/period	(1,947,687)	(2,087,691)	(1,477,693)	(1,583,847)
Increase of receipts in advance from customers	<u>1,648,806</u>	<u>2,368,267</u>	<u>2,054,300</u>	<u>1,167,186</u>
At the end of the year/period	<u><u>1,198,165</u></u>	<u><u>1,478,741</u></u>	<u><u>2,055,348</u></u>	<u><u>1,638,687</u></u>

Receiving a deposit before the production activity commences will give rise to contract liabilities at the commencement of a contract until the revenue recognized on the construction project exceeds the amount of the deposit.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the gross amount due to customers for contract work is expected to be settled within one year.

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21. INVESTMENT IN ASSOCIATES

Details of associates are as follow:

Names of associates	Particulars of the shares held	Place of registration and place of business	Registered capital	Paid-up capital					Percentage of ownership interest attributable to the Group and the Company				Principal business(es)
				As at December 31,				As at	As at December 31,			As at	
				2020	2021	2022	2023	June 30,	2020	2021	2022	June 30,	
				RMB'000	RMB'000	RMB'000	RMB'000	RMB'000					
Shanxi Jianfa Comprehensive Energy Development Co., Ltd. (山西建發綜合能源開發有限公司)	Ordinary Share	PRC/Mainland China	100,000	2,000	3,340	38,840	38,840	40.12%	40.12%	40.01%	40.01%	Development and utilization of renewable energy	
Changzhi Caihui Shan'an Energy Technology Co., Ltd. (長治市財匯山安能源科技有限公司)	Ordinary Share	PRC/Mainland China	20,000	20,000	20,000	20,000	20,000	40%	40%	40%	40%	Industrial installation engineering technical consultation	
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohu Construction Industry Co., Ltd. (山西轉型綜合改革示範區山安瀾河建築產業有限公司) (formerly known as “Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Green Building Technology Co., Ltd. (山西轉型綜合改革示範區山安綠築科技有限公司)”)	Ordinary Share	PRC/Mainland China	90,000	72,900	90,000	90,000	90,000	20%	20%	20%	20%	Steel structure construction	
Shanxi Construction Investment International Investment Co., Ltd. (山西建投國際投資有限公司)	Ordinary Share	PRC/Mainland China	100,000	-	3,000	97,000	97,000	30%	30%	30%	30%	Foreign investment and foreign project contracting	
Yu'an Hengchuang (譽安恒創)	Ordinary Share	PRC/Mainland China	11,000	-	11,000	11,000	11,000	-	20%	20%	20%	Leasing, maintenance of construction equipment and general machinery and equipment and construction labor subcontracting	
Jincheng Danhe Huada Real Estate Development Co., Ltd. (晉城丹河華達房地產開發有限公司) ⁽¹⁾	Ordinary Share	PRC/Mainland China	10,000	10,000	-	-	-	50%	-	-	-	Property development and sales	
Jincheng Danhe Huasheng Real Estate Development Co., Ltd. (晉城丹河華盛房地產開發有限公司) ⁽¹⁾	Ordinary Share	PRC/Mainland China	10,000	10,000	-	-	-	50%	-	-	-	Property development and sales	

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Names of associates	Particulars of the shares held	Place of registration and place of business	Registered capital	Paid-up capital					Percentage of ownership interest attributable to the Group and the Company			Principal business(es)	
									As at				
									As at December 31,				As at
									2020	2021	2022		2023
					RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	2020	2021	2022	2023
Shanxi Jiantou Cloud Data Technology Co., Ltd. (山西建投雲數智科技有限公司)	Ordinary Share	PRC/Mainland China	20,000	-	20,000	20,000	20,000	-	20%	20%	20%	Software and information technology services	
Shanxi Jiantou Linfen Construction Industry Co., Ltd. (山西建投臨汾建築產業有限公司)	Ordinary Share	PRC/Mainland China	300,000	-	90,000	90,000	90,000	-	10%	10%	10%	Sales of non-metallic mineral products	
Jinjian Shan'an (山西晉建山安股權投資合夥企業(有限合夥))(2)	Ordinary Share	PRC/Mainland China	200,000	-	-	120,000	120,000	-	-	74%	74%	Private equity investment fund management and venture capital fund management services	
Taiyuan Xie'an Property Service Co., Ltd. (太原諧安物業服務有限公司)	Ordinary Share	PRC/Mainland China	3,000	-	-	3,000	3,000	-	-	49%	49%	Catering service and property management	
Changzi Jinjian (長子晉建防洪排澇項目管理有限公司)(3)	Ordinary Share	PRC/Mainland China	104,845	-	-	-	25,163	-	-	-	26.4%	Construction project management on flood control and drainage	

- (1) During the year ended December 31, 2021, the Group disposed of its equity interests in Jincheng Danhe Huada Real Estate Development Co., Ltd. and Jincheng Danhe Huasheng Real Estate Development Co., Ltd. with an aggregate carrying amount of RMB6,892,000 for an aggregate cash consideration of RMB12,398,000 to the related party, who is controlled by the Shanxi CIG, and the resulted gain on disposal of investments in associates of RMB5,506,000 has been recognized in profit or loss.
- (2) During the year ended December 31, 2022, the Group established Jinjian Shan'an with the independent third parties. The Group injected RMB89,000,000 in Jinjian Shan'an to obtain 74% of the equity interest of Jinjian Shan'an and the directors considered the Group only possesses significant influence cover Jinjian Shan'an, details of which are set out in Note 4.
- (3) During the six months ended June 30, 2023, the Group established Changzi Jinjian with other three investors, of which the two investors are controlled by Shanxi CIG and one investor is the Independent third party. The Group injected RMB8,304,000 in Changzi Jinjian to obtain 26.4% of the equity interest of Changzi Jinjian and the directors considered the Group possesses significant influence cover Changzi Jinjian, details of which are set out in Note 4.

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	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Share of net assets at the beginning of the year/period	35,088	32,609	46,137	183,327
Additions	–	17,340	131,669	8,304
Transfer upon disposal of a subsidiary with loss of control (Note 42.3)	–	8,836	–	–
Total comprehensive (loss)/income for the year/period	(2,479)	(5,756)	5,521	2,310
Disposal	–	(6,892)	–	–
Share of net assets at the end of the year/period	<u>32,609</u>	<u>46,137</u>	<u>183,327</u>	<u>193,941</u>

Set out below are the summarised financial information of each of the material associates which are accounted for using the equity method:

	Jinjian Shan'an	
	As at December 31, 2022	As at June 30, 2023
	RMB'000	RMB'000
Current assets	120,065	120,064
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Net assets	<u>120,065</u>	<u>120,064</u>
Revenue	422	–
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>65</u>	<u>(1)</u>
Dividends received from associates	<u>–</u>	<u>–</u>

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	Shanxi Transformation Comprehensive Reform Demonstration Zone Shan’an Xiaohe Construction Industry Co., Ltd.			As at
	As at December 31,			June 30,
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets	11,837	11,375	13,445	9,146
Non-current assets	63,766	83,861	123,481	179,909
Current liabilities	(6,180)	(7,301)	(21,121)	(76,493)
Non-current liabilities	–	(19,181)	(34,338)	(32,142)
Net assets	<u>69,423</u>	<u>68,754</u>	<u>81,467</u>	<u>80,420</u>
Revenue	–	–	147	–
(Loss)/profit and total comprehensive (loss)/income for the year/period	<u>(1,917)</u>	<u>(17,769)</u>	<u>12,713</u>	<u>(1,047)</u>
Dividends received from associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

	Shanxi Construction Investment International Investment Co., Ltd.		
	As at December 31,		As at June 30,
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets	2,014	10,855	11,459
Non-current assets	363	85,748	85,675
Current liabilities	(99)	(283)	(2,840)
Non-current liabilities	–	–	–
Net assets	<u>2,278</u>	<u>96,320</u>	<u>94,294</u>
Revenue	–	3,600	1,100
(Loss)/profit and total comprehensive (loss)/income for the year/period	<u>(722)</u>	<u>41</u>	<u>(2,026)</u>
Dividends received from associates	<u>–</u>	<u>–</u>	<u>–</u>

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Shanxi Jianfa Comprehensive Energy Development Co., Ltd.				As at
	As at December 31,			June 30,
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Current assets	2,121	1,227	78,121	42,744
Non-current assets	–	3,233	123,209	146,456
Current liabilities	(77)	(1,076)	(58,436)	(50,497)
Non-current liabilities	–	–	(104,000)	(95,956)
Net assets	<u>2,044</u>	<u>3,384</u>	<u>38,894</u>	<u>42,747</u>
Revenue	556	–	4,675	16,933
Profit and total comprehensive income for the year/period	<u>44</u>	<u>–</u>	<u>10</u>	<u>3,853</u>
Dividends received from associates	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The following table illustrates the aggregated financial information of associates that are not individually material:

	For the year ended December 31,			As at
	2020	2021	2022	June 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share of (loss)/profit	(2,006)	(1,498)	2,913	1,603
Share of total comprehensive (loss)/income	<u>(2,006)</u>	<u>(1,498)</u>	<u>2,913</u>	<u>1,603</u>

22. INVESTMENT IN SUBSIDIARIES

	As at December 31,			As at
	2020	2021	2022	June 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Shanxi Shan’an Bluesky Energy Conservation Technology Co., Ltd. (山西山安藍天節能科技股份有限公司)	56,000	56,000	66,000	66,000
Shanxi Shan’an Maode Distributed Energy Technology Company Limited (山西山安茂德分布式能源科技有限公司)	224,000	224,000	224,000	224,000
Shanxi Shan’an Maode Electricity Supply Company Limited (山西山安茂德售電有限公司)	20,000	20,000	20,000	20,000
Shanxi Shan’an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司)	32,000	32,000	45,000	45,000

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	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Shanxi Shan’an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限公司)	38,694	46,290	51,715	51,715
Shanxi Ningyang Energy Company Limited (山西寧陽能源有限公司)	30,824	30,824	30,824	30,824
Lingchuan Shan’an Construction Development Company Limited (陵川山安建設發展有限公司)	49,241	49,241	49,241	49,241
Gaoping City Shan’an Five Roads One River Construction Development Company Limited (高平市山安五路一河建設發展有限公司)	39,786	39,786	39,786	39,786
Shanghai Shan’an Construction Engineering Company Limited (上海山安建設工程有限公司)	3,000	3,000	3,000	3,000
Shanxi Zhuo’an Materials Trading Company Limited (山西卓安物資貿易有限公司)	3,100	3,100	3,100	3,100
Huguan Shan’an Two Roads Three Streets Construction Development Company Limited (壺關縣山安兩路三街建設發展有限公司)	44,901	54,835	54,835	54,835
Guangdong Shan’an Construction Engineering Company Limited (廣東山安建設工程有限公司)	6,000	6,000	6,000	6,000
Changzhi Shan’an Construction Development Company Limited (長治市山安建設發展有限公司)	36,000	36,000	36,000	36,000
Xinjiang Shan’an Waterwork Management Company Limited (新絳縣山安水利管理有限公司)	30,000	30,000	30,000	30,000
Qinshui Shan’an Culture and Sport Construction Development Company Limited (沁水山安文體建設發展有限公司)	52,000	64,090	64,090	64,090
Xiyang Shan’an Comprehensive Pipeline Construction Development Company Limited (昔陽山安綜合管廊建設發展有限公司)	90,826	103,594	107,438	107,438
Jiexiu Shan’an Waterwork Construction Development Company Limited (介休山安水利建設發展有限公司)	52,595	58,260	63,930	63,930
Liulin Shan’an Bluesky Heating Company Limited (柳林山安藍天熱力有限公司)	7,250	7,250	7,250	7,250
Australia Shan’an Construction Engineering Pty Ltd.	2,783	2,783	2,783	2,783
Xiangyuan Shan’an Road and Bridge Construction Development Company Limited (襄垣縣山安路橋建設發展有限公司)	–	23,954	23,954	23,954
Linfen Shan’an Waterwork Development Company Limited (臨汾市山安水務發展有限公司)	–	17,824	17,824	17,824

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	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Son Tay Viet Nam Construction Company Limited	–	969	969	969
Yu’an Hengchuang (note 42.3)	5,610	–	–	–
Shanxi Xu’an Real Estate Development Co., Ltd. (“Shanxi Xu’an”) (山西旭安房地產開發有限公司) (noted 42.2)	13,200	–	–	–
Sichuan Shan’an Construction Engineering Company Limited (四川山安建設工程有限公司)	–	–	–	–
Hubei Shan’an Construction Engineering Company Limited (湖北山安建設工程有限公司)	–	–	–	–
Yangquan Shan’an Construction Development Company Limited (陽泉山安建設發展有限公司)	–	–	2,000	26,000
Qinshui Shan’an Construction Development Company Limited (沁水山安建設發展有限公司)	–	–	68,345	136,690
Jinzhong Shan’an Lide Solid Waste Utilization Technology Company Limited (晉中山安立德固廢利用科技有限公司)	–	–	14,700	14,700
	<u>837,810</u>	<u>909,800</u>	<u>1,032,784</u>	<u>1,125,129</u>

Details of the Company’s principal subsidiaries are set out in Note 1 to the Historical Financial Information.

23. OTHER NON-CURRENT ASSETS

The Group and the Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Prepaid employees housing subsidies	<u>15,262</u>	<u>11,714</u>	<u>7,571</u>	<u>3,903</u>

24. DEFERRED INCOME TAX

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Deferred tax assets	43,018	63,955	100,064	107,760
Deferred tax liabilities	(70,660)	(76,118)	(74,012)	(72,690)
	<u>(27,642)</u>	<u>(12,163)</u>	<u>26,052</u>	<u>35,070</u>

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	Provisions and accruals <i>RMB'000</i>	Change in fair value of investment properties <i>RMB'000</i>	Fair value changes of equity investments at FVOCI <i>RMB'000</i>	Deferred tax from PPP projects <i>RMB'000</i>	Elimination of unrealized profits <i>RMB'000</i>	Remeasurement of defined benefit plan <i>RMB'000</i>	Total <i>RMB'000</i>
Deferred tax assets/(liabilities) as at January 1, 2020	25,186	(13,622)	(324)	(29,462)	9,306	-	(8,916)
Credited to/(recognized in) profit or loss	9,461	(945)	-	(26,038)	(959)	-	(18,481)
Recognized in other comprehensive income	-	-	(244)	-	-	-	(244)
Disposal of a subsidiary (note 42)	(1)	-	-	-	-	-	(1)
Deferred tax assets/(liabilities) as at December 31, 2020	34,646	(14,567)	(568)	(55,500)	8,347	-	(27,642)
Deferred tax assets/(liabilities) as at January 1, 2021	34,646	(14,567)	(568)	(55,500)	8,347	-	(27,642)
Credited to/(recognized in) profit or loss	18,561	(119)	-	(5,776)	2,470	-	15,136
Credited to other comprehensive income	-	-	412	-	-	-	412
Disposal of subsidiaries (note 42)	(69)	-	-	-	-	-	(69)
Deferred tax assets/(liabilities) as at December 31, 2021 and January 1, 2022	53,138	(14,686)	(156)	(61,276)	10,817	-	(12,163)
Credited to/(recognized in) profit or loss	21,315	(368)	-	16,997	2,278	-	40,222
(Recognized in)/credited to other comprehensive income	-	-	(2,417)	-	-	410	(2,007)
Deferred tax assets/(liabilities) as at December 31, 2022 and January 1, 2023	74,453	(15,054)	(2,573)	(44,279)	13,095	410	26,052
Credited to/(recognized in) profit or loss	11,587	(17)	-	3,942	(6,288)	-	9,224
Recognized in other comprehensive income	-	-	(149)	-	-	(57)	(206)
Deferred tax assets/(liabilities) as at June 30, 2023	86,040	(15,071)	(2,722)	(40,337)	6,807	353	35,070

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The Company	As at December 31,			As at	
	2020	2021	2022	June 30,	
	RMB'000	RMB'000	RMB'000	2023	
				RMB'000	
Deferred tax assets	31,522	46,043	57,774	64,380	
Deferred tax liabilities	(15,160)	(14,842)	(17,627)	(17,792)	
	<u>16,362</u>	<u>31,201</u>	<u>40,147</u>	<u>46,588</u>	
	Provisions and accruals	Change in fair value of investment properties	Fair value changes of equity investments at FVOCI	Remeasurement of defined benefit plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets/(liabilities) as at January 1, 2020	22,646	(13,622)	(324)	–	8,700
Credited to/(recognized in) profit or loss	8,850	(944)	–	–	7,906
Recognized in other comprehensive income	–	–	(244)	–	(244)
	<u>–</u>	<u>–</u>	<u>(244)</u>	<u>–</u>	<u>(244)</u>
Deferred tax assets/(liabilities) as at December 31, 2020 and January 1, 2021	31,496	(14,566)	(568)	–	16,362
Credited to/(recognized in) profit or loss	14,547	(120)	–	–	14,427
Credited to other comprehensive income	–	–	412	–	412
	<u>–</u>	<u>–</u>	<u>412</u>	<u>–</u>	<u>412</u>
Deferred tax assets/(liabilities) as at December 31, 2021 and January 1, 2022	46,043	(14,686)	(156)	–	31,201
Credited to/(recognized in) profit or loss	11,321	(367)	–	–	10,954
(Recognized in)/credited to other comprehensive income	–	–	(2,418)	410	(2,008)
	<u>–</u>	<u>–</u>	<u>(2,418)</u>	<u>410</u>	<u>(2,008)</u>
Deferred tax assets/(liabilities) as at December 31, 2022 and January 1, 2023	57,364	(15,053)	(2,574)	410	40,147
Credited to/(recognized in) profit or loss	6,663	(17)	–	–	6,646
Recognized in other comprehensive income	–	–	(148)	(57)	(205)
	<u>–</u>	<u>–</u>	<u>(148)</u>	<u>(57)</u>	<u>(205)</u>
Deferred tax assets/(liabilities) as at June 30, 2023	<u>64,027</u>	<u>(15,070)</u>	<u>(2,722)</u>	<u>353</u>	<u>46,588</u>

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As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain subsidiaries of the Group had tax losses of RMB316,000, RMB738,000, RMB10,030,000 and RMB43,309,000 in Mainland China, respectively, which will expire in 1-5 years and can be used to offset its future taxable profits. Certain amounts of unused tax losses for the six months ended June 30, 2023 are subject to approval from the tax bureau in Mainland China. Deferred tax assets are not recognized for these losses as no taxable profits are considered as available against relevant tax losses. Deferred tax assets are recognized to the extent that all deferred tax assets can be realized through the recovery of previously paid tax and/or future taxable income.

