山西安裝

Shanxi Installation Group Co., Ltd.
山 西 省 安 裝 集 團 股 份 有 限 公 司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2520)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

	For the year ended December 31,		
	2023	2022	Change
	RMB'000	*RMB'000*	*RMB'000*
Operating results			
Revenue	**11,150,176**	12,844,822	−1,694,646
Gross profit	**1,578,292**	1,842,046	−263,754
Profit for the year	**205,558**	200,436	5,122
Net profit attributable to equity shareholders of the Company	**154,942**	150,882	4,060
Profitability			
Gross profit margin	**14.2%**	14.3%	−0.1%
Profit margin for the year	**1.8%**	1.6%	0.2%
Earnings per share *(RMB)*			
Earnings per share — basic	**0.15**	0.15	—
Earnings per share — diluted	**0.15**	0.15	—

The board of directors (the "**Board**") of Shanxi Installation Group Co., Ltd. (the "**Company**", and its subsidiaries, the "**Group**") is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2022 (the "**Corresponding Period**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*5*	**11,150,176**	12,844,822
Cost of sales		**(9,571,884)**	(11,002,776)
Gross profit		**1,578,292**	1,842,046
Other income and gains, net	*5*	**42,503**	20,766
Change in fair value of investment properties		**686**	2,441
Selling and distribution expenses		**(1,453)**	(2,083)
Administrative and other operating expenses		**(963,026)**	(1,190,918)
Listing expenses		**(21,974)**	(7,804)
Finance costs		**(336,632)**	(397,208)
Provision for expected credit losses ("**ECL**") on financial assets, net		**(77,654)**	(59,979)
Share of profit of associates		**4,382**	5,521
Profit before tax		**225,124**	212,782
Income tax expense	*6*	**(19,566)**	(12,346)
Profit for the year		**205,558**	200,436

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that will not be subsequently reclassified to profit or loss, net of tax:			
Fair value changes of equity investment at fair value through other comprehensive income, net of tax		**3,156**	13,703
Remeasurement of defined benefit plan, net of tax		**(281)**	(2,322)
Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax:			
Exchange differences on translation of financial statements of foreign operations		**(353)**	358
Other comprehensive income, net of tax		**2,522**	11,739
Total comprehensive income for the year		**208,080**	212,175
Profit for the year attributable to:			
Equity holders of the Company		**154,942**	150,882
Non-controlling interests		**50,616**	49,554
		205,558	200,436
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**157,464**	162,621
Non-controlling interests		**50,616**	49,554
		208,080	212,175
Earnings per share attributable to equity holders of the Company			
Basic and diluted *(in RMB per share)*	*8*	**0.15**	0.15

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,248,371**	972,349
Investment properties		**186,806**	186,120
Right-of-use assets		**294,189**	170,662
Intangible assets		**55,064**	1,219
Goodwill		**15,000**	15,000
Contract assets	*9*	**1,696,683**	1,163,796
Receivables under service concession arrangements	*9*	**2,462,246**	2,405,701
Investments in associates		**195,104**	183,327
Other non-current assets		**2,277**	7,571
Deferred tax assets		**163,788**	100,064
Financial assets measured at fair value through other comprehensive income ("FVOCI")		**142,526**	138,813
		6,462,054	5,344,622
Current assets			
Inventories		**167,733**	146,240
Contract assets	*9*	**5,376,087**	5,168,704
Receivables under service concession arrangements	*9*	**289,634**	330,658
Trade receivables and bills receivable	*10*	**6,699,792**	6,371,366
Prepayments, deposits and other receivables		**1,890,585**	1,956,437
Restricted bank deposits		**546,383**	748,105
Cash and cash equivalents		**2,090,163**	1,380,892
		17,060,377	16,102,402
Current liabilities			
Trade payables and bills payable	*11*	**10,394,160**	9,170,618
Contract liabilities		**1,382,429**	2,166,314
Employee benefits payable		**80,204**	81,096
Other payables and accruals	*12*	**1,929,094**	1,865,853
Short-term borrowings		**2,443,118**	2,201,325
Tax payable		**28,952**	32,704
Current portion of non-current liabilities		**751,292**	514,901
		17,009,249	16,032,811
Net current assets		**51,128**	69,591
Total assets less current liabilities		**6,513,182**	5,414,213

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Non-current liabilities			
Long-term payable		—	300,000
Long-term borrowings		**3,072,086**	2,687,191
Lease liabilities		**157,408**	66,300
Deferred income		**18,688**	23,000
Employee benefits payable		**28,790**	30,790
Deferred tax liabilities		**110,406**	74,012
		3,387,378	3,181,293
Net assets		**3,125,804**	2,232,920
EQUITY			
Share capital	*13*	**1,373,486**	1,000,000
Reserves		**1,236,656**	809,316
Equity attributable to equity holders of the Company		**2,610,142**	1,809,316
Non-controlling interests		**515,662**	423,604
Total equity		**3,125,804**	2,232,920

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 place of business of the Company is No. 8, Xinhua Road, Shanxi Demonstration Zone, the PRC. The overseas listed foreign shares of the Company (H shares) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on November 22, 2023.

The Group are principally engaged in the provision of specialized industrial works contracting, professional supporting works contracting, other works contracting and non-construction business in the PRC.

In the opinion of the directors of the Company (the "**Directors**"), the controlling shareholder of the Company is Shanxi Construction Investment Group Co., Ltd. (山西建設投資集團有限公司), ("**Shanxi CIG**") and the ultimate holding company of the Company is Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司), who is ultimately controlled by the state-owned Assets Supervision and Administration Commission of the People's Government of Shanxi Province (山西省人民政府國有資產監督管理委員會).

The consolidated financial statements of the Group for the year ended December 31, 2023 were approved for issue by the board of Directors on March 27, 2024.

2. BASIS OF PRESENTATION AND PREPARATION

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") approved by the International Accounting Standards Board, which comprise all applicable individual IFRSs, International Accounting Standards and interpretations. The consolidated financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have 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.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. 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.

3. NEW AND AMENDED IFRSs

New and amended IFRSs that are effective for annual periods beginning from January 1, 2023

In the preparation of the consolidated financial statements for the year ended December 31, 2023, the Group has applied for the first time the followings new and amended IFRSs. The Group has adopted all these new and amended IFRSs, which are effective for the accounting period beginning on January 1, 2023:

IFRS 17	Insurance Contracts with related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules

Except for those mentioned below, the adoption to these new and amended IFRS had no material impact on how the results and the financial position for the current and prior period have been prepared and presented.

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to IAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. Accounting policy information is material if, when considered together with other information included in entities's financial statements, it can reasonably be expected to influence decision that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

IFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are applied by the Group on January 1, 2023 and are applied prospectively. The Group revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Issued but not yet effective IFRSs

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements:

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 IAS 21	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 amended IFRSs. The amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. 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 liquefied natural gas ("**LNG**"), interest income from service concession arrangements projects, trading income, operating fee from service concession arrangements 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.

Year ended December 31, 2023

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	**9,863,712**	**1,286,464**	**11,150,176**
Intersegment sales	**330,578**	**571,655**	**902,233**
Total revenue	**10,194,290**	**1,858,119**	**12,052,409**
Reconciliation:			
Elimination of intersegment sales			**(902,233)**
Operating revenue			**11,150,176**
Segment result			
Reconciliation:	**17,998**	**213,545**	**231,543**
Elimination of intersegment results			**(6,419)**
Profit before tax			**225,124**
Segment assets			
Reconciliation:	**18,845,158**	**8,695,416**	**27,540,574**
Elimination of intersegment receivables			**(4,018,143)**
Total assets			**23,522,431**
Segment liabilities			
Reconciliation:	**16,730,692**	**6,380,644**	**23,111,336**
Elimination of intersegment payables			**(2,714,709)**
Total liabilities			**20,396,627**

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
Other segment information			
Depreciation of property, plant and equipment	**46,121**	**62,684**	**108,805**
Depreciation of right-of-use assets	**9,911**	**6,585**	**16,496**
Amortization of intangible assets	**547**	**848**	**1,395**
Interest income	**(17,879)**	**(8,047)**	**(25,926)**
Finance costs	**208,500**	**128,132**	**336,632**
Gain on disposal of property, plant and equipment	**(2,559)**	**(1,052)**	**(3,611)**
Provision of expected credit losses ("**ECL**") allowances on financial assets, net	**76,856**	**798**	**77,654**
Provision of ECL allowances on contract assets, net	**5,665**	**3,621**	**9,286**
Provision for ECL allowances on receivables under service concession arrangements, net	**707**	**—**	**707**
Share of profit of associates	**(4,382)**	**—**	**(4,382)**
Capital expenditure*	**76,805**	**506,611**	**583,416**

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
Total revenue	11,664,265	2,501,975	14,166,240
Reconciliation:			
Elimination of intersegment sales			(1,321,418)
Operating revenue			12,844,822
Segment result			
Reconciliation:	75,158	131,554	206,712
Elimination of intersegment results			6,070
Profit before tax			212,782
Segment assets			
Reconciliation:	17,275,884	8,634,003	25,909,887
Elimination of intersegment receivables			(4,462,863)
Total assets			21,447,024
Segment liabilities			
Reconciliation:	15,823,939	6,760,570	22,584,509
Elimination of intersegment payables			(3,370,405)
Total liabilities			19,214,104

	Construction contracting segment *RMB'000*	Non construction segment *RMB'000*	Total *RMB'000*
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 of ECL allowances on financial assets, net	40,348	19,631	59,979
Provision of ECL allowances on contract assets, net	23,197	19,789	42,986
Provision for ECL allowances 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

* 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 non-current assets outside the PRC are insignificant, and therefore no geographical segment information of non-current assets 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 each of the years ended December 31, 2022 and 2023, respectively.

5. REVENUE AND OTHER INCOME AND GAINS, NET

5.1 An analysis of the Group's revenue and other income and gains, net are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Revenue		
1. Specialized industrial construction		
— Construction income of service concession projects	**15,346**	53,190
— Construction income of engineering, procurement and construction ("**EPC**") projects	**6,335,773**	7,537,942
	6,351,119	7,591,132
2. Specialized auxiliary construction		
— Construction income of service concession projects	**379,772**	94,658
— Construction income of EPC projects	**1,856,371**	1,996,405
	2,236,143	2,091,063
3. Other construction		
— Construction income of service concession projects	**74,000**	85,432
— Construction income of EPC projects	**1,202,450**	1,811,165
	1,276,450	1,896,597
4. Non construction business		
— Interest income of service concession projects	**214,221**	146,955
— Operating fee income of service concession projects	**115,112**	90,199
— Urban heating technical services income	**369,601**	296,598
— Sales of LNG	**261,682**	308,204
— Sales of electricity	**25,314**	22,129
— Trading	**188,885**	300,654
— Rental	**19,550**	37,604
— Labor services	**—**	6,079
— Design fee income	**56,124**	40,391
— Others	**35,975**	17,217
	1,286,464	1,266,030
	11,150,176	12,844,822
Other income and gains, net		
Government grants	**11,379**	2,062
Interest income	**25,926**	14,101
Non-operating income	**1,399**	433
Dividend income from financial assets measured at financial assets at fair value through other comprehensive income ("**FVOCI**")	**188**	—
Gain on disposal of property, plant and equipment, net	**3,611**	4,170
	42,503	20,766

5.2 Classification of revenue from contracts with customers under IFRS 15

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Recognized at a point in time	**1,052,693**	1,081,471
Recognized over time	**9,863,712**	11,578,792
	10,916,405	12,660,263

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

5.3 Revenue by geographical segment

	2023	2022
	RMB'000	*RMB'000*
China	**10,620,676**	12,752,249
Overseas	**529,500**	92,573
	11,150,176	12,844,822

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

6. INCOME TAX EXPENSE

No provision of Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the year ended December 31, 2023 (2022: Nil).