Based on the assessment of the likelihood that the deferred tax assets will be realized or that taxable profits will be utilized during the year/period, the directors of the Company have reviewed its deferred tax assets at the end of each of the Track Record Period and are of the opinion that the Group’s deferred tax assets can be realized through future taxable income.

25. FINANCIAL ASSETS MEASURED AT FVOCI

The Group and the Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Unlisted equity investments:				
Shanxi Jiantong Material Trading Company Limited (山西建投物資貿易有限公司) (formerly known as “Shanxi Jiantong Technology Company Limited (山西建通科技有限公司)”)	9,835	–	–	–
Shanxi Shuitou Biyuan Water Treatment Company Limited (山西水投碧源水處理有限公司)	692	883	935	1,071
Shanxi Jiantou Decoration Industry Co., Ltd. (山西建投裝飾產業有限公司)	6,895	6,059	6,473	9,557
Shanxi Jiantou South East Jin Construction Industry Co., Ltd. (山西建投晉東南建築產業有限公司)	69,161	69,290	81,552	81,676
Shanxi Jiantou Construction Industry Co., Ltd. Company Limited (山西建投建築產業有限公司) (formerly known as “Jinzhong Hongsheng Shenlong Kejian Technology Co., Ltd. Company Limited (晉中宏聖神龍可建科技有限公司)”)	48,858	46,460	49,853	47,499
	<u>135,441</u>	<u>122,692</u>	<u>138,813</u>	<u>139,803</u>

The above unlisted equity investments are designated as financial assets at FVOCI (non-recycling) as these investments are held for long-term strategic purposes. Please refer to Note 51 for the details of changes in fair value.

26. SERVICE CONCESSION PROJECTS

The Group has entered into a number of service concession project agreements with certain government authorities in Mainland China for its construction of infrastructure, photovoltaic, water treatment and drainage, and heat supply services. These service concession project agreements generally involve the Group as an operator to construct infrastructure, photovoltaic, water treatment and drainage, heat supply and other facilities for these agreements on a construction, operation and transfer basis (also known as public-private partnership, “PPP projects”). The Group will receive remuneration for services within the agreed period of the PPP projects at the price stipulated through the pricing mechanism. The Group is generally entitled to use all property, plant and equipment, however, as grantors, the relevant government authorities will control and monitor the scope of services that the Group must provide and retain the beneficial rights to the remaining interest in the facilities at the end of the PPP projects period.

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These service concession project agreements are subject to the contracts and supplemental agreements (where applicable) entered into between the Group and the relevant government authorities in Mainland China, including the pricing adjustment mechanism for the services rendered by the Group, performance standards, and specific obligations to restore the facility to a prescribed level of availability at the end of the service concession period, and arrangements for arbitrating disputes.

No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
1	Gaoping City Shan’an Five Roads One River Construction Development Company Limited (高平市山安五路一河建設發展有限公司)	Gaoping City, Shanxi Province, China	Gaoping Housing and Urban-rural Development Administration (高平市住房和城鄉建設管理局)	Community facilities	16 years
2	Lingchuan Shan’an Construction Development Company Limited (陵川山安建設發展有限公司)	Lingchuan County, Shanxi Province, China	Housing and Urban-rural Development Administration of Lingchuan County (陵川縣住房和城鄉建設管理局)	Community facilities	16 years
3	Huguan Shan’an Two Roads Three Streets Construction Development Company Limited (壺關縣山安兩路三街建設發展有限公司)	Huguan County, Shanxi Province, China	Housing and Urban-rural Development Administration of Huguan County (壺關縣住房和城鄉建設管理局)	Community facilities	17 years
4	Changzhi Shan’an Construction Development Company Limited (長治市山安建設發展有限公司)	Changzhi City, Shanxi Province, China	People’s Government of Huangnian Town, Suburb of Changzhi City (長治市郊區黃碾鎮人民政府)	Photovoltaic	12 years
5	Xinjiang Shan’an Waterwork Management Company Limited (新絳縣山安水利管理有限公司)	Xinjiang County, Shanxi Province, China	Housing and Urban-rural Development Administration of Xinjiang County (新絳縣住房和城鄉建設管理局)	Water treatment	20 years

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No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
6	Jiexiu Shan'an Waterwork Construction Development Company Limited (介休山安水利建設發展有限公司)	Jiexiu City, Shanxi Province, China	Jiexiu Waterwork Bureau (介休市水務局)	Water treatment	20 years
7	Qinshui Shan'an Culture and Sport Construction Development Company Limited (沁水山安文體建設發展有限公司)	Qinshui County, Shanxi Province, China	Housing and Urban-rural Development Administration of Qinshui County (沁水縣住房和城鄉建設管理局)	Community facilities	20 years
8	Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited (昔陽山安綜合管廊建設發展有限公司)	Xiyang County, Shanxi Province, China	Xiyang County Economic and Commercial Grain Bureau (昔陽縣經濟和商務糧食局)	Underground pipe project	20 years
9	Liulin Shan'an Bluesky Heating Company Limited (柳林山安藍天熱力有限公司)	Liulin County, Shanxi Province, China	Liulin County Housing and Urban-Rural Development Administration (柳林縣住房和城鄉建設管理局)	Heating engineering	30 years
10	Xiangyuan Shan'an Road and Bridge Construction Development Company Limited (襄垣縣山安路橋建設發展有限公司)	Xiangyuan County, Shanxi Province, China	Xiangyuan County Transportation Bureau (襄垣縣交通運輸局)	Bridge construction	12 years
11	Linfen Shan'an Waterwork Development Company Limited (臨汾市山安水務發展有限公司)	Linfen, Shanxi Province, China	Linfen Municipal Government Engineering Construction Service Center (臨汾市政府工程建設服務中心)	Sewage treatment	21 years

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No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
12	Yangquan Shan’an Construction Development Company Limited (陽泉山安建設發展有限公司)	Yangquan County, Shanxi Province, China	Yangquan Suburban District Bureau of Commerce (陽泉市郊區商務局)	Facilities in industrial area	30 years
13	Qinshui Shan’an Construction Development Company Limited (沁水山安建設發展有限公司)	Changzhi County, Shanxi Province, China	Housing and Urban-rural Development Administration of Qinshui County (沁水縣住房和城鄉建設管理局)	Community facilities and transportation hub	22 years

The above table sets out the Group’s PPP projects which, in the opinion of the Board, primarily affected the results for the Track Record Period or constituted a significant portion of the Group’s net assets. The Board is of the view that the provision of details of all other PPP projects would result in excessive length of the detailed information.

Pursuant to the service concession project agreements entered into by the Group, the Group was granted the right to use the property, plant and equipment of the facilities and the relevant land during the service concession period, which are generally registered in the names of the relevant companies of the Group, but generally, the Group is required to transfer these property, plant and equipment to the grantor at the end of the respective service concession period at the prescribed level of availability. As of 31 December 2020, 2021 and 2022 and June 30, 2023, the Group was in the process of applying for registration of change in title certificates relating to certain land use rights of certain facilities associated with the Group’s service concession project agreements.

As further explained in the accounting policy for “accounting treatment for PPP projects” as described in note 3.2 to the Historical Financial Information, the consideration paid by the Group for PPP projects is recorded as financial assets (trade receivables under PPP projects, contract assets and receivable under service concession arrangements on PPP projects). The following is a summary of the components of the financial assets relating to the Group’s PPP projects (trade receivables under the PPP projects):

The Group estimates that the trade receivables under the PPP projects is calculated based on the present value of the estimated annual minimum service fee for the service concession period, multiplied by the effective interest rate ranging from 5.95% to 10.88% (which was determined with reference to the market interest rate and the grantor’s credit risk).

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Trade receivables of PPP projects construction income	39,259	32,347	33,971	16,970
Trade receivables of PPP projects operating fee income	68,882	72,355	54,614	35,134
Interest receivables of PPP projects	35,988	35,738	6,158	13,066
Trade receivables under PPP projects (Note 29)	144,129	140,440	94,743	65,170

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Note: For the Group’s trade receivables under the service concession agreement, each group company has different credit policy, depending on the requirements of the place where it operates. The aging analysis of trade receivables under the service concession agreements is closely monitored to minimize any credit risk arising from trade receivables.

As of the end of each of the Track Record Period, the non-current portion of contract assets and receivables under service concession arrangements, net of ECL provision impairment, is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Unbilled portion:				
Non-current portion	2,461,269	2,922,004	3,007,302	3,163,979
Expected credit losses	(10,417)	(20,784)	(35,216)	(37,451)
	<u>2,450,852</u>	<u>2,901,220</u>	<u>2,972,086</u>	<u>3,126,528</u>
Non-current portion, net (<i>Note 20</i>)				

27. INVENTORIES

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Raw materials	117,099	116,028	137,128	406,848
Finished goods	37,872	25,594	9,112	10,476
	<u>154,971</u>	<u>141,622</u>	<u>146,240</u>	<u>417,324</u>
Total				

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Raw materials	113,974	109,026	118,555	398,138
Finished goods	2,532	21,247	4,262	4,912
	<u>116,506</u>	<u>130,273</u>	<u>122,817</u>	<u>403,050</u>
Total				

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28. PROPERTIES UNDER DEVELOPMENT

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Carrying amount at the beginning of the year/period	51,522	91,703	–	–
Increase during the year/period	40,181	106,332	–	–
Transfer to inventories	–	(5,440)	–	–
Disposal of subsidiaries (Note 42.2)	–	(192,595)	–	–
	<u>91,703</u>	<u>–</u>	<u>–</u>	<u>–</u>

As of December 31, 2020, the Group’s properties under development were not utilized as collateral for the Group’s bank loans.

29. TRADE RECEIVABLES AND BILLS RECEIVABLE

Trade receivables and bills receivable mainly represent receivables from engineering contracting services, sales of goods and rendering of services. The payment terms are stipulated in the relevant contracts. The Group’s trading terms with customers are mainly credit transactions, except for new customers, which usually require payment in advance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements on its trade receivables balance. Trade receivables and bills receivable are non-interest bearing.

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Trade receivables	4,200,013	5,494,045	6,377,191	6,250,184
Expected credit losses	(179,061)	(254,612)	(302,072)	(340,405)
Trade receivables, net	<u>4,020,952</u>	<u>5,239,433</u>	<u>6,075,119</u>	<u>5,909,779</u>
Bills receivable	325,293	312,036	299,367	280,930
Expected credit losses	(1,215)	(1,895)	(3,120)	(2,298)
Bills receivable, net	<u>324,078</u>	<u>310,141</u>	<u>296,247</u>	<u>278,632</u>
	<u>4,345,030</u>	<u>5,549,574</u>	<u>6,371,366</u>	<u>6,188,411</u>

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the net carrying amount of certain trade receivables and bills receivable of approximately RMB460,998,000, RMB702,624,000, RMB828,866,000 and RMB813,665,000 were pledged to secure certain bank borrowings granted to the Group.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the trade receivables under PPP projects was amounted to approximately RMB144,129,000, RMB140,440,000, RMB94,743,000 and RMB65,170,000 respectively. Please refer to Note 26 for the details of the receivables under the PPP projects.

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The aging analysis of the trade receivables and bills receivable (based on invoice date or issuance date), net of provision of ECL, are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 1 year	3,174,186	3,991,906	4,676,720	3,587,277
1-2 years	682,967	938,598	1,032,153	1,622,206
2-3 years	341,061	357,775	396,423	468,520
3-4 years	87,720	214,366	209,197	390,609
4-5 years	59,096	46,929	56,873	119,799
	<u>4,345,030</u>	<u>5,549,574</u>	<u>6,371,366</u>	<u>6,188,411</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade receivables	4,202,428	5,180,811	5,823,651	5,817,969
Expected credit losses	(178,282)	(251,191)	(290,079)	(329,072)
Trade receivables, net	<u>4,024,146</u>	<u>4,929,620</u>	<u>5,533,572</u>	<u>5,488,897</u>
Bills receivable	280,765	288,662	242,679	276,471
Expected credit losses	(1,212)	(1,895)	(2,569)	(2,247)
Bills receivable, net	<u>279,553</u>	<u>286,767</u>	<u>240,110</u>	<u>274,224</u>
	<u>4,303,699</u>	<u>5,216,387</u>	<u>5,773,682</u>	<u>5,763,121</u>

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the net carrying amount of certain trade receivables and bills receivable of approximately RMB455,998,000, RMB698,424,000, RMB546,866,000 and RMB531,665,000 were pledged to secure certain bank borrowings granted to the Company.

The aging analysis of the trade receivables and bills receivable (based on invoice date or issuance date) net of provision of ECL, are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 1 year	3,133,359	3,681,709	4,088,123	3,300,141
1-2 years	682,547	915,831	1,021,826	1,483,190
2-3 years	340,977	357,552	397,663	468,626
3-4 years	87,720	214,366	209,197	391,365
4-5 years	59,096	46,929	56,873	119,799
	<u>4,303,699</u>	<u>5,216,387</u>	<u>5,773,682</u>	<u>5,763,121</u>

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Movements in ECL on trade receivables and bills receivable are as follows:

The Group

	As at December 31,			As at
	2020 RMB’000	2021 RMB’000	2022 RMB’000	June 30, 2023 RMB’000
At the beginning of the year/period	121,453	180,276	256,507	305,192
Provision for expected credit losses	58,860	76,345	48,798	37,511
Reversal of expected credit losses	(34)	(114)	(113)	–
Written off	(3)	–	–	–
	<u>180,276</u>	<u>256,507</u>	<u>305,192</u>	<u>342,703</u>

The Company

	As at December 31,			As at
	2020 RMB’000	2021 RMB’000	2022 RMB’000	June 30, 2023 RMB’000
At the beginning of the year/period	120,979	179,494	253,086	292,648
Provision for expected credit losses	58,515	73,592	39,562	38,671
	<u>179,494</u>	<u>253,086</u>	<u>292,648</u>	<u>331,319</u>

Separately impaired trade receivables relate to customers that are in default or in financial difficulties and no trade receivables are expected to be recovered.

Entire financial assets transferred that are not derecognized

The Group and the Company endorsed certain bills receivable from banks in Mainland China with carrying amounts of RMB238,476,000, RMB198,833,000, RMB244,127,000 and RMB174,737,000 on December 31, 2020, 2021 and 2022 and June 30, 2023, respectively, in order to settle trade payables to certain suppliers (“endorsements”). In the opinion of the directors, the Group retains significant risks and rewards, including the risk of default in relation to these endorsed bills, and accordingly, the Group continues to recognize the full carrying amount of such endorsed bills and the related trade payables settled.