Income tax provision for PRC enterprises is based 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, and is eligible to pay EIT at a preferential rate of 15% from November 21, 2018 to December 7, 2024.

(II) 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), a subsidiary of 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 December 2021, and 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 Ministry of Finance of the PRC and the State Taxation Administration 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, and 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公司), Shanxi Shan'an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司) 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 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. In 2023, Shanxi Shan'an Lide Environmental Technology Company Limited has further obtained the Certificates of High and New-Technology Enterprise, and is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 8, 2023 to December 7, 2026.

(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 1 October 2022.

Total income tax expenses are as follow:

	2023	2022
	RMB'000	*RMB'000*
Current income tax	**47,404**	52,568
Deferred tax	**(27,838)**	(40,222)
Income tax expense	**19,566**	12,346

7. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Approved		
Final dividend — RMB0.07168 per ordinary share (2022: RMB0.02877 per ordinary share)	**71,678**	28,767
Proposed		
Final dividend, proposed — RMB0.02682 per 10 ordinary shares (2022: RMB0.07168 per ordinary share)	**3,683**	71,678

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended December 31, 2023 of RMB0.02682 per 10 ordinary shares, in an aggregate amount of approximately RMB3.68 million, which is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting.

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

The calculations of basic earnings per share are calculated based on the profit for the year attributable to the equity holders of the Company and the weighted average number of 1,040,930,000 ordinary shares, comprising (i) 1,000,000,000 ordinary shares as at the date of the prospectus of the company dated November 10, 2023 (the "**Prospectus**"); and (ii) 373,486,000 ordinary shares issued on November 22, 2023 by initial public offering (2022: 1,000,000,000 ordinary shares).

Diluted earnings per share is the same as the basic earnings per share amounts as the Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2023 (2022: Nil).

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

	2023	2022
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to equity holders of ordinary shares of the parent company for the purpose of calculating basic earnings per share	**154,942**	150,882
	2023	2022
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares issued during the year for the purpose of calculating basic earnings per share	**1,040,930**	1,000,000
Earnings per share	**0.15**	0.15

9. CONTRACT ASSETS AND RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

	2023 *RMB'000*	2022 *RMB'000*
Contract assets arising from construction contracts		
— Contract assets on service concession projects	**1,138,250**	764,296
— EPC projects	**5,412,818**	5,090,635
	6,551,068	5,854,931
Retention receivable	**607,470**	554,051
Expected credit losses	**(85,768)**	(76,482)
	7,072,770	6,332,500
Less: Non-current portion of contract assets *(Note)*	**(1,696,683)**	(1,163,796)
	5,376,087	5,168,704
Receivables under service concession arrangements	**2,785,250**	2,769,022
Expected credit losses	**(33,370)**	(32,663)
	2,751,880	2,736,359
Less: Non-current portion of receivables under service concession arrangements *(Note)*	**(2,462,246)**	(2,405,701)
	289,634	330,658

Note: As at December 31, 2023, the non-current portion of contract assets and receivables under service concession arrangements of the service concession projects was amounted to approximately RMB3,558,606,000 (2022: RMB2,972,086,000).

As at December 31, 2023, the non-current portion of contract assets of the EPC projects was amounted to approximately RMB600,323,000 (2022: RMB597,411,000).

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 customers' satisfaction with the Group's work.

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

For the year ended December 31, 2023, the significant increase in contract assets was mainly due to an increase in construction engineering services at the end of the year.

10. 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.

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**6,823,406**	6,377,191
Expected credit losses	**(380,570)**	(302,072)
Trade receivables, net	**6,442,836**	6,075,119
Bills receivable	**259,541**	299,367
Expected credit losses	**(2,585)**	(3,120)
Bills receivable, net	**256,956**	296,247
	6,699,792	6,371,366

As at December 31, 2023, the net carrying amount of certain trade receivables and bills receivable of approximately RMB1,113,665,000 (2022: RMB828,866,000) were pledged to secure certain bank borrowings granted to the Group.

As at December 31, 2023, the trade receivables under service concession projects was amounted to approximately RMB156,430,000 (2022: RMB94,743,000).

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**4,469,604**	4,676,720
1–2 years	**1,508,741**	1,032,153
2–3 years	**454,044**	396,423
3–4 years	**165,895**	209,197
4–5 years	**101,508**	56,873
	6,699,792	6,371,366

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the year	**305,192**	256,507
Provision for expected credit losses	**78,498**	48,798
Reversal of expected credit losses	**(535)**	(113)
At the end of the year	**383,155**	305,192

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 endorsed certain bills receivable from banks in Mainland China with carrying amounts of RMB189,722,000 (2022: RMB244,127,000) as at December 31, 2023, in order to settle trade payables to certain suppliers. 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 endorsed certain commercial acceptance bills. Subsequent to the endorsement, the Group 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 RMB14,075,000 (2022: RMB10,568,000) as at December 31, 2023.

Transfer of all derecognized financial assets

As at December 31, 2023, the Group endorsed certain bills receivable from banks in Mainland China (the "**Derecognized Bills**") with an aggregate carrying amount of RMB456,539,000 (2022: RMB315,854,000) 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. 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 year ended December 31, 2023, 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 or cumulatively (2022: Nil).

11. 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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**7,626,761**	6,483,009
1 to 2 years	**1,606,704**	1,863,195
2 to 3 years	**769,865**	637,570
Over 3 years	**390,830**	186,844
	10,394,160	9,170,618

12. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Accrued expenses	**100,316**	84,355
Security deposits received	**32,157**	32,026
Amount due to related parties	**813,766**	605,877
Other payables	**162,249**	294,964
Withholding tax and social insurance for employee	**13,772**	4,400
Dividend payable	**71,678**	—
Other tax payable	**831,359**	889,536
Endorsed bills payable	**203,797**	254,695
	2,229,094	2,165,853
Less: Long-term payable *(note i)*		
— current portion	**(300,000)**	—
— non-current portion	**—**	(300,000)
	1,929,094	1,865,853

Note:

(i) As at December 31, 2022 and 2023, the Group borrowed RMB300,000,000 from Shanxi Xiaohe Construction Industry Co., Ltd. (山西瀟河建築產業有限公司), a related party, which 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.

13. SHARE CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
1,373,486,000 (2022: 1,000,000,000) ordinary shares	**1,373,486**	1,000,000

The changes in share capital are as follows:

	2023	2022
	RMB'000	*RMB'000*
Nominal value of ordinary shares		
At the beginning of the year	**1,000,000**	1,000,000
Issuance of ordinary shares relating to initial public offering *(note)*	**373,486**	—
At the end of the year	**1,373,486**	1,000,000

Note: On November 22, 2023, upon the Company's listing on Hong Kong Stock Exchange, the Company issued 373,486,000 H shares at the price of HK$2.18 per ordinary shares. The proceeds of approximately HK$409,435,000 (equivalent to approximately RMB373,486,000) representing ordinary shares of RMB1 each, were credited to the Company's share capital. The remaining proceeds, net of share issuance expense of RMB34,994,000, of approximately HK$374,429,000 (equivalent to approximately RMB341,554,000) were credited to the capital reserve account.

MANAGEMENT DISCUSSION AND ANALYSIS

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

Summary of Overall Results

2023 was a year of quality improvement in which we focused on defined tasks and objectives, including to improve efficiency and effectiveness, increase efficiency and promote comprehensive high-quality development. We achieved outstanding results, with a steady growth in the main indicators. Our operating revenue for the full year amounted to RMB11,150.2 million, and we realized an annual profit of RMB205.6 million.

In terms of specialized industrial construction, breakthroughs were made in the power engineering new energy business. In the year of 2023, we successfully achieved the distributed new energy target of 174MW and centralized bidding and allocation target of 200MW, totalling 374MW. We were elected as the vice chair of the Shanxi Wind Power Equipment Industry Alliance. Our first overseas wind power construction project — the 66 MW wind power projects in Cox's Bazar, Bangladesh, was connected to the grid and started power generation, and we won the bid for our first overseas photovoltaic project — 80MW photovoltaic project in Algeria. The bids for a number of key domestic projects such as the 170MW photovoltaic EPC project of Guangdong Electric Power (廣東粵電) in Zezhou County, Guangdong; the 100MW photovoltaic EPC project of China Huaneng (華能) in Wanrong County, Shanxi; the 200MW wind storage integration PC project in Tonghe County, Heilongjiang; the 100MW 200MWh shared storage EPC project in Baise, Guangxi were won successively.

In the area of petrochemical industry, we signed contracts for a number of projects including the Yunnan Qujing Xinyi Silicon Polycrystalline Silicon Phase I project, and the second phase of Qiya Group's 100,000-tonne High-purity Crystalline Silicon Construction and Installation Project in Xinjiang; in the area of electric power industry, we signed a contract for the Anqing Guohui Sludge Recycling and Resource Utilization Project; in the area of municipal projects, we signed contracts including the total rural revitalization project of Junan County's Subian Township, and Changzi County's Urban Flood Prevention, Drainage and Comprehensive Ecological Environment Management project. In the field of water conservancy and hydropower, we won the bids for water supply and water-saving irrigation projects in the National Agricultural High-Tech Industry Demonstration Zone. In the electromechanical field, we undertook the largest electromechanical installation project in the history of the Company's establishment — Taiyuan Wuxu International Airport Phase III Reconstruction and Expansion Electromechanical Project. In 2023, we continued to strengthen the development of business in the "chemical, municipal, electric power and electromechanical" markets, with new contract value having increased by 11.07% year-on-year.

In terms of specialized auxiliary construction, we won the bid for the heating project of Huarun Power Plant in Dengfeng; the EPC general contract for the 10,000 tons integrated energy of lithium extraction from the salt lake in Ali, Tibet; the EPC project of No.3 energy supply station in Xiongan New Area; the auxiliary and water-saving project in Xingdi Irrigation District in Jiexiu City; the standardized plant construction project of L-1–7-GB101 in Tonghe Economic Development Zone of Harbin, Heilongjiang; the auxiliary construction project for Innovation and Entrepreneurship Base Phase II of Yingshan Economic and Technology Development Area; the EPC project of Fenyang City standardized government service hall renovation; the Dongyangguang project in Ulaanchabu with annual output of 20 million square meters of laminated foil; and the reinforcement and renovation project for office buildings of former county party committee and county government in Xiangning County, Hunan.

As we continued to consolidate the strategy of "Going Overseas", we won the bid for 80MW photovoltaic EPC project in Algeria, laying the foundation for business development in Africa; at the same time, the Company successively won the bid for key projects including the EPC project of Quang Tri PV production plant with an annual output of 800MW in Vietnam, and the EPC projects of Zimbabwe's coke production with an annual output of 1.3 million tons and waste heat power generation. The new overseas contract for the year amounted to RMB2.738 billion.