The Group and the Company endorsed certain commercial acceptance bills. Subsequent to the endorsement, the Group and the Company do not retain any right to use the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. During the period when the supplier has recourse, the carrying amount of trade payables settled by the endorsed bills was RMB20,056,000, RMB16,535,000, RMB10,568,000 and RMB700,000 as at December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

Transfer of all derecognized financial assets

The Group and the Company endorsed certain bills receivable from banks in Mainland China (the “Derecognized Bills”) with an aggregate carrying amount of RMB414,783,000, RMB212,953,000, RMB315,854,000 and RMB245,409,000 to certain of its suppliers to settle the trade payables due to these suppliers. The Derecognized Bills have a maturity of one to six months at the end of the Track Record Period. Under the PRC Bills Law, the holder of the Derecognized Bills has a right to recourse from the Group in the event of a default by the PRC banks. In the opinion of the directors, the Group has transferred substantially all the risks and rewards associated with the Derecognized Bills, which are issued by large and reputable banks. As a result, it has derecognized the entire carrying amount of the Derecognized Bills and the related trade payables. The maximum risk of loss of the undiscounted cash flows of the Group’s continuing involvement in the Derecognized Bills and the repurchase of these Derecognized Bills equals their carrying amounts. In the opinion of the directors, the fair value of the Group’s continuing involvement in the Derecognized Bills is not material.

During the Track Record Period, the Group did not recognize any gains or losses at the date of transfer of the recognized bills and unrecognized gains or losses from continuing participation during the year/period or cumulatively.

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30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Deposits and other receivables				
– Reserves	3,040	14,349	6,443	13,301
– Security deposits	223,767	147,918	159,073	139,901
– Deposits	17,062	19,390	27,555	28,301
– Loans to associates*	–	–	54,684	15,741
– Loans to former associates*	199,839	85,633	50,439	45,439
– Amount due from related parties	686,789	469,736	566,129	444,338
– Other receivables	297,045	221,953	198,327	188,799
	1,427,542	958,979	1,062,650	875,820
Expected credit losses	(21,927)	(26,202)	(37,496)	(44,124)
Deposits and other receivables, net	1,405,615	932,777	1,025,154	831,696
Other contract costs	16,938	18,867	20,084	11,111
Prepayments	462,004	701,224	500,176	516,900
Prepayments to associates	–	–	22,300	16,688
Prepayments to related parties	1,365	86,668	31,096	17,351
Tax recoverable	38	45	38	21
Value-added tax receivables	165,084	243,992	357,589	520,967
	2,051,044	1,983,573	1,956,437	1,914,734

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Deposits and other receivables				
– Reserves	2,895	14,291	6,160	12,968
– Security deposits	213,201	136,381	149,456	126,119
– Deposits	16,788	18,874	27,419	26,743
– Loans to associates	–	–	54,512	15,741
– Loans to former associates	199,839	85,633	50,439	45,439
– Amount due from related parties	686,135	452,642	566,129	443,821
– Loans to subsidiaries	743,902	639,926	503,918	489,799
– Other receivables	223,530	179,310	141,444	130,601
	2,086,290	1,527,057	1,499,477	1,291,231
Expected credit losses	(20,442)	(22,068)	(21,838)	(24,700)
Deposits and other receivables, net	2,065,848	1,504,989	1,477,639	1,266,531
Prepayments	444,041	557,066	504,218	323,977
Prepayment to associates	–	–	22,105	16,688
Prepayments to related parties	565	85,626	8,332	38,301
Tax recoverable	38	45	–	–
Value-added tax receivables	2,780	68,840	138,273	290,335
	2,513,272	2,216,566	2,150,567	1,935,832

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As at December 31, 2020, 2021 and 2022, among the prepayments, deposits and other receivables, the interest rates for certain loans to subsidiaries, loans to associates, former associates and amount due from related parties are 10%-16% per annum, while other prepayments, deposits and other receivables is unsecured and interest free. All prepayments, deposits and other receivables have no fixed repayment terms. As at June 30, 2023, among the prepayment, deposits and other receivables, the interest rates for certain loans to subsidiaries, loans to former associates and amount due from related parties are unsecured, interest rates ranging from 8%-12% per annum, while other prepayment, deposits and other receivables are interest free, unsecured and with no fixed repayment terms or repayable within one year.

- * The purpose of loans to its associates and former associates was mainly for financing some construction projects, which the Group also invested in through shareholders loan to the relevant project companies which the Company has equity interests in.

For the provision for ECL allowance on loans to associates and former associates, the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the associates and former associates.

The management would make periodic individual assessment on the recoverability of associates and former associates based on historical settlement records and past experience as well as current external information and makes adjustment based on the weighted probability of forward-looking information including operation default rate of associates and former associates.

In particular, regarding to assess the credit risk, the management has considered the financial statements of the former associates during the Track Record Period, which has shown that they have strong financial position as at December 31, 2020, 2021 and 2022 and June 30, 2023. In addition, the former associates are the indirect wholly-owned subsidiaries of Shanxi CIG as at December 31, 2020, 2021 and 2022 and June 30, 2023, of which Shanxi CIG has undertaken the balances of loans to former associates as at December 31, 2020, 2021 and 2022 and June 30, 2023 to compensate to the Group in full for any failure of repayment. In view of the strong financial position of Shanxi SIG, no provision for ECL allowance is required on loans to former associates as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Regarding to the loans to associates as at December 31, 2022 and June 30, 2023, the management also has assessed the credit risk on associates by considering the financial statements of the associates, which has shown they have strong financial position as at December 31, 2022 and June 30, 2023. In addition, the balances of loans to associates of RMB47,001,000 and RMB15,741,000 are provided to the associates, which are wholly-owned subsidiary of Shanxi CIG as at December 31, 2022 and June 30, 2023, respectively, of which Shanxi CIG has undertaken the balances of loans to associates as at December 31, 2022 and June 30, 2023 to compensate to us in full for any failure of repayment. In view of the strong financial position of Shanxi SIG, no provision for ECL allowance on the balances of loans to associates of RMB47,001,000 and RMB15,741,000 is required as at December 31, 2022 and June 30, 2023, respectively. Meanwhile, as at December 31, 2022, the remaining balance of loan to an associate of RMB7,683,000 aged within 1 year and the associate is a state-owned enterprise, which is considered to have the relative high credit rating. As such, the credit risk for the associate is considered to be minimal and no provision for ECL allowance is required on loans to associates as at December 31, 2022. During the six months ended June 30, 2023, the remaining balance of loan to the associate of RMB7,683,000 has been fully settled.

Other contract costs capitalized as at December 31, 2020, 2021 and 2022 and June 30, 2023 relate to the costs to fulfil contracts with customers at the reporting date. Other contract costs are recognized as part of “cost of sales” in the consolidated statement of profit or loss in the Track Record Period in which revenue from the related sales or services is recognized. There was no impairment in relation to the costs capitalized during the years/period. All other contract costs are expected to be recovered or recognized as expenses within one year.

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The movement on the provision for expected credit losses of deposits and other receivables is as follows:

The Group

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2020	5,009	15,057	2,860	22,926
Transferred to Stage 2	(1,660)	1,660	–	–
Provision/(reversal) during the year	1,367	(2,366)	–	(999)
As at December 31, 2020 and January 1, 2021	4,716	14,351	2,860	21,927
Transferred to Stage 2	(227)	227	–	–
Provision during the year	1,139	3,192	–	4,331
Written-off	–	(56)	–	(56)
As at December 31, 2021 and January 1, 2022	5,628	17,714	2,860	26,202
Transferred to Stage 2	(3,228)	3,228	–	–
Transferred to Stage 3	–	(15,217)	15,217	–
Provision during the year	494	10,800	–	11,294
As at December 31, 2022 and January 1, 2023	2,894	16,525	18,077	37,496
Transferred to Stage 2	(1,100)	1,100	–	–
Transferred to Stage 3	–	(316)	316	–
Provision during the period	894	5,734	–	6,628
As at June 30, 2023	<u>2,688</u>	<u>23,043</u>	<u>18,393</u>	<u>44,124</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, among the impairment provision for other receivables above, the impairment provision made for other receivables individually was approximately RMB2,860,000, RMB2,860,000, RMB30,461,000 and RMB32,374,000, and the total book values before provision were approximately RMB2,860,000, RMB2,860,000, RMB54,077,000 and RMB54,393,000.

The Company

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2020	4,800	13,854	2,860	21,514
Transferred to Stage 2	(1,659)	1,659	–	–
Provision/(reversal) during the year	1,267	(2,339)	–	(1,072)
As at December 31, 2020 and January 1, 2020	4,408	13,174	2,860	20,442
Transferred to Stage 2	(227)	227	–	–
Provision during the year	1,134	528	–	1,662
Written-off	–	(36)	–	(36)

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	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2021 and January 1, 2022	5,315	13,893	2,860	22,068
Transferred to Stage 2	(3,197)	3,197	–	–
Transferred to Stage 3	–	(15,217)	15,217	–
Provision/(reversal) during the year	635	(865)	–	(230)
As at December 31, 2022 and January 1, 2023	2,753	1,008	18,077	21,838
Transferred to Stage 2	(1,096)	1,096	–	–
Transferred to Stage 3	–	(316)	316	–
(Reversal)/provision during the period	(531)	3,393	–	2,862
As at June 30, 2023	<u>1,126</u>	<u>5,181</u>	<u>18,393</u>	<u>24,700</u>

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Cash and bank deposits	814,814	1,040,579	1,380,892	1,697,117
Restricted bank deposits	269,646	328,983	748,105	597,762
	<u>1,084,460</u>	<u>1,369,562</u>	<u>2,128,997</u>	<u>2,294,879</u>
Less: Restricted bank deposits as collateral for bill payable	(230,000)	(281,670)	(747,505)	(597,162)
Restricted bank deposits as collateral for other borrowings	(39,646)	(47,313)	(600)	(600)
Cash and cash equivalents	<u>814,814</u>	<u>1,040,579</u>	<u>1,380,892</u>	<u>1,697,117</u>

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The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Cash and bank deposits	540,969	651,520	776,081	1,135,919
Restricted bank deposits	269,646	328,983	747,505	597,162
	810,615	980,503	1,523,586	1,733,081
Less: Restricted bank deposits as collateral for bill payable	(230,000)	(281,670)	(747,505)	(597,162)
Restricted bank deposits as collateral for other borrowings	(39,646)	(47,313)	–	–
Cash and cash equivalents	<u>540,969</u>	<u>651,520</u>	<u>776,081</u>	<u>1,135,919</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Group’s cash and bank balances denominated in RMB amounted to approximately RMB1,084,460,000, RMB1,369,562,000, RMB2,128,997,000 and RMB2,294,879,000, respectively. The RMB is not freely convertible into other currencies. However, under the current foreign exchange rules and regulations in Mainland China, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Bank deposits and restricted bank deposits earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are deposited for periods ranging from one day to three months based on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the restricted bank deposits (denominated in RMB) were charged at an interest rate of 1.95%, 1.95%, 1.70% and 1.70%, respectively, based on prevailing market interest rates and were pledged to a bank for securing bills payable (Note 32) and other borrowings (Note 35) granted to the Group. Bank deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

32. TRADE PAYABLES AND BILLS PAYABLE

The ageing analysis of the trade payables and bills payable recorded based on invoice date or issuance date is as follows:

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Within 1 year	4,084,771	6,486,571	6,483,009	5,858,573
1 to 2 years	484,286	660,791	1,863,195	2,523,132
2 to 3 years	163,622	231,062	637,570	920,611
Over 3 years	111,823	216,079	186,844	238,732
	<u>4,844,502</u>	<u>7,594,503</u>	<u>9,170,618</u>	<u>9,541,048</u>

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The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Within 1 year	3,839,332	5,668,411	6,925,661	6,094,483
1 to 2 years	603,122	519,935	1,806,593	2,902,489
2 to 3 years	188,423	223,426	519,500	1,144,884
Over 3 years	119,488	211,695	165,339	234,631
	<u>4,750,365</u>	<u>6,623,467</u>	<u>9,417,093</u>	<u>10,376,487</u>

33. EMPLOYEE BENEFITS PAYABLE

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Salaries, bonuses, allowances and subsidies	34,079	45,834	61,420	59,743
Employee benefits expenses	1,531	631	1,272	1,450
Social insurance expenses	3,224	2,241	2,618	1,938
Housing provident fund	866	4,306	4,098	6,018
Termination benefits	76	76	410	320
Post-employment benefits due within one year-liabilities in defined benefit plan	–	–	3,550	3,120
Others	10,844	6,953	7,728	8,036
	<u>50,620</u>	<u>60,041</u>	<u>81,096</u>	<u>80,625</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Salaries, bonuses, allowances and subsidies	35,331	41,830	58,383	56,390
Employee benefits expenses	1,531	631	1,237	1,416
Social insurance expenses	2,960	2,241	2,497	1,783
Housing provident fund	791	4,306	4,080	6,018
Termination benefits	76	76	410	320
Post-employment benefits due within one year-liabilities in defined benefit plan	–	–	3,550	3,120
Others	7,564	6,636	7,221	7,355
	<u>48,253</u>	<u>55,720</u>	<u>77,378</u>	<u>76,402</u>

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Present value of the defined benefit plan obligation:

	As at December 31, 2022 RMB’000	As at June 30, 2023 RMB’000
Item (note)		
I. Transfer from Shanxi CIG/At the beginning of the period	30,650	32,460
II. Defined benefit cost recognized in profit or loss:		
Net interests	145	460
III. Defined benefit cost recognized in other comprehensive income:		
Actuarial losses	2,732	(380)
IV. Other changes:		
Paid benefits	(1,067)	(1,910)
V. Closing balance:	32,460	30,630
Less: Post-employment benefits due within one year-liabilities in defined benefit plan	(3,550)	(3,120)
VI. Post-employment benefits due after one year liabilities in defined benefit plan	28,910	27,510
Termination benefits	2,290	1,900
Less: Current portion	(410)	(320)
Non-current liability in termination benefits	1,880	1,580
Total	<u>30,790</u>	<u>29,090</u>

Note: In addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired since the obligation has transferred from Shanxi CIG during the year ended December 31, 2022. This benefit plan is accounted for as a long-term defined benefits obligation and does not have any plan assets. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since May 1, 2022.

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

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As at December 31, 2022 and June 30, 2023, the average period of defined benefit plan obligations is 5-9 years. Significant actuarial assumption of discount rate used in determining present value of defined benefit plan obligations are as follows:

Item	As at December 31, 2022 (%)	As at June 30, 2023 (%)
Discount rate	2.75-3.00	2.50-2.75

The following sensitivity analysis is based on the reasonably possible changes in the discount rate as at December 31, 2022 and June 30, 2023 (all other assumptions remain unchanged):

Item	(Decrease)/Increase in liabilities recognized in defined benefit plan RMB’000
As at December 31, 2022	
Discount rate increase by 0.25%	(660)
Discount rate decreases by 0.25%	680
As at June 30, 2023	
Discount rate increase by 0.25%	(650)
Discount rate decrease by 0.25%	670

The above sensitivity analysis is an inference based on the impact of the key assumption on the net defined benefit plan when there is a reasonable change on the balance sheet date. Because some of the assumptions may be relevant and one assumption cannot be changed in isolation, the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

34. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,			As at
	2020 RMB’000	2021 RMB’000	2022 RMB’000	June 30, 2023 RMB’000
Accrued expenses	117,547	96,135	84,355	80,369
Security deposits received	58,564	43,180	32,026	32,956
Amount due to related parties (notes i, ii and iii)	563,360	360,000	605,877	615,108
Other payables	540,121	410,649	294,964	242,850
Withholding tax and social insurance for employee	10,437	39,843	4,400	7,909
Dividend payable	69,770	–	–	71,678
Other tax payable	653,295	882,063	889,536	975,866
Endorsed bills payable	299,483	239,049	254,695	175,437
	<u>2,312,577</u>	<u>2,070,919</u>	<u>2,165,853</u>	<u>2,202,173</u>
Less: Long-term payable (notes i and iii)				
– current portion (Note 37)	–	–	–	(300,000)
– non-current portion	(300,000)	(300,000)	(300,000)	–
	<u>2,012,577</u>	<u>1,770,919</u>	<u>1,865,853</u>	<u>1,902,173</u>

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Notes:

- (i) As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Group borrowed RMB300,000,000 from Shanxi Xiaohe Construction Industry Co., Ltd., a related party, who is controlled by Shanxi CIG, at an interest rate of 9.7% per annum for a period from May 30, 2019 to April 11, 2024, without collateral, for the development and construction of the park.
- (ii) As at December 31, 2021, the Group also borrowed RMB60,000,000 from Shanxi CIG at an interest rate of 6.63% per annum for a period from November 12, 2021 to April 11, 2022, without collateral, for the construction of Ziguang Chenji (Baoji) Pharmaceutical Production Base (紫光辰濟(寶雞)醫藥生產基地). It has fully repaid in 2022.
- (iii) The borrowings from Shanxi CIG and the related parties, who are controlled by Shanxi CIG, are expected to be released and fully repaid before [REDACTED].