We put into practice the concept of "lucid water and lush mountains are invaluable assets", and accelerated the investment and construction of transformation projects, to become a "low-carbon project operator". We insist on the investment ideas of "industrial investment" and "small investment in huge market", and invested in transformation projects: in the field of clean heat supply, we achieved the objective of commencement of construction and delivery of heat within the same year for the Chahar Right Rear Banner Cogeneration Franchise Project; in the field of solid waste disposal, we won the bid for the project of resource utilization of construction waste in the urban area of Linfen, and started the project of resource utilization of industrial solid waste of the Ruiguang Power Plant; in the field of water environment management, we won the bids for three entrusted operation projects including sewage treatment plant in Guodao Town of Qinyuan County, the leachate treatment of municipal sanitary landfill of municipal domestic waste in Wenshui County, as well as sewage treatment plant in State designated township and key villages; and in the field of distributed energy, we cooperated with Shanxi Aviation Industry Group and Shanxi Geological Group to accelerate the development of the Taiyuan Wusu Zero Carbon Airport Project.

Industry in which the Company Operates

In 2023, the total output value of the construction industry in the PRC was RMB31,591.2 billion, representing a year-on-year growth of 5.8%, which exceeded the average GDP growth rate and remained an important driver for the development of the PRC's economy.

Specialized Industrial Construction in China

Specialized industrial construction generally includes construction related to new energy, petrochemicals and fine chemicals. The robust growth of the specialized industrial construction market in the PRC is attributable to (i) the significant growth of the new energy industry and (ii) the strong demand for related energy associated with the strong development of the national economy.

1. New energy industry projects

At the end of December 2023, the total installed capacity of renewable energy power generation in China reached 1.516 billion kilowatts, accounting for 51.9% of the total installed capacity of power generation in China, and its proportion in the total installed capacity of renewable energy power generation globally was close to 40%. In 2023, the new installed capacity of renewable energy in China amounted to 305 million kilowatts, accounting for 82.7% of newly installed capacity of power generation in the country, and half of the newly installed capacity globally, surpassing the total installed capacity of the rest of the world combined. Benefiting from the government's supportive policies (i.e. the Renewable Energy Law of the People's Republic of China), as well as China's growing energy demand and increasing investment in new energy, the market size of China's new energy industry engineering market is expected to reach RMB4,501.8 billion in terms of gross output value by 2027, with a compound annual growth rate of 9.7%.

Shanxi Province is China's first pilot province for comprehensive reform of the energy revolution, which is transitioning to a low-carbon energy structure, and is in line with the country's goal of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060. The next step for Shanxi province is to increase policy support, make full use of the market, and form an advanced industrial chain of hydrogen production, storage, transport, refueling and adaptation. Hydrogen energy is expected to become a pillar industry in Shanxi Province. As at the end of December 2023, the installed capacity of new and clean energy in Shanxi Province reached 60,977,800 kilowatts. There is still a gap compared to the goal of reaching a total installed capacity of 80 million kilowatts by 2025, and the new energy market inside and outside of the province is relatively promising.

2. *Petrochemical industry projects*

The Guiding Opinions on Promoting High-Quality Development of Petrochemical and Chemical Industry during the 14th Five-Year Plan Period (《關於"十四五"推動石化化工行業高質量發展的指導意見》) puts forward that by 2025, the petrochemical and chemical industry will basically form a pattern of high-quality development with strong independent innovation capability, reasonable structure and layout, green, safe and low-carbon, with greatly improved ability to guarantee high-end products, significantly enhanced core competitiveness, and a high level of self-reliance to achieve solid progress. On the basis of the government's continued financial assistance and policy direction, maintenance of pricing mechanism and support for industrial innovation, China's petrochemical industry is expected to evolve towards the concepts of environmental protection, low carbon, digitalization and closer strategic cooperation, while specialized industrial engineering will continue to evolve to meet the development trend of the downstream industry. The PRC government is actively supporting the petrochemical industry based on the policy directions set out in the "Petrochemical Industry Planning and Layout Plan" (《石化產業規劃佈局方案》) and other proposals, and the total market size of petrochemical industry engineering in the PRC is expected to reach RMB2,688.4 billion by 2027.

In line with the policy direction set by the Chinese government and in accordance with the "14th Five-Year Plan for Industrial Development of Shanxi Province" and the "Implementation Plan for Accelerating the Development of New Material Industry in Shanxi Province", the carbon-neutral policy is expected to drive the development of Shanxi's petrochemical industry in the direction of low-carbon, green, high-end and differentiation. From the perspective of zero carbon emission policy, the development of carbon-based materials such as carbon fibre and graphene and other emerging carbon-based materials is an important starting point for the transformation and development of petrochemical industry in Shanxi Province. Looking ahead, the market size of petrochemical industry engineering in Shanxi Province is expected to reach RMB103.1 billion by 2027, driven by the gradual transition to high-end petrochemical production.

Specialized Auxiliary Construction in the PRC

Specialized auxiliary construction mainly include urban roads, power supply, water supply as well as transportation infrastructure such as highways, railways and bridges. Specialized auxiliary construction generally plays an important role in the development of infrastructure construction, and the gross output value of specialized auxiliary construction in the PRC is expected to continue to grow as (i) the rapid progress of the PRC's urbanization process over the past few years, and (ii) the Chinese government's growing investment in fixed assets of specialized auxiliary construction.

As a result of (i) the government's policy to promote the redevelopment of old districts, in particular the upgrading of utilities such as gas, electricity, drainage, heating and other auxiliary infrastructures; (ii) the intensive investment in infrastructure development in Shanxi Province; and (iii) large-scale projects such as the South-to-North Water Diversion Project, which will cost approximately RMB500 billion and cover six provinces, including Shanxi Province, the total output value of specialized auxiliary construction in Shanxi Province has increased significantly. Supported by the government's vigorous promotion of urbanization, the demand for related infrastructure and the output value of municipal utility projects will increase accordingly.

1. Clean heat supply

The market demand for heating supply is large. With the development of urbanization, the area of urban heating demand is expanding year by year. Decentralized heating results in serious environmental pollution with an enormous waste of energy, while centralized heating instead of decentralized heating can save about thirty percent of energy. Centralized heating is a necessary requirement to improve the quality of the urban environment and establish a good image of the city's infrastructure. Centralized heating boilers have large capacities with relatively more ideal dust removal equipment, and the use of high-efficiency dust collectors can effectively reduce urban pollution. Centralized heating has good economic and environmental benefits. According to the relevant policies issued by the government, the reduction of energy consumption of urban heating units, the promotion of industrial waste heat for centralized heating, the acceleration of the construction and renovation of heating pipeline networks and the promotion of clean energy heating will be the focus of development in the future.

2. Solid waste disposal

According to the estimation of China Urban Environmental Sanitation Association, the annual generation of construction waste in large and medium-sized cities in China in recent years has exceeded 2 billion tonnes, and has remained high all the time. In terms of disposal volume, the current volume of construction waste disposal is around 1.75 billion tonnes, and it is expected to exceed 2 billion tonnes by 2026. It is estimated that the construction waste resource utilization rate in some developed countries is as high as 90%, while China's construction waste resource utilization rate is less than 10% as its construction industry is in a period of rapid development.

With the increasing improvements in construction waste resource recycling industry related laws and standards, China's construction waste resources in the processing equipment, production technology, standards and norms, product quality, usage demonstration and other aspects have broken through the bottleneck. The platform for construction waste resource is gradually improving, with significant enhancement in reuse capability, and the time has come to handle special wastes through targeted treatments. Improving the recycling rate will be the main path to deal with construction waste, and construction waste resource treatment will enter a period of rapid development of scale, thus bringing great market opportunities for the application of solid waste treatment equipment in the area of environmental protection.

3. Distributed photovoltaic

Vigorously developing renewable energy has become a major strategic direction and concerted action in response to the climate change amidst the global energy transformation. Accelerating the development of renewable energy, implementing renewable energy substitution actions, actively exploring energy transition programs, and building a comprehensive energy base with a high proportion of renewable energy are key initiatives set out in the 14th Five-Year Plan period to implement the carbon peak and carbon neutrality targets and build a modern energy system. It is also an important way and strategic initiative to uphold Xi Jinping's idea of ecological civilization, to implement the new strategy of energy security in depth, and make concerted efforts to build socialism with Chinese characteristics in the new era.

During the "14th Five-Year Plan" period, Shanxi will focus on promoting wind power and photovoltaic power generation bases and large-scale development in northern Shanxi and western Shanxi, optimizing wind power and photovoltaic power generation in the southeastern district of Shanxi by development in close proximity, steadily promoting the diversified development of biomass energy, and actively promoting the large-scale development of geothermal energy. Focusing on economy of scale for centralized power generation and finer details for distributed power generation, we will continue to expand the scale of installed renewable energy and increase the proportion of installed power generation facilities. According to the Notice on the Three-Year Action Plan to Promote the Development of Distributed Renewable Energy in Shanxi Province (2023–2025) issued by Shanxi Provincial People's Government, by 2025, the province's total installed distributed renewable energy is to reach 10 million kilowatts, and distributed renewable energy power generation is to achieve a doubling of the amount in 2022. Energy utilization rate should maintain at a reasonable level, with various kinds of application scenarios, and pilot demonstration projects should have been completed to achieve results.

4. Water environment management

According to the instructions of the Secretary of Shanxi Provincial Party Committee, the "Notice Issued by the General Office of Shanxi Provincial People's Government on the Program of 'Diverting Clear Water into the Yellow River" Project' (Jin Zheng Ban Fa [2023] No. 14) and the implementation plans of the local "Diverting Clear Water into the Yellow River" project issued by various cities and towns in the province, the future market project development trend will involve projects in the ecological restoration and maintenance of rivers and lakes, treatment of polluted and smelly waters, comprehensive management of river basins as well as other ecological and environmental comprehensive management projects, sewage treatment facilities construction and improvement projects, intensive treatment of industrial parks wastewater and reusable water projects.

Overseas Construction Market Ushers in New Development Opportunities

The year 2023 marks the 10th anniversary of the "Belt and Road" initiative, with the summit of five Central Asian countries and the visits of many leaders to China to promote the formation of a new cycle for the "Belt and Road" initiative. From January to October 2023, China's outbound contracting business achieved a turnover of RMB856.88 billion, an increase of 8.3% year-on-year, with 82.0% of the turnover coming from the countries which have joined the "Belt and Road" initiative. Newly-signed contracts amounted to RMB1,083.07 billion, a year-on-year decrease of 1.1%, with 83.3% of the newly-signed contracts coming from countries which have joined the "Belt and Road" initiative. Looking ahead to 2024, it is expected that the growth rate of China's outbound contracting business will achieve higher growth rate than the domestic business, indicating that there is a vast space for the development of business in the countries along the "Belt and Road".