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
Accrued expenses	116,261	94,492	82,515	77,938
Security deposits received	58,486	43,170	31,998	31,171
Amount due to related parties	563,360	360,000	605,409	613,262
Other payables	374,809	327,194	227,597	172,387
Withholding tax and social insurance for employee	10,170	39,650	4,207	7,748
Dividend payable	69,770	–	–	71,678
Other tax payable	617,367	843,803	832,824	909,589
Amount due to subsidiaries	503,124	742,731	175,539	76,100
Endorsed bills payables	260,305	216,711	209,229	175,437
	<u>2,573,652</u>	<u>2,667,751</u>	<u>2,169,318</u>	<u>2,135,310</u>
Less: Long term payable				
– current portion (<i>Note 37</i>)	–	–	–	(300,000)
– non-current portion	(300,000)	(300,000)	(300,000)	–
	<u>2,273,652</u>	<u>2,367,751</u>	<u>1,869,318</u>	<u>1,835,310</u>

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35. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS

The Group

	2020			As at December 31, 2021			2022			As at June 30, 2023		
	Actual interest rate	Maturity	RMB'000	Actual interest rate	Maturity	RMB'000	Actual interest rate	Maturity	RMB'000	Actual interest rate	Maturity	RMB'000
	(%)			(%)			(%)			(%)		
Current liabilities												
Bank borrowings – unguaranteed	3.85-4.50	2021	55,868	4.46-5.35	2022	455,364	1.45-5.35	2023	1,740,290	1.45-4.70	2024	2,884,642
Bank borrowings – guaranteed	4.35-5.35	2021	560,737	4.30-5.22	2022	411,558	4.35-5.22	2023	130,000			–
Bank borrowings – secured	6.15	2021	5,000	4.90-6.15	2022	110,000			–			–
Other borrowings – unguaranteed	4.50-8.80	2021	207,984	4.50-8.80	2022	523,660	4.50-8.80	2023	305,117	8.60-8.80	2024	40,000
Other borrowings – secured	5.22-5.87	2021	125,215	5.87	2022	50,000	5.22-8.70	2023	25,918	6.30-8.70	2024	59,380
			<u>954,804</u>			<u>1,550,582</u>			<u>2,201,325</u>			<u>2,984,022</u>
Current portion of long-term borrowings (Note 37)												
Bank borrowings – unguaranteed	6.65-9.00	2021	15,210			–			–			–
Bank borrowings – guaranteed	3.85-6.65	2021	44,780	3.85-6.18	2022	64,781	3.85-6.15	2023	28,782	3.65-6.15	2024	39,763
Bank borrowings – secured	4.75-6.00	2021	83,812	4.75-6.00	2022	109,815	4.05-5.88	2023	155,379	4.05-5.88	2024	166,408
Other borrowings – secured	7.32-11.06	2021	171,387	6.90-10.79	2022	253,506	6.90-10.79	2023	326,239	5.30-10.79	2024	316,034
			<u>315,189</u>			<u>428,102</u>			<u>510,400</u>			<u>522,205</u>
Non-current liabilities												
Bank borrowings – unguaranteed			–			–	4.65-4.70	2025	200,000	4.65	2025	200,000
Bank borrowings – guaranteed	3.85-6.65	2023	77,280	3.85-4.05	2028	124,809	3.85-6.15	2028	161,541	3.65-6.15	2028	165,509
Bank borrowings – secured	4.75-6.00	2044	1,689,000	4.75-6.00	2044	2,033,537	4.05-5.88	2044	2,048,694	4.05-5.53	2044	2,198,830
Other borrowings – secured	7.32-11.06	2023	66,277	7.32-10.79	2024	127,146	6.90-10.79	2026	276,956	5.30-10.79	2026	128,425
			<u>1,832,557</u>			<u>2,285,492</u>			<u>2,687,191</u>			<u>2,692,764</u>
			<u>3,102,550</u>			<u>4,264,176</u>			<u>5,398,916</u>			<u>6,198,991</u>

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During the Track Record Period, the Group did not violate any financial covenants under the agreements of bank borrowings and other borrowings.

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Analyzed as:				
Bank borrowings:				
Within one year	765,407	1,151,518	2,054,451	3,090,813
Second year	37,400	64,675	201,048	230,122
Third to fifth year	158,830	145,325	800,242	937,181
After the fifth year	1,570,050	1,948,346	1,408,945	1,397,036
	<u>2,531,687</u>	<u>3,309,864</u>	<u>4,464,686</u>	<u>5,655,152</u>
Other borrowings:				
Within one year	504,586	827,166	657,274	415,414
Second year	53,164	87,351	167,045	82,012
Third to fifth year	13,113	39,795	109,911	46,413
	<u>570,863</u>	<u>954,312</u>	<u>934,230</u>	<u>543,839</u>
	<u>3,102,550</u>	<u>4,264,176</u>	<u>5,398,916</u>	<u>6,198,991</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, interest-bearing bank borrowings of the Group amounted to RMB560,000,000, RMB411,000,000, RMB130,000,000 and nil respectively, which were guaranteed by the Shanxi CIG.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the interest-bearing other borrowings which were amounted to RMB247,972,000, RMB561,645,000, RMB500,508,000 and RMB184,905,000, respectively, which were provided by the related parties, who are controlled by the Shanxi CIG. As at December 31, 2022 and June 30, 2023, the interest-bearing other borrowings was amounted to RMB100,000,000 and RMB95,002,000, which was provided by the related party, who is controlled by SSCO. The interest-bearing other borrowings from related parties, who are controlled by Shanxi CIG, are expected to be repaid before the [REDACTED].

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain trade and bills receivable with net carrying amount of RMB460,998,000, RMB702,624,000, RMB828,866,000 and RMB813,665,000 respectively had been pledged for bank borrowings and other borrowings granted to the Group, details of which were set out in note 44.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain equipment and components controlled by customers with net carrying amount of RMB531,147,000, RMB202,858,000, RMB620,805,000 and RMB625,977,000 respectively had been pledged for bank borrowings and other borrowings granted to the Group.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain contract assets and receivables under service concession arrangements of PPP projects with net carrying amounts of RMB2,347,987,000, RMB2,719,455,000, RMB2,285,378,000 and RMB2,677,332,000 respectively had been pledged for bank borrowings granted to the Group, details of which were set out in note 44.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, interest-bearing bank borrowings with collateral and interest-bearing borrowings without collateral amounted to RMB962,330,000, RMB1,580,208,000, RMB2,245,407,000 and RMB3,122,956,000 respectively, which were jointly guaranteed by the Shanxi CIG and other related parties of the Group. The guarantees are expected to be released before the [REDACTED].

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The Company

	2020		As at December 31,				2022		As at June 30,			
			2021						2023			
	Actual interest rate (%)	Maturity	Actual interest rate (%)	Maturity	Actual interest rate (%)	Maturity	Actual interest rate (%)	Maturity	Actual interest rate (%)	Maturity	Actual interest rate (%)	Maturity
		RMB'000			RMB'000			RMB'000			RMB'000	
Current liabilities												
Bank borrowings – unguaranteed		–	4.46-5.35	2022	450,364	4.30-5.35	2023	690,000	2.55-4.70	2024	1,481,685	
Bank borrowings – guaranteed	4.35-5.35	2021	560,736	4.30-5.22	2022	411,558	4.35-5.22	2023	130,000		–	
Bank borrowings – secured		–	4.90	2022	100,000			–			–	
Other borrowings – unguaranteed	4.50-8.80	2021	207,984	4.50-8.80	2022	523,660	4.50-8.80	2023	300,017	8.60-8.80	2024	40,000
Other borrowings – secured	5.22-5.87	2021	125,215	5.87	2022	50,000	5.20-8.70	2023	25,918	6.30-8.70	2024	59,380
			<u>893,935</u>		<u>1,535,582</u>			<u>1,145,935</u>			<u>1,581,065</u>	
Current portion of long-term borrowings (Note 37)												
Bank borrowings – unguaranteed	6.65-9.00	2021	15,210		–			–			–	
Other borrowings – secured	7.32-11.06	2021	171,387	6.90-10.79	2022	253,506	6.90-10.79	2023	310,239	5.30-10.79	2024	296,034
			<u>186,597</u>		<u>253,506</u>			<u>310,239</u>			<u>296,034</u>	
Non-current liabilities												
Bank borrowings – unguaranteed		–			–	4.65-4.70	2025	200,000	4.65	2025	200,000	
Other borrowings – secured	7.32-11.06	2023	66,277	7.32-10.79	2024	127,146	6.90-10.79	2026	244,956	5.30-10.79	2026	106,425
			<u>66,277</u>		<u>127,146</u>			<u>444,956</u>			<u>306,425</u>	
			<u>1,146,809</u>		<u>1,916,234</u>			<u>1,901,130</u>			<u>2,183,524</u>	

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During the Track Record Period, the Company did not violate any financial covenants under the agreements of bank borrowings and other borrowings.

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Analyzed as:				
Bank borrowings:				
Within one year	575,946	961,922	820,000	1,481,685
Second year	–	–	–	200,000
Third to fifth year	–	–	200,000	–
	<u>575,946</u>	<u>961,922</u>	<u>1,020,000</u>	<u>1,681,685</u>
Other borrowings:				
Within one year	504,586	827,166	636,174	395,414
Second year	53,164	87,351	151,045	60,012
Third to fifth year	13,113	39,795	93,911	46,413
	<u>570,863</u>	<u>954,312</u>	<u>881,130</u>	<u>501,839</u>
	<u>1,146,809</u>	<u>1,916,234</u>	<u>1,901,130</u>	<u>2,183,524</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain trade and bills receivable of the Company with net carrying amount of RMB455,998,000, RMB698,424,000, RMB546,866,000 and RMB531,665,000 respectively had been pledged for bank borrowings and other borrowings granted to the Company, details of which were set out in note 44.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, certain equipment and components controlled by customers with net carrying amount of RMB531,147,000, RMB202,858,000, RMB570,652,000 and RMB575,825,000 respectively had been pledged for bank borrowings and other borrowings granted to the Company.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, interest-bearing bank borrowings and interest-bearing borrowings without collateral of the Company amounted to RMB784,402,000, RMB1,385,619,000, RMB1,190,017,000 and RMB1,720,000,000 respectively, which were jointly guaranteed by the controlling shareholders and other related parties of the Company.

36. TAX PAYABLE

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Corporate income tax	<u>32,753</u>	<u>15,808</u>	<u>32,704</u>	<u>19,730</u>

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The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Corporate income tax	–	–	–	–

37. CURRENT PORTION OF NON-CURRENT LIABILITIES

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Current portion of long-term borrowings (Note 35)	315,189	428,102	510,400	522,205
Current portion of deferred income (Note 38)	–	–	–	1,046
Current portion of long-term payables (Note 34)	2,419	–	–	300,000
Current portion of lease liabilities (Note 39)	3,375	3,600	4,501	4,794
Total	<u>320,983</u>	<u>431,702</u>	<u>514,901</u>	<u>828,045</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Current portion of long-term borrowings (Note 35)	186,597	253,506	310,239	296,034
Current portion of lease liabilities (Note 39)	1,622	2,337	2,671	2,243
Current portion of long-term payables (Note 34)	–	–	–	300,000
Total	<u>188,219</u>	<u>255,843</u>	<u>312,910</u>	<u>598,277</u>

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38. DEFERRED INCOME

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Government grants				
Subsidies for construction projects (Note)	–	–	23,000	23,000
Less: current portion of deferred income (Note 37)	–	–	–	(1,046)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>23,000</u>	<u>21,954</u>

Note: Shanxi Shan'an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司), a subsidiary of the Company, received subsidies amounted to RMB23,000,000 granted by Shanxi Provincial Department of Finance (山西省財政廳) in relation to the construction on the waste recycling project (phase I) in Shanxi Transformation Comprehensive Reform Demonstration Zone Xiaohu Industrial Park (山西轉型綜合改革示範區瀋河產業園區) in March 2022. Pursuant to the document (Jin Cai Zi Huan [2021] No. 103) issued by Shanxi Provincial Department of Finance, the ownership of the completed waste treatment facilities shall belong to the Group. The project is under construction in progress as at December 31, 2022 and has completed in June 2023. The Group has recognized the amount received as deferred income, which will be amortised to profit or loss on a straight-line basis over the expected life of the related assets.

39. LEASE LIABILITIES

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Total minimum lease payments				
Due within one year	7,038	7,268	7,920	8,326
Due within second to fifth year	26,348	24,073	25,509	23,254
Due after fifth years	99,574	95,092	86,629	93,990
	<u>132,960</u>	<u>126,433</u>	<u>120,058</u>	<u>125,570</u>
Future finance charges on lease liabilities	(59,372)	(54,504)	(49,257)	(50,043)
Present value of lease liabilities	<u>73,588</u>	<u>71,929</u>	<u>70,801</u>	<u>75,527</u>

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The following table shows the remaining contractual maturities of the Group’s lease liabilities:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Present value of minimum lease payments				
Due within one year	3,375	3,600	4,501	4,794
Due within second to fifth year	10,153	9,809	10,909	10,092
Due after fifth years	60,060	58,520	55,391	60,641
	<u>73,588</u>	<u>71,929</u>	<u>70,801</u>	<u>75,527</u>
Less: Portion due within one year included under current liabilities (Note 37)	<u>(3,375)</u>	<u>(3,600)</u>	<u>(4,501)</u>	<u>(4,794)</u>
Portion due after one year included under non-current liabilities	<u>70,213</u>	<u>68,329</u>	<u>66,300</u>	<u>70,733</u>

As at December 31, 2020, 2021 and 2022 and June 30, 2023, lease liabilities of RMB73,588,000, RMB71,929,000, RMB70,801,000 and RMB75,527,000 respectively were secured by underlying assets. As at December 31, 2020, 2021, 2022 and June 30, 2023, the Group signed three, five, two and eight lease agreements respectively, for the purpose of, inter alia, an existing centralized heating facilities for a lease term of 20 years, 14 pieces of land for lease terms of 25-50 years and 18 office buildings for lease terms of 1-5 years, and cash outflow from the lease amounted to RMB18,843,000, RMB15,403,000, RMB20,949,000 and RMB23,464,000 respectively.

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Total minimum lease payments				
Due within one year	1,949	2,786	2,863	2,352
Due within second to fifth year	7,207	6,147	2,397	1,437
	<u>9,156</u>	<u>8,933</u>	<u>5,260</u>	<u>3,789</u>
Future finance charges on lease liabilities	<u>(3,408)</u>	<u>(2,513)</u>	<u>(270)</u>	<u>(279)</u>
Present value of lease liabilities	<u>5,748</u>	<u>6,420</u>	<u>4,990</u>	<u>3,510</u>

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The following table shows the remaining contract of the Company’s lease liabilities:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Present value of total minimum lease payments				
Due within one year	1,622	2,337	2,671	2,243
Due within second to fifth year	4,126	4,083	2,319	1,267
	5,748	6,420	4,990	3,510
Less: Portion due within one year included under current liabilities (Note 37)	(1,622)	(2,337)	(2,671)	(2,243)
Portion due after one year included under non-current liabilities	4,126	4,083	2,319	1,267

As at December 31, 2020, 2021 and 2022 and June 30, 2023, lease liabilities of RMB5,748,000, RMB6,420,000, RMB4,990,000 and RMB3,510,000 respectively were secured by underlying assets. As at December 31, 2020, 2021 and 2022 and June 30, 2023, the Company signed two, five, one and two lease agreements respectively, for the purpose of 12 office buildings for lease terms of 1-5 years, and cash outflow from the lease amounted to RMB18,843,000, RMB15,403,000, RMB15,574,000 and RMB7,997,000 respectively.