Financial Review

Revenue

The Group derives its revenue from: (1) specialized industrial construction; (2) specialized auxiliary construction; (3) other construction; and (4) non construction business. The following table sets out the breakdown of revenue by segment during the indicated periods:

	For the year ended December 31				
	2023		2022		
		Percentage of revenue		Percentage of revenue	
Revenue	***RMB'000***	**%**	*RMB'000*	%	Change
Specialized industrial construction	**6,351,119**	**57.0%**	7,591,132	59.1%	−16.3%
Specialized auxiliary construction	**2,236,143**	**20.1%**	2,091,063	16.3%	6.9%
Other construction	**1,276,450**	**11.4%**	1,896,597	14.8%	−32.7%
Non construction business	**1,286,464**	**11.5%**	1,266,030	9.8%	1.6%
Total	**11,150,176**	**100.0%**	12,844,822	100.0%	−13.2%

Our revenue during the Reporting Period amounted to RMB11,150.2 million, representing a decrease of 13.2% as compared with RMB12,844.8 million for the year ended December 31, 2022, mainly due to decrease in revenue derived from the specialized industrial construction and other construction segments, partially offset by the increase in revenue derived from specialized auxiliary construction segment.

Specialized Industrial Construction Business

Our specialized industrial construction business mainly include projects related to the following fields: power engineering (thermal power generation, new energy wind power generation, new energy photovoltaic power generation, new energy geothermal power generation, hydrogen power generation, power transmission and transformation); petrochemical engineering (oil and gas storage and transportation, petrochemical engineering, chemical engineering, pharmaceutical and chemical engineering); electromechanical installation engineering; metallurgical engineering (glass, coking, cement, nonferrous metal, ferrous metal smelting, carbon, electrolytic aluminum, electrolytic copper, etc.); water conservancy and hydropower engineering (water conservancy engineering, hydropower engineering, pumped storage); urban rail transit engineering.; mining engineering (coal mines, iron ore, aluminum ore, copper ore, etc.). The Group provides services such as investment, design consulting, construction, operation and maintenance for these specialized industrial construction projects.

During the Reporting Period, our revenue derived from specialized industrial construction business amounted to RMB6,351.1 million (2022: RMB7,591.1 million), representing a year-on-year decrease of 16.3%. Such decrease was primarily attributable to the entering of the segment's service concession projects into the operation period in which revenue from construction period decreased, and the entering into the later stages of construction for some large-scale power construction projects in 2023, leading to a decrease in project revenue.

Specialized Auxiliary Construction Business

Our specialized auxiliary construction business mainly includes projects related to the following fields: standardized workshops, urban supporting works such as heating, water supply, drainage, gas, communication and lighting engineering, environmental protection engineering (waste heat utilization, waste water treatment, waste treatment, waste gas treatment), road bridge engineering, low-carbon green engineering, agricultural engineering, etc. The Company provides services such as investment, design consulting, construction, operation and maintenance for these specialized auxiliary construction projects.

During the Reporting Period, our revenue derived from specialized auxiliary construction business amounted to RMB2,236.1 million (2022: RMB2,091.1 million), representing a year-on-year increase of 6.9%. Such increase was primarily attributable to revenue recognized for the segment from newly commenced wastewater treatment projects and the entering into the peak construction period for some road traffic construction projects, which resulted in an increase in revenue for the year as compared to that of the previous year.

Other Construction Business

We also engage in the construction of residential, office and commercial buildings, science, education, culture and health buildings and other types of projects. The Group provides general contracting services for such projects.

During the Reporting Period, our revenue derived from other construction business amounted to RMB1,276.5 million (2022: RMB1,896.6 million), representing a year-on-year decrease of 32.7%. Such decrease was primarily attributable to lower revenue for the year as large commercial and office buildings that were under construction in the previous year came into the final stages of construction during the year.

Non-construction Business

We also generate revenue from non-construction business, which mainly includes sales revenue from LNG, provision of urban heating technical services, operating and interest income from service concession projects, trading income and others.

During the Reporting Period, our revenue derived from non-construction business amounted to RMB1,286.5 million (2022: RMB1,266.0 million), representing a year-on-year increase of 1.6%. Such increase was primarily attributable to the entering of certain service concession projects into the operation period, with increased interest income and operating income recognized as compared with the previous year.

Costs of sales

Our cost of sales primarily includes raw material costs, labor force, machinery utilization costs and subcontracting costs, etc. Our cost of sales during the Reporting Period amounted to RMB9,571.9 million, representing a decrease of 13.0%, as compared with RMB11,002.8 million for the Corresponding Period. This was mainly due to our lower operating revenue compared to 2022 as well as corresponding lower costs associated with part of the lowered revenue.

Gross profit and gross profit margin

Our gross profit during the Reporting Period amounted to RMB1,578.3 million, representing an decrease of 14.3% as compared with RMB1,842.0 million for the year ended December 31, 2022. It was mainly due to our lower operating revenue compared to 2022 as well as corresponding lower total gross profit. Our gross profit margin for the Reporting Period was 14.2% (2022: 14.3%) and the change in gross profit margin was primarily attributable to decrease in gross profit margin of specialized auxiliary construction.

Other income and gains

During the Reporting Period, our other income and gains amounted to RMB42.5 million, representing an increase of RMB21.7 million as compared to RMB20.8 million for the year ended December 31, 2022, which was attributable to the increase in government grants received for the year 2023 by RMB9.3 million as compared to the previous year, as well as and an increase in interest income by RMB11.8 million due to the settlement of interest on security deposit account for the year 2023 as compared to the previous year.

Change in fair value of investment properties

During the Reporting Period, we recorded a change in fair value of investment properties of RMB0.7 million, which was primarily attributable to increase in valuation of investment properties for the year of 2023.

Selling and distribution expenses

Our selling and distribution expenses principally consist of sales and transportation fees of LNG, employee compensation, travel expenses, depreciation expenses, advertising fees and others. During the Reporting Period, our selling and distribution expenses amounted to RMB1.5 million, representing a decrease of RMB0.6 million as compared to that of 2.1 million for the year ended December 31, 2022, which was due to reduction in product wastage resulting from sales outsourcing.

Administrative expenses and other operating expenses

Our administrative and other operating expenses consist principally of research and development costs, employee benefits expenses, training and consulting fees, depreciation and amortization and office expenses.