40. SHARE CAPITAL

The Group and the Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Share capital	800,000	1,000,000	1,000,000	1,000,000

The changes in share capital are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Paid-in capital/Nominal value of ordinary shares				
At the beginning of the year/period	600,000	800,000	1,000,000	1,000,000
Capital injection from shareholders (Notes i, ii and iii)	200,000	200,000	–	–
At the end of the year/period	800,000	1,000,000	1,000,000	1,000,000
Number of ordinary shares (thousands) (Note iii)	N/A	1,000,000	1,000,000	1,000,000

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Notes:

- (i) Pursuant to the resolution passed by the Board in 2020, the paid-up capital of the Company was increased by RMB200,000,000. The paid-up capital of the Company was increased to RMB800,000,000 by the Shareholders in June 2020.
- (ii) Pursuant to the resolution passed by the Board in 2021, the paid-up capital of the Company was increased by RMB200,000,000. In August 2021, the paid-up capital of the Company increased to RMB1,000,000,000 after further injection of RMB200,000,000 by the Shareholders.
- (iii) The Company was a limited liability company and converted into a joint stock company with limited liability in December 2021. The equity of the Company of RMB1,272,206,000 had been converted into the share capital and the capital reserve of the joint stock limited company, each being RMB1,000,000,000 and RMB272,206,000. The share capital of the Company after conversion was RMB1,000,000,000, divided into 1,000,000,000 ordinary shares of RMB1 each.

41. RESERVE

(a) The Group

During the Track Record Period, the amounts of the Group’s reserves and the changes therein are presented in the consolidated statement of changes in equity.

(b) The Company

	Paid-in capital/ share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2020	600,000	19,991	67,853	–	37,451	297,612	1,022,907
Profit for the year	–	–	–	–	–	86,010	86,010
Other comprehensive income for the year	–	–	1,383	–	–	–	1,383
Total comprehensive income for the year	–	–	1,383	–	–	86,010	87,393
Capital injection from the equity holders of the Company	200,000	–	–	–	–	–	200,000
Appropriation of statutory surplus reserve	–	–	–	–	8,601	(8,601)	–
Dividends declared and paid (<i>Note 13</i>)	–	–	–	–	–	(99,671)	(99,671)
Provision of special reserve	–	–	–	142,229	–	–	142,229
Utilization of special reserve	–	–	–	(142,229)	–	–	(142,229)
	200,000	–	–	–	8,601	(108,272)	100,329

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	Paid-in capital/ share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2020 and January 1, 2021	800,000	19,991	69,236	–	46,052	275,350	1,210,629
Profit for the year	–	–	–	–	–	82,268	82,268
Other comprehensive expense for the year	–	–	(2,337)	–	–	–	(2,337)
Total comprehensive (expense)/income for the year	–	–	(2,337)	–	–	82,268	79,931
Capital injection from the equity holders of the Company	200,000	272,206	–	–	(46,052)	(226,154)	200,000
Deemed distribution to equity holders of the Company	–	(13,694)	–	–	–	16,919	3,225
Appropriation of statutory surplus reserve	–	–	–	–	1,171	(1,171)	–
Dividends declared and paid (<i>Note 13</i>)	–	–	–	–	–	(113,469)	(113,469)
Provision of special reserve	–	–	–	184,427	–	–	184,427
Utilization of special reserve	–	–	–	(184,344)	–	–	(184,344)
	<u>200,000</u>	<u>258,512</u>	<u>–</u>	<u>83</u>	<u>(44,881)</u>	<u>(323,875)</u>	<u>89,839</u>
As at December 31, 2021	<u><u>1,000,000</u></u>	<u><u>278,503</u></u>	<u><u>66,899</u></u>	<u><u>83</u></u>	<u><u>1,171</u></u>	<u><u>33,743</u></u>	<u><u>1,380,399</u></u>

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	Paid-in capital/ share capital RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at January 1, 2022	1,000,000	278,503	66,899	83	1,171	33,743	1,380,399
Profit for the year	-	-	-	-	-	75,264	75,264
Other comprehensive income for the year	-	-	11,381	-	-	-	11,381
Total comprehensive income for the year	-	-	11,381	-	-	75,264	86,645
Appropriation to statutory surplus reserve	-	-	-	-	7,526	(7,526)	-
Dividends declared (Note 13)	-	-	-	-	-	(28,767)	(28,767)
Provision of special reserve	-	-	-	181,995	-	-	181,995
Utilization of special reserve	-	-	-	(182,078)	-	-	(182,078)
	-	-	-	(83)	7,526	(36,293)	(28,850)
As at December 31, 2022 and January 1, 2023	1,000,000	278,503	78,280	-	8,697	72,714	1,438,194
Profit for the period	-	-	-	-	-	39,824	39,824
Other comprehensive income for the period	-	-	1,165	-	-	-	1,165
Total comprehensive income for the period	-	-	1,165	-	-	39,824	40,989
Appropriation to statutory surplus reserve	-	-	-	-	3,982	(3,982)	-
Dividends declared (Note 13)	-	-	-	-	-	(71,678)	(71,678)
Provision of special reserve	-	-	-	62,973	-	-	62,973
Utilization of special reserve	-	-	-	(62,973)	-	-	(62,973)
	-	-	-	-	3,982	(75,660)	(71,678)
As at June 30, 2023	<u>1,000,000</u>	<u>278,503</u>	<u>79,445</u>	<u>-</u>	<u>12,679</u>	<u>36,878</u>	<u>1,407,505</u>

Capital reserve

Capital reserve comprises share premium and the impact of the conversion to a joint stock limited company and other capital reserve. During the Track Record Period, the amounts of the Company’s capital reserve and the movements therein are presented in the consolidated statements of changes in equity.

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Translation reserve

Translation reserve comprises all foreign exchange differences arising from translating the financial statements of foreign operations. The reserve is treated in accordance with the accounting policy in note 3.2.

Special reserve

The Group has appropriated a certain amount of retained earnings to a special reserve fund for the three years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023 for safety production expense purposes under the rules issued by 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 an equal amount of such special reserve fund was utilized and transferred back to retained earnings until such special reserve was fully utilized.

Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves fund until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalization is not less than 25% of the registered capital.

Other reserves

Other reserves comprise the fair value of financial assets at FVOCI (non-recycling) and remeasurement of defined benefit. During the Track Record Period, the amounts of the Company’s other reserves and the movements therein are presented in the consolidated statements of changes in equity.

Non-controlling interests

The detailed financial information of the principal NCIs is set out below:

	Principal place of business/ country of incorporation	Percentage of ownership interests and voting rights held by NCIs	As at December 31, 2020								Carrying amount of NCIs RMB'000
			Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets		
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Shan'an Bluesky	China/ Mainland China	44%	393,167	542,653	935,820	(116,050)	(332,794)	(448,844)	486,976	208,778	
Shanxi Shan'an Lide Environmental Technology Company Limited	China/ Mainland China	20.66%	14,839	56,075	70,914	(31,787)	-	(31,787)	39,127	8,677	
Shanxi Ningyang Energy Company Limited	China/ Mainland China	49%	12,421	241,471	253,892	(177,757)	(62,280)	(240,037)	13,855	7,286	
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/ Mainland China	10.90%	44,469	578,845	623,314	(190,154)	(322,613)	(512,767)	110,547	11,622	
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/ Mainland China	19.66%	156,441	187,013	343,454	(4,402)	(273,460)	(277,862)	65,592	12,878	

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For the year ended December 31, 2020

	Revenue <i>RMB'000</i>	Profit/ (loss) for the year <i>RMB'000</i>	Total comprehensive income/(loss) for the year <i>RMB'000</i>	Profit and loss attributable to NCIs <i>RMB'000</i>	Dividend paid to NCIs <i>RMB'000</i>	Cash flows generated from/ (used in) operating activities <i>RMB'000</i>	Cash flows (used in)/ generated from investing activities <i>RMB'000</i>	Cash flows generated from financing activities <i>RMB'000</i>	Net (decrease)/ increase in cash and cash equivalents <i>RMB'000</i>
Shan'an Bluesky	382,982	132,321	132,321	1,540	–	126,191	(44,906)	(237,863)	(156,578)
Shanxi Shan'an Lide Environmental Technology Company Limited	12,386	1,263	1,263	261	–	(33,782)	(1,411)	35,200	7
Shanxi Ningyang Energy Company Limited	173,101	(3,083)	(3,083)	(1,511)	–	10,799	(7,272)	(6,369)	(2,842)
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	20,217	(2,426)	(2,426)	(264)	–	44,085	(250,803)	200,564	(6,154)
Jiexiu Shan'an Waterwork Construction Development Company Limited	9,522	(3,851)	(3,851)	(757)	–	2,519	(200,076)	202,484	4,927

As at December 31, 2021

	Principal place of business/ country of incorporation	Percentage of ownership interests and voting rights held by NCIs	Current assets <i>RMB'000</i>	Non- current assets <i>RMB'000</i>	Total assets <i>RMB'000</i>	Current liabilities <i>RMB'000</i>	Non- current liabilities <i>RMB'000</i>	Total liabilities <i>RMB'000</i>	Net assets <i>RMB'000</i>	Carrying amount of NCIs <i>RMB'000</i>
Shan'an Bluesky	China/ Mainland China	44%	409,161	535,130	944,291	(104,302)	(304,709)	(409,011)	535,280	229,087
Shanxi Shan'an Lide Environmental Technology Company Limited	China/ Mainland China	20.66%	58,145	180,501	238,646	(83,998)	(107,309)	(191,307)	47,339	10,374
Shanxi Ningyang Energy Company Limited	China/ Mainland China	49%	6,158	234,590	240,748	(178,637)	(17,500)	(196,137)	44,611	22,356
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/ Mainland China	10.90%	49,628	611,812	661,440	(157,131)	(371,213)	(528,344)	133,096	12,689
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/ Mainland China	19.66%	96,921	328,968	425,889	(71,009)	(290,280)	(361,289)	64,600	12,708

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For the year ended December 31, 2021

	Revenue	Profit/ (loss) for the year	Total comprehensive income/(loss) for the year	Profit and loss attributable to NCIs	Dividend paid to NCIs	Cash flows generated from/ (used in) operating activities	Cash flows generated from/ (used in) investing activities	Cash flows generated from/ (used in) financing activities	Net increase/ (decrease) in cash and equivalents
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shan'an Bluesky	380,685	98,305	98,305	2,149	-	85,208	100,430	(102,336)	83,302
Shanxi Shan'an Lide Environmental Technology Company Limited	101,707	8,211	8,211	1,696	-	(2,311)	(129,372)	133,109	1,426
Shanxi Ningyang Energy Company Limited	257,044	30,755	30,755	15,070	-	60,956	(10,676)	(49,976)	304
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	41,982	9,781	9,781	1,066	-	39,501	(93,095)	39,958	(13,636)
Jiexiu Shan'an Waterwork Construction Development Company Limited	10,579	(8,545)	(8,545)	(1,680)	-	11,095	(34,277)	20,449	(2,733)

As at December 31, 2022

	Principal place of business/ country of incorporation	Percentage of ownership interests and voting rights held by NCIs	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Carrying amount of NCIs
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shan'an Bluesky	China/Mainland China	43.23%	609,375	492,865	1,102,240	(145,200)	(308,723)	(453,923)	648,317	272,553
Shanxi Shan'an Lide Environmental Technology Company Limited	China/Mainland China	15.62%	126,591	254,762	381,353	(140,452)	(174,041)	(314,493)	66,860	11,393
Shanxi Ningyang Energy Company Limited	China/Mainland China	49.00%	12,805	221,763	234,568	(160,657)	(10,500)	(171,157)	63,411	31,521
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/Mainland China	9.38%	138,911	528,299	667,210	(143,040)	(377,178)	(520,218)	146,992	13,631
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/Mainland China	24.72%	55,002	381,082	436,084	(81,360)	(294,515)	(375,875)	60,209	14,891

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	For year ended December 31, 2022								
	Revenue	Profit/(loss) for the year	Total comprehensive income/(loss) for the year	Profit and loss attributable to NCI	Dividend paid to NCI	Cash flows generated from operating activities	Cash flows used in investing activities	Cash flows generated from financing activities	Net increase/(decrease) in cash and equivalents
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shan'an Bluesky	406,456	103,037	103,037	43,465	–	175,678	(187)	(5,634)	169,857
Shanxi Shan'an Lide Environmental Technology Company Limited	72,634	6,524	6,524	1,019	–	36,124	(58,615)	43,982	21,491
Shanxi Ningyang Energy Company Limited	308,896	18,800	18,800	9,165	–	36,618	(1,227)	(35,909)	(518)
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	40,941	10,051	10,051	943	–	48,257	(32,600)	(12,336)	3,321
Jiexiu Shan'an Waterwork Construction Development Company Limited	3,645	(11,950)	(11,950)	(2,954)	–	14,469	(32,081)	7,124	(10,488)

As at June 30, 2023

	Principal place of business/ country of incorporation	Percentage of ownership interests and voting rights held by NCIs	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Carrying amount of NCIs
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shan'an Bluesky	China/Mainland China	43.23%	570,146	596,429	1,166,575	(145,324)	(304,012)	(449,336)	717,239	320,217
Shanxi Shan'an Lide Environmental Technology Company Limited	China/Mainland China	15.62%	137,836	271,980	409,816	(161,364)	(180,463)	(341,827)	67,989	11,569
Shanxi Ningyang Energy Company Limited	China/Mainland China	49.00%	19,240	215,243	234,483	(169,075)	(7,000)	(176,075)	58,408	29,047
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	China/Mainland China	9.38%	139,567	514,191	653,758	(137,093)	(362,146)	(499,239)	154,519	15,125
Jiexiu Shan'an Waterwork Construction Development Company Limited	China/Mainland China	24.72%	37,717	398,436	436,153	(99,264)	(282,025)	(381,289)	54,864	13,569

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	For six months ended June 30, 2023								
	Revenue <i>RMB'000</i>	Profit/ (loss) for the period <i>RMB'000</i>	Total comprehensive income/(loss) for the period <i>RMB'000</i>	Profit and loss attributable to NCIs <i>RMB'000</i>	Dividend paid to NCIs <i>RMB'000</i>	Cash flows (used in)/ generated from operating activities <i>RMB'000</i>	Cash flows (used in)/ generated from investing activities <i>RMB'000</i>	Cash flows (used in)/ generated from financing activities <i>RMB'000</i>	Net (decrease)/ increase in cash and cash equivalents <i>RMB'000</i>
Shan'an Bluesky	283,475	68,922	68,922	29,795	–	(37,862)	(35,561)	(7,461)	(80,884)
Shanxi Shan'an Lide Environmental Technology Company Limited	46,414	1,129	1,129	176	–	(8,384)	(31,189)	17,258	(22,315)
Shanxi Ningyang Energy Company Limited	140,345	(5,002)	(5,002)	(2,451)	–	(904)	4	9,771	8,871
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited	21,489	6,704	6,704	629	–	48,518	20	(36,852)	11,686
Jiexiu Shan'an Waterwork Construction Development Company Limited	1,008	(5,344)	(5,344)	(1,321)	–	21,897	(3,173)	(22,328)	(3,604)

42. DISPOSAL OF SUBSIDIARIES

42.1 Disposal of Yunnan Huaxi New Energy Development Co. Ltd. and Malone Xiehe Wind Power Co., Ltd.

In December 2020, the Group has entered into a sale and purchase agreement with an independent third party to dispose of the entire interest of Yunnan Huaxi New Energy Development Co. Ltd. (雲南華義新能源發展有限公司) and its subsidiary of Malone Xiehe Wind Power Co., Ltd. (馬龍協合風力發電有限公司), for the consideration of RMB6,409,000.

	2020 <i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment	397,989
Deferred tax assets	1
Cash and cash equivalents	1,268
Prepayments, deposits and other receivables	95,961
Trade receivables and bills receivable	2,869
Trade payables and bills payable	(101,038)
Other payables and accruals	(144,773)
Other borrowings	(249,530)
	<hr/>
Net assets disposed of	2,747
Consideration for the transaction	6,409
	<hr/>
Gain on disposal of subsidiaries	<u>3,662</u>

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	For the year ended December 31,	
	2020	2021
	RMB’000	RMB’000
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:		
Cash consideration	3,054	3,355
Cash and bank balances disposed of	(1,268)	–
	<u>1,786</u>	<u>3,355</u>
Net cash inflow	<u>1,786</u>	<u>3,355</u>

42.2 Disposal of Shanxi Xu’an Real Estate Development Co., Ltd. (“Shanxi Xu’an”)

In August 2021, the Group has entered into a sale and purchase agreement with a related party, Shanxi Construction Investment City Operation Group., Ltd. (山西建投城市運營集團有限公司), who is wholly owned by Shanxi CIG, to dispose of the entire interest of Shanxi Xu’an for the consideration of RMB31,772,000.

	2021
	RMB’000
Net assets disposed of:	
Property, plant and equipment	129
Intangible assets	4
Cash and cash equivalents	3,414
Prepayments, deposits and other receivables	10,583
Trade receivables	15,786
Properties under development	192,595
Inventories	31,666
Trade payables and bills payable	(61,901)
Other payables and accruals	(168,613)
Contract liabilities	(403)
Employee benefits payable	(7)
Tax payable	(574)
	<u>22,679</u>
Net assets disposed of	22,679
Consideration for the transaction	31,772
	<u>9,093</u>
Gain on disposal of subsidiary	<u>9,093</u>
An analysis of the net cash inflow in respect of the disposal of subsidiary for the year ended December 31, 2021 is as follows:	
Cash consideration first installment (<i>note</i>)	16,000
Cash and bank balances disposed of	(3,414)
	<u>12,586</u>
Net cash inflow	<u>12,586</u>

Note: As at December 31, 2021 and 2022 and June 30, 2023, the remaining consideration payable of RMB15,772,000, RMB5,772,000 and RMB5,772,000 were recognized in other receivables, the amounts are interest-free and repayable on demand term.

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42.3 Disposal of Yu’an Hengchuang

As at December 31, 2020, the Company directly owned 51% equity interest of Yu’an Hengchuang. In December 2021, the Company disposed its 31% equity interests in Yu’an Hengchuang to Shanxi Exquisite Construction Workforce Company Limited without consideration, who is indirectly wholly-owned by Shanxi CIG.

	2021 <i>RMB’000</i>
Net assets disposed of:	
Property, plant and equipment	31,023
Right-of-use assets	820
Cash and cash equivalents	12,757
Prepayments, deposits and other receivables	287,989
Deferred tax assets	69
Trade receivables	1,172,549
Inventories	1,782
Bank and other borrowings	(10,193)
Trade payables and bills payable	(1,387,374)
Other payables and accruals	(40,798)
Contract liabilities	(580)
Employee benefits payable	(306)
Tax payable	(22,958)
Lease liabilities	(605)
	44,175
Net asset value	44,175
Net asset value held by the equity holders of the Company	22,530
Carry amount of the residual interest recognized as investment in associates (Note 21)	(8,836)
Reduction in capital reserve for deemed distribution to equity holders of the Company*	(13,694)
	-
An analysis of the net cash outflow in respect of the disposal of the subsidiary is as follows:	
Cash and bank balances disposed of	(12,757)
Net cash outflow	(12,757)

* The disposal was a deemed distribution among the Company, the value of Yu’an Hengchuang’s assets that transferred to Shanxi CIG was deducted from the capital reserve of the Company. This reduction in capital reserve represented the fact that relevant assets are no longer owned by the Company, and are owned by Shanxi CIG upon the disposal of Yu’an Hengchuang. Hence, there is the reduction in capital reserve for deemed distribution of the subsidiary’s assets to equity holders of the Company.

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43. FINANCIAL GUARANTEE CONTRACT

The Group and the Company

As of December 31, 2020, 2021 and 2022 and June 30, 2023, the financial guarantee provided by the Group and the Company to subsidiaries and related parties amounted to approximately RMB3,912,686,000, RMB2,569,456,000, RMB3,237,487,000 and RMB3,772,648,000. Amongst which, as of June 30, 2023, the Group and the Company provided financial guarantees to the related parties as a joint guarantor with other shareholders of the project company in proportion to our equity interest in the project company for the bank loans procured for the financing of a construction project. As of June 30, 2023, the outstanding balance of the relevant financial guarantees amounted to RMB8,085,000. Such financial guarantees issued by the Group are expected to be released upon maturity and full repayment of the relevant bank loans, and will not be released prior to or upon [REDACTED].

For bank guarantee provided by the Group, the utilization amount of bank financial guarantee by subsidiaries and related parties are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Guarantees provided to the bank in respect of the following borrowings:				
Subsidiaries	1,898,160	2,502,726	2,374,619	2,546,339
Related parties	568,311	66,730	60,550	8,085
	<u>2,466,471</u>	<u>2,569,456</u>	<u>2,435,169</u>	<u>2,554,424</u>

The above amounts represent the maximum exposure amounts of the Group and the Company under the financial guarantee contract. Given the low default rate and sound financial condition of relevant subsidiaries and related parties, the directors of the Company are of the view that the fair value of these financial guarantee contracts at initial recognition and at the end of each reporting period is insignificant.

The unutilized balances of the financial guarantee contract are as follows:

The Group and the Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Guarantees provided to the bank in respect of the following borrowings:				
Subsidiaries	1,158,093	–	802,318	1,213,998
Related parties	288,122	–	–	4,226
	<u>1,446,215</u>	<u>–</u>	<u>802,318</u>	<u>1,218,224</u>

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44. PLEDGED ASSETS

At the end of each Track Record Period, the Group’s certain assets have been pledged to secure bank borrowings and other borrowings granted to the Group. The gross book value of the pledged assets of the Group as at the end of the reporting period is as follows:

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Trade receivables and bills receivable (note 29)	460,998	702,624	828,866	813,665
Contract assets (note 20)	1,543,849	773,523	18,894	619,386
Receivables under service concession arrangements (note 20)	804,138	1,945,932	2,266,484	2,057,946
Restricted bank deposits (note 31)	269,646	328,983	748,105	597,762
	<u>3,078,631</u>	<u>3,751,062</u>	<u>3,862,349</u>	<u>4,088,759</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Trade receivable and bill receivables (note 29)	455,998	698,424	546,866	531,665
Restricted bank deposits (note 31)	269,646	328,983	747,505	597,162
	<u>725,644</u>	<u>1,027,407</u>	<u>1,294,371</u>	<u>1,128,827</u>

45. CONTINGENT LIABILITIES

(i) Litigation related to equipment purchase contract (“Equipment Purchase Contract”)

On July 29, 2021, a plaintiff (“Plaintiff A”), a supplier of the Group, filed a lawsuit with the Intermediate People’s Court of Taiyuan City, Shanxi Province, seeking an order for the Company to perform an Equipment Purchase Contract entered into with it and settle the remaining contract price of RMB21,559,000 (“Case 1”).

Plaintiff A have delivered part of the contracted equipment amounted total RMB22,100,400 and the Group have paid Plaintiff A RMB7,627,000. The Group considered that the equipment delivered doesn’t meet the technical requirement of contract and filed a counterclaim requesting to terminate the Equipment Purchase Contract and demanding Plaintiff A to refund the paid amount and the damages cost.

On November 8, 2021, the Intermediate People’s Court of Taiyuan City, Shanxi Province ruled that the Equipment Purchase Contract and the Technical Agreement entered into between the parties were terminated, the Company was ordered to pay Plaintiff A RMB14,473,000 for the goods delivered. The Company filed an appeal to the Shanxi High People’s Court on December 29, 2021. As of the reporting date, Case 1 was in the progress.

The Group have recognized the provision for the equipment received total RMB14,473,000 as at December 31, 2021 and 2022 and June 30, 2023 and the directors considered that case 1 would not have any material adverse effect on the Group.

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(ii) Litigation related to the construction of public infrastructure

On April 19, 2023, the Company received a notice dated 14 April 2023 from the Intermediate People’s Court of Hohhot (the “People’s Court”) that a plaintiff (“Plaintiff B”) filed a lawsuit with the People’s Court, seeking an order pursuant to a framework agreement in relation to the construction of public infrastructure entered into by the Company and District Government of Huimin District, Hohhot in July 2017 for, among others, (i) the payment of approximately RMB117,693,000, including RMB108,047,000 as contract sum and the remaining as interest payment owed by the Company, (ii) the confirmation of contractual relationship between Plaintiff B, the Company and the project owners for the construction work of the lighting works of 241 buildings in Hohhot (the “Lighting Works of 241 Buildings”), and (iii) the confirmation of supply of materials between Plaintiff B, the Company and the project owners for the Lighting Works of 241 Buildings (“Case 2”).

However, the Company only entered into contractual relationship with Plaintiff B in 2018 in relation to the lighting works for certain buildings (the “2018 Agreement”) with a contract sum of RMB9,300,000 where the Company has already paid RMB9,000,000 to Plaintiff B. As such, it is yet to be determined by the court whether Plaintiff B had carried out any work and entitled to payment in respect of the Lighting Works of the 241 Buildings.

Pursuant to the legal opinion from the legal advisor in relation to this lawsuit, the Directors of the Company considered that the People’s Court may support the claim on the outstanding contractual sum based on the 2018 Agreement, i.e. RMB300,000 and the relevant interest, considering that the Company has already paid RMB9,000,000 to Plaintiff B and all relevant invoices in relation to the 2018 agreement with a total amount of RMB9.3 million are provided by Plaintiff B to the Company while the chance that the People’s Court supports other claims of Plaintiff B is low. As of the reporting date, the Case 2 in the People’s Court is in process and yet to be ruled.

The Directors of the Company considered that Case 2’s remaining outstanding amount is insignificant, Case 2 would not have any material adverse effect on the Group.

46. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Interest-bearing bank loans and other borrowings <i>RMB’000</i>	Borrowings from related parties (included in other borrowings and other payable) <i>RMB’000</i>	Lease liabilities <i>RMB’000</i>
On January 1, 2020	3,162,112	377,000	68,914
Cash flows:			
– repayment	(1,657,122)	(22,467)	–
– proceeds	1,638,789	153,438	–
– repayment on capital element of lease liabilities	–	–	(4,480)
– repayment on interest element of lease liabilities	–	–	(3,392)
Non-cash transactions:			
– entering into a new lease	–	–	9,154
– interest expense	330	–	3,392
– disposal of a subsidiary (<i>note 42.1</i>)	(249,530)	–	–
On December 31, 2020 and January 1, 2021	2,894,579	507,971	73,588
Cash flows:			
– repayment	(1,327,876)	(550,171)	–
– proceeds	2,186,971	862,844	–
– repayment on capital element of lease liabilities	–	–	(2,701)
– repayment on interest element of lease liabilities	–	–	(3,552)

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	Interest-bearing bank loans and other borrowings <i>RMB’000</i>	Borrowings from related parties (included in other borrowings and other payable) <i>RMB’000</i>	Lease liabilities <i>RMB’000</i>
Non-cash transactions:			
– entering into a new lease	–	–	1,647
– interest expense	50	–	3,552
– disposal of a subsidiary (<i>note 42.3</i>)	(10,193)	–	(605)
	<hr/>	<hr/>	<hr/>
On December 31, 2021 and January 1, 2022	3,743,531	820,644	71,929
Cash flows:			
– repayment	(1,601,624)	(433,997)	–
– proceeds	2,648,323	518,360	–
– repayment on capital element of lease liabilities	–	–	(4,692)
– repayment on interest element of lease liabilities	–	–	(3,733)
Non-cash transactions:			
– entering into new leases	–	–	3,564
– interest expense	3,679	–	3,733
	<hr/>	<hr/>	<hr/>
On December 31, 2022	<u>4,793,909</u>	<u>905,007</u>	<u>70,801</u>
	Interest-bearing bank loans and other borrowings <i>RMB’000</i>	Borrowings from related parties (included in other borrowings and payable) <i>RMB’000</i>	Lease liabilities <i>RMB’000</i>
On January 1, 2023	4,793,909	905,007	70,801
Cash flows:			
– repayment	(809,895)	(355,079)	–
– proceeds	1,874,431	89,220	–
– repayment on capital element of lease liabilities	–	–	(3,471)
– repayment on interest element of lease liabilities	–	–	(1,924)
Non-cash transactions:			
– entering into a new lease	–	–	8,197
– interest expense	1,398	–	1,924
	<hr/>	<hr/>	<hr/>
On June 30, 2023	<u>5,859,843</u>	<u>639,148</u>	<u>75,527</u>

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	Interest- bearing bank loans and other borrowings <i>RMB’000</i>	Borrowings from related parties (included in other borrowings and payable) <i>RMB’000</i>	Lease liabilities <i>RMB’000</i>
On January 1, 2022	3,743,531	820,644	71,929
Cash flows:			
– repayment	(812,131)	(166,324)	–
– proceeds	1,307,689	363,260	–
– repayment on capital element of lease liabilities	–	–	(3,264)
– repayment on interest element of lease liabilities	–	–	(1,505)
Non-cash transactions:			
– interest expense	4,495	1,611	1,505
	<u>4,243,584</u>	<u>1,019,191</u>	<u>68,665</u>
On June 30, 2022 (unaudited)	<u>4,243,584</u>	<u>1,019,191</u>	<u>68,665</u>

47. OPERATING LEASE ARRANGEMENT

As a lessor

The Group rented investment properties in accordance with the operating lease arrangement (note 16), for a term of 6 months to 5 years as agreed. Tenants are generally required to pay deposits according to the terms of the leases and rents will be adjusted regularly based on the prevailing market conditions.

At the end of the Track Record Period, the Group’s total future aggregate minimum lease receipts under non-cancellable operating lease is as follows:

The Group and the Company

	As at December 31,			As at June 30,
	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Within one year	7,964	10,226	7,284	4,370
In the second to the fifth year	15,945	10,298	2,402	1,389
	<u>23,909</u>	<u>20,524</u>	<u>9,686</u>	<u>5,759</u>

As a lessee

At the end of the Track Record Period, the Group’s lease commitment for short term leases is as follows:

The Group and the Company

	As at December 31,			As at June 30,
	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Within one year	2,614	2,708	1,701	3,673

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48. CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the Track Record Period:

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
Contracted, but not provided				
Property, plant and equipment	46,965	31,005	30,200	39,626
Subscribed capital contribution of associated companies	–	86,660	104,460	123,835
	<u>46,965</u>	<u>117,665</u>	<u>134,660</u>	<u>163,461</u>

The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
Contracted, but not provided				
Subscribed capital contribution of associated companies	–	86,660	104,460	123,835
	<u>–</u>	<u>86,660</u>	<u>104,460</u>	<u>123,835</u>

49. RELATED PARTY TRANSACTIONS

(a) During the Track Record Period, the Group had the following material transactions with related parties, which are not disclosed elsewhere in the Historical Financial Information:

	Years ended December 31,			Six months ended	
	2020	2021	2022	June 30,	2023
	RMB’000	RMB’000	RMB’000	2022	2023
Associates					
Sales transactions:					
Specialized industrial construction	–	1,787	97,963	58,668	14,852
Specialized auxiliary construction	68,292	247,904	–	–	–
Other construction	48,035	24,383	23,521	23,500	526
Non-construction	2,308	1,699	12,170	2,904	1,692
	<u>118,635</u>	<u>275,773</u>	<u>133,654</u>	<u>85,072</u>	<u>17,070</u>

(Unaudited)

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	Years ended December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Procurement transactions#:					
Payment for materials	98,884	324,804	–	–	–
Payment for construction	–	572	–	–	–
Payment for equipment	–	1,526	356	124	–
Lease payment	–	–	8,144	6,835	–
Service fees	40	464	7,652	3,927	4,765
	98,924	327,366	16,152	10,886	4,765
Other transaction:					
Interest income	32,839	–	107	–	1,174
Affiliates under common control by Shanxi CIG*					
Sales transactions:					
Specialized industrial construction	3,576	115,509	125,063	4,421	143,884
Specialized auxiliary construction	132,476	36,909	211,622	65,731	67,480
Other construction	26,792	43,279	239,889	20,757	105,058
Non-construction	19,534	186,850	162,968	73,981	56,779
	182,378	382,547	739,542	164,890	373,201
Procurement transactions:					
Payment for materials	43,400	200,242	1,131,356	398,878	442,806
Payment of labor forces	21,965	67,704	1,932	645	743
Payment for construction	16,388	3,866	79,771	51,529	12,649
Lease payments	509	980	4,962	635	3,598
Payment for equipment	3,014	6,836	1,433	60	–
Service fees	228	40,752	1,028	674	1,393
Purchase of land use right	–	60,027	–	–	–
	85,504	380,407	1,220,482	452,421	461,189
Other transactions:					
Gain on disposal of a subsidiary <i>(note 42.2)</i>	–	9,093	–	–	–
Interest income	–	16,364	1,767	514	–
Finance charge on factoring <i>(Note 7)</i>	–	–	9,534	–	–
Interest expense	66,351	67,351	96,178	34,474	14,505

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	Years ended December 31,			Six months ended	
	2020	2021	2022	June 30, 2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<i>(Unaudited)</i>					
Affiliates under common control by SSCO (山西國運) (excluding Shanxi CIG)					
Sales transactions:					
Specialized industrial construction	55,632	126,152	353,577	66,636	200,834
Specialized auxiliary construction	120,683	209,851	9,303	17,626	6,047
Other construction	61,328	19,439	50,237	46,204	16,172
Non-construction	281,643	277,192	274,648	155,702	152,237
	519,286	632,634	687,765	286,168	375,290
Procurement transactions:					
Payment for materials	170,376	154,111	537,867	244,925	126,903
Payment of labor forces	172	104	141	141	–
Payment for construction	2,449	9,894	6,154	1,612	226
Payment for equipment	–	3,120	20,478	14,922	195
Service fees	648	279	525	96	–
	173,645	167,508	565,165	261,696	127,324
Other transaction:					
Interest expense	–	–	7,360	–	1,936
Yu’an Hengchuang					
<i>(Note)</i>					
Procurement transactions:					
Payment of labor forces	2,165,065	3,061,901	529,655	395,366	99,401
Less: inter-group transaction	(2,165,065)	(3,045,123)	–	–	–
	–	16,778	529,655	395,366	99,401

* Not include associates which are also affiliates under control by Shanxi CIG.

Not included transaction of the payment of labor forces with Yu’an Hengchuang

Note: As at December 31, 2020, the Company owned 51% equity interest of Yu’an Hengchuang. The Company disposed its 31% equity interest in Yu’an Hengchuang in December 2021 refer to note 42.3 for details.

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(b) Outstanding balances with related parties:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade receivables and bills receivable:				
Associates				
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	–	–	37,749	54,735
Changzhi Caihui Shan'an Energy Technology Co., Ltd.	236,491	554,207	–	–
Taiyuan Xie'an Property Service Co., Ltd.	–	–	271	195
Shanxi Jiantou Cloud Data Technology Co., Ltd.	–	96	–	201
Yu'an Hengchuang	–	–	9,946	10,906
Shanxi Jianfa Comprehensive Energy Development Co., Ltd.	–	948	8,786	6,871
	<u>236,491</u>	<u>555,251</u>	<u>56,752</u>	<u>72,908</u>
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	251,793	150,482	614,119	567,035
Affiliates under common control by SSCO (excluding Shanxi CIG)	<u>160,691</u>	<u>272,652</u>	<u>471,043</u>	<u>458,070</u>
	<u>412,484</u>	<u>423,134</u>	<u>1,085,162</u>	<u>1,025,105</u>
Total	<u>648,975</u>	<u>978,385</u>	<u>1,141,914</u>	<u>1,098,013</u>
Trade payables:				
Associates				
Taiyuan Xie'an Property Service Co., Ltd.	–	–	1,252	1,997
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	66,353	66,000	–	–
Yu'an Hengchuang	<u>–</u>	<u>–</u>	<u>281,854</u>	<u>276,528</u>
	<u>66,353</u>	<u>66,000</u>	<u>283,106</u>	<u>278,525</u>

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	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	50,321	185,461	516,193	837,628
Affiliates under common control by SSCO (excluding Shanxi CIG)	20,759	520,367	184,600	113,184
	71,080	705,828	700,793	950,812
	137,433	771,828	983,899	1,229,337
Prepayments, deposits and other receivables:				
Trade in nature				
Associates				
Taiyuan Xie’an Property Service Co., Ltd.	–	–	195	–
Yu’an Hengchuang	–	–	45,575	16,688
Shanxi Jiantou Cloud Data Technology Co., Ltd.	–	–	–	36
	–	–	45,770	16,724
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	2,933	2,206	25,798	27,280
Affiliates under common control by SSCO (excluding Shanxi CIG)	19,083	105,973	33,493	5,212
	22,016	108,179	59,291	32,492
	22,016	108,179	105,061	49,216
Non-trade in nature (Note)				
Associates				
Shanxi Construction Investment International Investment Co., Ltd.	–	–	23,532	15,705
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan’an Xiaohe Construction Industry Co., Ltd.	–	–	7,682	–
	–	–	31,214	15,705

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	As at December 31,			As at
	2020	2021	2022	June 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023 <i>RMB’000</i>
Former associates				
Jincheng Danhe Huada Real Estate Development Co., Ltd.	63,647	29,000	29,971	26,971
Jincheng Danhe Huasheng Real Estate Development Co., Ltd.	136,192	56,633	20,468	18,468
	<u>199,839</u>	<u>85,633</u>	<u>50,439</u>	<u>45,439</u>
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)				
	660,669	448,225	537,934	423,131
Affiliates under common control by SSCO (excluding Shanxi CIG)				
	5,470	–	–	6,066
	<u>666,139</u>	<u>448,225</u>	<u>537,934</u>	<u>429,197</u>
	<u>865,978</u>	<u>533,858</u>	<u>619,587</u>	<u>490,341</u>
Total	<u>887,994</u>	<u>642,037</u>	<u>724,648</u>	<u>539,557</u>
Advances from customers:				
Associates				
Shanxi Jianfa Comprehensive Energy Development Co., Ltd.	–	–	168	3,983
Changzhi Caihui Shan Energy Technology Co., Ltd.	1,196	1,168	–	–
Jincheng Danhe Huasheng Real Estate Development Co., Ltd.	–	13,343	–	–
Shanxi Jiantou Cloud Data Technology Co., Ltd.	–	–	101	–
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan’an Xiaohe Construction Industry Co., Ltd.	–	–	–	712
	<u>1,196</u>	<u>14,511</u>	<u>269</u>	<u>4,695</u>

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	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	3,287	6,525	113,131	69,397
Affiliates under common control by SSCO (excluding Shanxi CIG)	25,045	21,194	42,849	19,222
	28,332	27,719	155,980	88,619
Total	29,528	42,230	156,249	93,314
Other payables:				
Trade in nature				
Associates				
Taiyuan Xie’an Property Service Co., Ltd.	–	–	11,258	10,670
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan’an Xiaohe Construction Industry Co., Ltd.	1,100	291	–	–
Yu’an Hengchuang	–	–	5,086	8,452
	1,100	291	16,344	19,122
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	–	–	3,215	7,066
Affiliates under common control by SSCO (excluding Shanxi CIG)	–	–	6,739	6,440
	–	–	9,954	13,506
	1,100	291	26,298	32,628
Non-trade in nature (note)				
Associates				
Yu’an Hengchuang	–	–	1,900	–
Jinjian Shan’an	–	–	120,000	120,000
Changzhi Caihui Shan’an Energy Technology Co., Ltd.	–	–	–	1,000
	–	–	121,900	121,000

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	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
				RMB’000
Related parties				
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	562,260	360,000	457,677	461,480
Affiliates under common control by SSCO (excluding Shanxi CIG)	–	–	2	–
	<u>562,260</u>	<u>360,000</u>	<u>457,679</u>	<u>461,480</u>
	<u>562,260</u>	<u>360,000</u>	<u>579,579</u>	<u>582,480</u>
Total	<u>563,360</u>	<u>360,291</u>	<u>605,877</u>	<u>615,108</u>

Note: The balances with related parties that are non-trade in nature will be fully settled before [REDACTED].

(c) Remuneration of key management personnel of the Company:

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	As at December 31,			Six months ended	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Salary, allowances and other benefits	6,377	4,075	11,550	3,809	3,117
Pension scheme contributions	<u>700</u>	<u>634</u>	<u>899</u>	<u>369</u>	<u>409</u>
	<u>7,077</u>	<u>4,709</u>	<u>12,449</u>	<u>4,178</u>	<u>3,526</u>

(d) Undertaking from Shanxi CIG

During the Track Record Period, some of the employees was not willing to contribute to the housing provident fund and the Group have not contribute social insurance and housing provident fund for those employees. Shanxi CIG, undertakes to make up for any outstanding contributions as well as fines or penalties incurred therefrom in accordance with the amount approved by the competent authorities and to compensate the Group in full for any economic losses caused by such matters.

The Directors considered that (1) the Group have paid those employees with the amount of social insurance entitled to them; (2) the Group have acquired compliance certificates from local social insurance authorities confirming that they have not been subject to any administrative penalty due to non-compliance with relevant regulations related to social insurance; and (3) the Group have obtained legal advisor advised that the likelihood of receiving any notice of penalties or demand for repayment from relevant authorities is remote.

The Directors considered that it is not practical to disclose the potential impact given that the aforementioned employees have relatively high turnover rate and no fixed contract hours.

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50. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each financial instrument as at the end of each of the Track Record Period are as follows:

The Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Financial assets				
Financial assets measured at FVOCI:				
Unlisted equity investments	135,441	122,692	138,813	139,803
Bills receivable	324,078	310,141	296,247	278,632
Financial assets measured at amortized cost:				
Trade receivables	4,020,952	5,239,433	6,075,119	5,909,779
Financial assets included in deposits and other receivables	1,405,615	932,777	1,025,154	831,696
Restricted bank deposits	269,646	328,983	748,105	597,762
Cash and cash equivalents	814,814	1,040,579	1,380,892	1,697,117
	<u>6,970,546</u>	<u>7,974,605</u>	<u>9,664,330</u>	<u>9,454,789</u>
Financial liabilities				
Financial liabilities measured at amortized cost:				
Trade payables and bills payable	4,844,502	7,594,503	9,170,618	9,541,048
Other payables (including long-term payable)	1,533,717	1,052,878	1,187,562	1,128,290
Interest-bearing bank borrowings and other borrowings	3,102,550	4,264,176	5,398,916	6,198,991
Lease liabilities	73,588	71,929	70,801	75,527
	<u>9,554,357</u>	<u>12,983,486</u>	<u>15,827,897</u>	<u>16,943,856</u>

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The Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Financial assets				
Financial assets measured at FVOCI:				
Unlisted equity instruments	135,441	122,692	138,813	139,803
Bills receivable	279,553	286,767	240,110	274,224
Financial assets measured at amortized cost:				
Trade receivables	4,024,146	4,929,620	5,533,572	5,488,897
Financial assets included in deposits and other receivables	2,065,848	1,504,989	1,477,639	1,266,531
Restricted bank deposits	269,646	328,983	747,505	597,162
Cash and cash equivalents	540,969	651,520	776,081	1,135,919
	<u>7,315,603</u>	<u>7,824,571</u>	<u>8,913,720</u>	<u>8,902,536</u>
Financial liabilities				
Financial liabilities measured at amortized cost:				
Trade payables and bills payable	4,750,365	6,623,467	9,417,093	10,376,487
Other payables (including long-term payable)	1,832,273	1,689,806	1,249,772	1,130,296
Interest-bearing bank borrowings and other borrowings	1,146,809	1,916,234	1,901,130	2,183,524
Lease liabilities	5,748	6,420	4,990	3,510
	<u>7,735,195</u>	<u>10,235,927</u>	<u>12,572,985</u>	<u>13,693,817</u>

51. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The management has assessed that the fair value of current cash and cash equivalents, restricted bank deposits, certain trade receivables and bills receivable, trade payable, part of interest-bearing bank borrowings and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The finance department of the Group headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of Track Record Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation, who is prepared by the third party qualified valuers. The valuation is reviewed and approved by the chief finance officer.

Financial assets measured at FVOCI

Certain financial assets of the Group are measured at fair value at the end of each of the Track Record Period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable data under Level 3 of the fair value hierarchy, the Group engages the third

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party qualified valuers to perform the valuation. The finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The finance department reports findings to the directors of the Company at the end of each of Track Record Period to explain the cause of fluctuations in the fair value.

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	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB’000	RMB’000	RMB’000	2023
Carrying amount at the beginning of the year/period	21,849	135,441	122,692	138,813
Additions	114,965	–	–	–
Fair value gain/(loss) for the year/period, net	1,627	(2,749)	16,121	990
Disposals	(3,000)	(10,000)	–	–
	<u>135,441</u>	<u>122,692</u>	<u>138,813</u>	<u>139,803</u>
Carrying amount at the end of the year/period	<u>135,441</u>	<u>122,692</u>	<u>138,813</u>	<u>139,803</u>

Disclosures of level in fair value measurement as at December 31, 2020, 2021 and 2022 and June 30, 2023:

	Fair value hierarchy	Fair value as at				Valuation techniques	Significant inputs-due to discount for lack of marketability				Relationship of unobservable input(s) to fair value
		December 31,		June 30,			December 31,		June 30,		
		2020	2021	2022	2023		2020	2021	2022	2023	
Financial assets measured at FVOCI											
Unlisted equity investments	Level 3	135,441	122,692	138,813	139,803	Market comparison method	25.32%	17.30%	26.93%	25.60%	The higher the discount rate, the lower the fair value
Bills receivable	Level 2	324,078	310,141	296,293	278,632	Based on discounted cash flow that capture the present value of future expected cash flows derived from underlying assets	N/A	N/A	N/A	N/A	The higher the discount rate, the lower the fair value
		<u>135,441</u>	<u>122,692</u>	<u>138,813</u>	<u>139,803</u>						

There were no transfer between level 1, 2 and 3 and no transfer into or out of level 2 and 3 during the Track Record Period.

The unlisted equity investments are measured at fair value and classified as Level 3 fair value measurement. The fair value is estimated by using market comparison method that is based on the price-to-earnings ratio or price-to-book ratio (“P/B ratio”), which depends on the business scale on the unlisted equity investments. During the Track Record Period, the fair values of unlisted equity investments have been estimated by multiplying the P/B ratio of the identified comparable companies by the book value of the unlisted equity investments, respectively with adjusting to discount rate for lack of marketability.

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Should the discount rate increase or decrease by 5%, the fair value of the unlisted equity investments would be decreased or increased by approximately RMB6,772,000, RMB6,135,000, RMB6,941,000 and RMB6,990,000 as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Bill receivables at FVOCI is measured at fair value at the end of each of the Track Record Period. In the opinion of the Directors, the fair value of bills receivable is close to its carrying amounts given all bill receivables will mature within one year.

The fair values of non-current portion of contract assets and non-current portion of interest-bearing bank borrowings and other borrowings are calculated by discounting the expected future cash flows with interest rate used being applied to the financial instruments with similar maturity, credit risk and remaining maturity. At the end of each of the Track Record Period, the non-performance risk for the non-current portion of interest-bearing bank borrowings and other borrowings of the Group was considered to be insignificant.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial instruments of the Group comprise cash and cash equivalents, and restricted bank deposits, the main purpose of which is to support for the operations of the Group. The Group has various other financial assets and liabilities such as trade receivables and bills receivable and trade payables and bills payable, which arise directly from its operations.

The main risks arising from the financial instruments of the Group are interest rate risk, credit risk and liquidity risk. As the exposure to these risks by the Group has been minimized, the Group has not used any derivatives and other instruments to hedge those risks. The Group would not hold or issue any derivative financial instruments for trading purpose. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The exposure to market risk by the Group mainly relates to changes in interest rate of its interest-bearing bank borrowings and other borrowings bearing variable interest rate. The Group has not used any derivative financial instrument to hedge interest rate risk.

The following table demonstrates the sensitivity of the profit after tax of the Group and the Company (through the effect of variable borrowing rates) to a reasonable change in interest rates with all other variables held constant.

The Group

	Actual interest rate range	Increase/ (decrease) in basic points	(Decrease)/ increase in profit after tax RMB'000
As at December 31, 2020			
Bank borrowings and other borrowings bearing variable interest rate	3.85%-11.06%	100 (100)	(48,062) 48,062
As at December 31, 2021			
Bank borrowings and other borrowings bearing variable interest rate	3.85%-10.79%	100 (100)	(69,336) 69,336
As at December 31, 2022			
Bank borrowings and other borrowings bearing variable interest rate	1.45%-10.79%	100 (100)	(40,492) 40,492
As at June 30, 2023			
Bank borrowings and other borrowings bearing variable interest rate	1.45%-10.79%	100 (100)	(46,493) 46,493

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Credit risk

Credit risk refers to the risk that the Group’s counterparties default on their contractual obligations under financial instruments resulting in financial losses to the Group. The exposure to credit risk by the Group is mainly due to providing facilities to customers during the ordinary operating and investing activities.

At December 31, 2022, the Group assigns its gross trade receivables of RMB207,642,000 to the immediate holding company and receive the cash of RMB198,108,000 from the immediate holding company to manage the credit risk. The immediate holding company would analyze the Group’s customers, credit approval and collection processing of the receivables. The agreement transferred the credit risk to the immediate holding company without recourse so as to mitigate credit exposure of the Group.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the maximum exposure to credit risk by the Group for each item under the Historical Financial Information is the carrying amount as disclosed in the Note 50.

Trade receivables and bills receivable, receivables under service concession arrangements and contract assets

It is the policy of the Group to deal only with creditworthy counterparties. Credit rating is granted to new customers after credit assessment is made by the credit control department. When appropriate, customers may be requested to provide proof as to their financial position. External credit rating and/or reports on customers are obtained and used at reasonable cost. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group’s policy to request collateral from its customers.

In addition, as set out in notes, the Group assesses expected credit losses for trade receivables, bills receivable, receivable under service concession arrangements and contract assets based on provision matrix, and the expected loss rates are based on the historical settlement experience as well as the corresponding historical credit losses. The Group considered the receivable under service concession arrangements and contract assets share the similar risk profile with the corresponding trade receivables of the same project and apply the expected loss rate of corresponding trade receivables as proxy to derive at the expected loss rate of the receivable under service concession arrangements and contract assets.

The historical loss rates are adjusted based on the current and forward-looking macroeconomic factors affecting the customer’s ability to settle the amount outstanding. Details are set as below:

Historical loss rate

The Group summarizes the trade receivables into appropriate age bands for the last 36 months (the historical back-testing dates) to calculate the historical loss rate representing the percentage of trade receivables in each age band that was ultimately written off. In calculating the average historical loss rate of the each age band, the Group applies a roll rates on each age band which represents the percentage of trade receivables that are not received in the age band and rolled to the next time band and ultimately written-off.

In determining trade receivables that are ultimately written off, the Group considers that the trade receivables is credit-impaired or has no reasonable expectation of recovery when one or more events of default that bear a detrimental impact on the estimated future cash flows of that financial asset have occurred including but not limited to:

- (a) significant financial difficulty of the customer;
- (b) a breach of contract, such as a default or past due event;
- (c) it is becoming probable that the customer will enter into bankruptcy or other financial reorganization;
or
- (d) the disappearance of an active market for that financial asset because of financial difficulties.

The roll rate on each age band is carefully considered, taking into account, among others, (i) the historical loss pattern based on actual settlement record of the customers; (ii) historical amount of bad debt written off from the trade receivables (if any); (iii) the percentage of trade receivable balances in one age band rolled to the next age band; (iv) the relevant credit rating, background and existence of any negative news affecting the credibility of an individual customer; and (v) other forward looking macroeconomic factors.

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Forward looking adjustment

The Group adjust the historical loss rate taking into account forward looking factors. The Group has applied multiple factor regression model for determine the forward looking factors adjustment. The adjustment determined by the multiple factor regression model is significantly affected by the COVID-19 pandemic and some significant changes in the market indexes during the Track Record Period, the current market conditions and future economic environment. The macro-economic factors include the GDP Price Index, construction industrial index and Money Supply data in the PRC are considered relevant in calculating the adjustment as most of the customers and projects are carried out in the PRC.

At the end of each of the Track Record Period, the historical default rates are updated and changes in the forward-looking estimates are analyzed. However, given exposure to credit risk in short term, the effects from those macroeconomic factors are insignificant/forward-looking information is applied, the Group has taken into the relevant effects from changes in general economic environment caused by COVID-19.

Trade receivables and bills receivable, receivables under service concession arrangements and contract assets are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to engage with the Group on alternative payment arrangement amongst other is considered to be indicators of no reasonable expectation of recovery.

As at December 31, 2020, 2021 and 2022 and June 30, 2023, among the expected credit losses allowance for trade receivables as below, the expected credit losses allowance for trade receivables individually was approximately RMB70,600,000, RMB111,651,000, RMB93,396,000 and RMB105,423,000, and the total book values before expected credit losses allowance was approximately RMB70,600,000, RMB111,651,000, RMB93,396,000 and RMB105,423,000.

Based on the above, expected credit losses for trade receivables and bills receivable, receivables under service concession arrangements and contract assets as at December 31, 2020, 2021 and 2022 and June 30, 2023 has been determined as below:

	As at December 31,			As at
	2020	2021	2022	June 30,
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Expected credit losses rate:				
– trade receivables (<i>note</i>)	4.26%	4.63%	4.74%	5.45%
– bills receivable	0.37%	0.61%	1.04%	0.82%
– receivables under service concession arrangements	0.42%	0.71%	1.18%	1.18%
– contract assets	0.42%	0.71%	1.19%	1.18%
Gross carrying amount:				
– trade receivables	4,200,013	5,494,045	6,377,191	6,250,184
– bills receivable	325,293	312,036	299,367	280,930
– receivables under service concession arrangements	1,053,098	2,430,661	2,769,022	2,875,202
– contract assets	3,324,500	4,709,268	6,408,982	6,754,660
Expected credit losses:				
– trade receivables	179,061	254,612	302,072	340,405
– bills receivable	1,215	1,895	3,120	2,298
– receivables under service concession arrangements	4,457	17,290	32,663	34,032
– contract assets	14,069	33,496	76,482	79,954

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Note: The following table is an aging analysis of the net carrying amount of the trade receivables (based on invoice date) together with the expected credit loss rate during the Track Record Period:

	2020		As of December 31, 2021		2022		As at June 30, 2023	
	Trade	Expected	Trade	Expected	Trade	Expected	Trade	Expected
	receivables	credit loss	receivables	credit loss	receivables	credit loss	receivables	credit loss
	RMB'000	rate	RMB'000	rate	RMB'000	rate	RMB'000	rate
Within 1 year	2,850,108	0.45%	3,681,765	0.75%	4,380,473	1.20%	3,308,645	1.13%
1 to 2 years	682,967	2.92%	938,598	2.36%	1,032,153	3.96%	1,622,206	3.05%
2 to 3 years	341,061	11.18%	357,775	7.24%	396,423	7.17%	468,520	6.01%
3 to 4 years	87,720	15.68%	214,366	19.98%	209,197	15.17%	390,609	10.21%
4 to 5 years*	59,096	12.63%	46,929	29.43%	56,873	40.30%	119,799	22.61%
Over 5 years	–	100.00%	–	100.00%	–	100.00%	–	100.00%
Total	4,020,952	4.26%	5,239,433	4.63%	6,075,119	4.74%	5,909,779	5.45%

* The increase in the expected credit loss rate under the age band of 4 to 5 years as of December 31, 2022 was mainly due to a customer, who had filed for debt restructuring and was approved by the court in 2021, with the balance of trade receivables of RMB22,564,000 recognized under the age band of 4 to 5 years was fully impaired by individual assessment.

Other financial assets measured at amortized cost

Other financial assets measured at amortized cost include deposits and other receivables, restricted bank deposits and cash and cash equivalents. In order to minimize the credit risk of deposits and other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience as well as current external information and makes adjustment based on the weighted probability of forward-looking information including operation default rate of debtors. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. If the credit risk of debt instruments is considered to be high, collateral is required before granting the debts to debtors. In these regards, the credit risk of deposits and other receivables is considered to be low.

Besides, as at December 31, 2020, 2021 and 2022 and June 30, 2023, it is expected that deposits and other receivables from debtors amounts to RMB1,405,615,000, RMB932,777,000, RMB1,025,154,000 and RMB896,695,000 in aggregate. As disclosed in note 30, the management of the Group considers there is no significant increase in credit risk on deposits and other receivables since initial recognition as the risk of default is low after taking the factors in note 3.2 into account. Therefore, expected credit losses determination is based on 12-months expected credit losses. The expected credit losses ratio for deposits and other receivables is 1.54%, 2.73%, 3.53% and 4.79% as at December 31, 2020, 2021 and 2022 and June 30, 2023.

Credit risk for restricted bank deposits and cash and cash equivalents is considered to be immaterial, as the counterparts are banks/financial institutions with high credit ratings by international credit rating agencies.

Liquidity risk

The liquidity of the Group mainly depends on the ability to maintain sufficient operation cash inflow to repay debts when due, and ability to obtain external finance to fund future capital expenditure committed.

As at June 30, 2023, the Group had net current liabilities of RMB387,198,000. As explained in note 2 to the Historical Financial Information, the Historical Financial Information have been prepared on a going concern basis as the directors of the Company are of the opinion that the Group has sufficient reserve of cash and cash equivalents and financing support for its working capital purpose and to enable it to continue to meet its obligations as they fall due.

APPENDIX I

ACCOUNTANTS’ REPORT

The maturity profile of the Group’s financial liabilities as at the end of each of the Track Record Period, based on the contractual undiscounted payments, is as follows:

The Group

	Within 1 year RMB’000	1 to 5 years RMB’000	More than 5 years RMB’000	Total contractual undiscounted cash flows RMB’000	Book value RMB’000
As at December 31, 2020					
Trade payables and bills payable	4,844,502	–	–	4,844,502	4,844,502
Other payables and accruals (including long-term payable)	1,233,717	367,253	–	1,600,970	1,533,717
Interest-bearing bank borrowings and other borrowings	1,388,466	563,959	1,709,841	3,662,266	3,102,550
Lease liabilities	7,038	26,348	99,574	132,960	73,588
	<u>7,473,723</u>	<u>957,560</u>	<u>1,809,415</u>	<u>10,240,698</u>	<u>9,554,357</u>
Financial guarantee issued maximum amount (<i>note</i>)	<u>568,311</u>	<u>–</u>	<u>–</u>	<u>568,311</u>	<u>–</u>
As at December 31, 2021					
Trade payables and bills payable	7,594,503	–	–	7,594,503	7,594,503
Other payables and accruals (including long-term payable)	752,878	337,749	–	1,090,627	1,052,878
Interest-bearing bank borrowings and other borrowings	2,131,689	518,534	2,055,195	4,705,418	4,264,176
Lease liabilities	7,268	24,073	95,092	126,433	71,929
	<u>10,486,338</u>	<u>880,356</u>	<u>2,150,287</u>	<u>13,516,981</u>	<u>12,983,486</u>
Financial guarantee issued maximum amount (<i>note</i>)	<u>66,730</u>	<u>–</u>	<u>–</u>	<u>66,730</u>	<u>–</u>

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ACCOUNTANTS’ REPORT

	Within 1 year RMB’000	1 to 5 years RMB’000	More than 5 years RMB’000	Total contractual undiscounted cash flows RMB’000	Book value RMB’000
As at December 31, 2022					
Trade payables and bills payable	9,170,618	–	–	9,170,618	9,170,618
Other payables (including long-term payable)	916,662	308,245	–	1,224,907	1,187,562
Interest-bearing bank borrowings and other borrowings	2,959,585	1,727,845	1,483,218	6,170,648	5,398,916
Lease liabilities	7,920	105,139	6,999	120,058	70,801
	<u>13,054,785</u>	<u>2,141,229</u>	<u>1,490,217</u>	<u>16,686,231</u>	<u>15,827,897</u>
Financial guarantee issued maximum amount <i>(note)</i>	<u>60,550</u>	<u>–</u>	<u>–</u>	<u>60,550</u>	<u>–</u>
As at June 30, 2023					
Trade payables and bills payable	9,541,048	–	–	9,541,048	9,541,048
Other payables (including long-term payable)	1,151,171	–	–	1,151,171	1,128,290
Interest-bearing bank borrowings and other borrowings	3,731,480	1,724,134	1,466,437	6,922,051	6,198,991
Lease liabilities	8,326	23,254	93,990	125,570	75,527
	<u>14,432,025</u>	<u>1,747,388</u>	<u>1,560,427</u>	<u>17,739,840</u>	<u>16,943,856</u>
Financial guarantee issued maximum amount <i>(note)</i>	<u>8,085</u>	<u>–</u>	<u>–</u>	<u>8,085</u>	<u>–</u>

Note: The amount presented is the maximum amount that the Group could be required to settle under the arrangement for the full guaranteed amount.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Within 1 year RMB’000	1 to 5 years RMB’000	More than 5 years RMB’000	Total contractual undiscounted cash flows RMB’000	Book value RMB’000
As at December 31, 2020					
Trade payables and bills payable	4,750,365	–	–	4,750,365	4,750,365
Other payables and accruals (including long-term payable)	1,532,273	367,253	–	1,899,526	1,832,273
Interest-bearing bank borrowings and other borrowings	1,092,956	100,589	–	1,193,545	1,146,809
Lease liabilities	1,949	7,207	–	9,156	5,748
	<u>7,377,543</u>	<u>475,049</u>	<u>–</u>	<u>7,852,592</u>	<u>7,735,195</u>
Financial guarantee issued maximum amount (<i>note</i>)	<u>2,466,471</u>	<u>–</u>	<u>–</u>	<u>2,466,471</u>	<u>–</u>
As at December 31, 2021					
Trade payables and bills payable	6,623,467	–	–	6,623,467	6,623,467
Other payables and accruals (including long-term payable)	1,389,806	337,749	–	1,727,555	1,689,806
Interest-bearing bank borrowings and other borrowings	1,813,321	137,226	–	1,950,547	1,916,234
Lease liabilities	2,786	6,147	–	8,933	6,420
	<u>9,829,380</u>	<u>481,122</u>	<u>–</u>	<u>10,310,502</u>	<u>10,235,927</u>
Financial guarantee issued maximum amount (<i>note</i>)	<u>2,569,456</u>	<u>–</u>	<u>–</u>	<u>2,569,456</u>	<u>–</u>
As at December 31, 2022					
Trade payables and bills payable	9,417,093	–	–	9,417,093	9,417,093
Other payables (including long-term payable)	978,872	308,245	–	1,287,117	1,249,772
Interest-bearing bank borrowings and other borrowings	1,555,152	485,570	–	2,040,722	1,901,130
Lease liabilities	2,863	2,397	–	5,260	4,990
	<u>11,953,980</u>	<u>796,212</u>	<u>–</u>	<u>12,750,192</u>	<u>12,572,985</u>

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	Within 1 year RMB’000	1 to 5 years RMB’000	More than 5 years RMB’000	Total contractual cash flows RMB’000	Book value RMB’000
Financial guarantee issued maximum amount <i>(note)</i>	2,435,169	–	–	2,435,169	–
As at June 30, 2023					
Trade payables and bills payable	10,376,487	–	–	10,376,487	10,376,487
Other payables (including long-term payable)	1,153,177	–	–	1,153,177	1,130,296
Interest-bearing bank borrowings and other borrowings	1,960,880	331,050	–	2,291,930	2,183,524
Lease liabilities	2,352	1,437	–	3,789	3,510
	<u>13,492,896</u>	<u>332,487</u>	<u>–</u>	<u>13,825,383</u>	<u>13,693,817</u>
Financial guarantee issued maximum amount <i>(note)</i>	<u>2,554,424</u>	<u>–</u>	<u>–</u>	<u>2,554,424</u>	<u>–</u>

Note: The amount presented is the maximum amount that the Company could be required to settle under the arrangement for the full guaranteed amount.

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern by pricing services commensurately with the level of risk so that it can continue to provide returns and benefits to the shareholders and other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any external capital requirements. During the Track Record Period, there are no changes in capital management objectives, policies or procedures.

The Group monitors capital using a gearing ratio, which is the sums of interest-bearing borrowings divided by total equity. Total equity includes the equity attributable to equity holders of the Company and non-controlling interests stated in the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s strategy is to maintain the gearing ratio at a healthy capital level in order to support its operation of the business. The principal strategies adopted by the Group include, but not limited to, evaluating future cash flow requirements and ability to meet debt repayment schedules when due, maintaining available banking facilities at a reasonable level and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to fund its operation. The gearing ratio of the Group as at the end of the Track Record Period is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2023
				<i>RMB’000</i>
Interest-bearing bank and other borrowings (Note 35)	<u>3,102,550</u>	<u>4,264,176</u>	<u>5,398,916</u>	<u>6,198,991</u>
Total equity	<u>1,784,083</u>	<u>2,014,073</u>	<u>2,232,920</u>	<u>2,279,932</u>
Gearing ratio	<u>1.74</u>	<u>2.12</u>	<u>2.42</u>	<u>2.72</u>

53. EVENT AFTER THE REPORTING PERIOD

No audited financial statements have been prepared by the Group in respect of any subsequent period.