During the Reporting Period, our administrative and other operating expenses amounted to RMB963.0 million, representing a decrease of RMB227.9 million as compared to that of 1,190.9 million for the year ended December 31, 2022, which was due to decrease in research and development costs.

Finance costs

Our finance costs mainly represent interest on bank borrowings and other borrowings, interest on lease liabilities and financial charge on factoring. During the Reporting Period, our finance costs amounted to RMB336.6 million, representing a decrease of RMB60.6 million as compared to that of RMB397.2 million for the year ended December 31, 2022, which was mainly attributable to decrease in LPR interest rates.

Provision for expected credit losses on financial assets, net

Our provision for expected credit losses on financial assets represents expected credit losses on our trade receivables and bills receivable and deposits and other receivables. During the Reporting Period, we had expected credit loss provision on financial assets of RMB77.7 million, as compared to an expected credit loss provision on financial assets of RMB60.0 million for the year ended December 31, 2022.

Share of profit of associates

Our major associates are principally engaged in the exploitation and utilization of renewable energy sources, technology consulting for industrial installation engineering, steel structure engineering construction and technological development and consulting of energy-saving products. Our share of profit of associates are the loss or profit attributable to us from our associates pursuant to our equity interests in such associates. An associate is an entity over which we have significant influence to participate in financial and operating policy decisions, but do not have control or joint control. During the Reporting Period, our share of profit of associates amounted to RMB4.4 million, as compared to the share of profit of associates of RMB5.5 million for the year ended December 31, 2022. The decreased in our share of profit of associates was primarily attributable to share of loss of the associates of Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd. (山西轉型綜合改革示範區山安瀟河建築產業有限公司).

Profit before taxation

During the Reporting Period, our profit before taxation amounted to RMB225.1 million, representing an increase of 5.8% as compared to that of RMB212.8 million for the year ended December 31, 2022, which was mainly due to savings in administrative and other operating expenses.

Income tax expenses

Our income tax expense for a given period includes payments and provisions made for corporate income tax. During the Reporting Period, our income tax expense was RMB19.6 million.

Profit for the Reporting Period

During the Reporting Period, the Group recorded a net profit of RMB205.6 million, representing an increase of 2.6% as compared to that of RMB200.4 million for the year ended December 31, 2022, which was mainly due to reduction in administrative expenses and other operating expenses.

Total comprehensive income attributable to equity shareholders of the Company

During the Reporting Period, total comprehensive income attributable to equity shareholders of the Company was RMB157.5 million, representing an decrease of RMB5.1 million as compared to total comprehensive income attributable to equity shareholders of the Company of RMB162.6 million for the year ended December 31, 2022, which was mainly due to decrease in other comprehensive income for the year.

Gearing ratio and quick ratios

Gearing ratio represents total interest-bearing borrowings divided by total equity at the end of each year. Our gearing ratio as at December 31, 2023 was 190% (2022: 242%).

Quick ratio represents current assets (excluding inventory) divided by current liabilities at the end of each year. Our quick ratio as at December 31, 2023 was 99.3% (2022: 99.5%).

Foreign exchange exposure

The Group mainly operates in the PRC and the exposure in exchange rate risks mainly arises from fluctuations in the Renminbi exchange rates. During the Reporting Period, the Group had a net foreign exchange loss of RMB0.35 million as compared to a net foreign exchange gain of RMB0.36 million for the year ended December 31, 2022. The amount mainly represents exchange differences on translation of financial statements of foreign operations.

Capital expenditures

As at December 31, 2023, the Group had capital expenditure of RMB583.4 million (2022: RMB253.8 million) primarily for property, plant and equipment, right-of-use assets and intangible assets.

Capital commitments

As at December 31, 2023, the Group had capital commitment of approximately RMB297.1 million (2022: RMB134.7 million) comprising of property, plant and equipment and commitment to contribute capital to associates.

Liquidity, financial resources and capital structure

The Group had net current assets of approximately RMB51.1 million (2022: RMB69.6 million) consisted of current assets of approximately RMB17,060.4 million (2022: RMB16,102.4 million) and current liabilities of approximately RMB17,009.2 million (2022: RMB16,032.8 million), representing a current ratio of approximately 100.3% (2022: 100.4%).

As at December 31, 2023, the Group had cash and bank balances (including pledged bank deposits) of approximately RMB2,636.5 million (2022: RMB2,129.0 million). As at December 31, 2023, the Group had cash and bank balances (excluding pledged bank deposits) of approximately RMB2,090.2 million (2022: RMB1,380.9 million).

As at December 31, 2023, the Group's borrowings amounted to RMB5,951.8 million (as of December 31, 2022: RMB5,398.9 million), which were mainly borrowings in RMB, among which RMB1,170.2 million adopted fixed interest rates. The increase in borrowings of the Group was mainly used for daily operating liquidity.

The Directors are of the view that the Group will be able to have sufficient working capital to fund its future financing needs and working capital based on the following: (a) the Group is expected to be profitable and therefore will continue to generate operating cash flows from future business operations; and (b) the Group has maintained long-term business relationship with its principal banks.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

Outlook

1. Continue to practice the corporate vision, mission and values with unwavering determination

1. Corporate Vision

Corporate vision: "To become the most competitive modern engineering service provider in China"

Interpretation: We uphold the development vision of Shanxi CIG, succeed to the spirit of the Long March, and shape the century-old character of Shan'an's sacrifice and contribution.

Competitiveness: It represents having the most agile market expansion capability, the highest quality product and service provision capability, the strongest social resource integration capability, the most complete industry chain operation capability, and the most advanced technology and digital assurance capability.

Modernization: Modernized management philosophy based on innovative business models, modernized management organization based on open platforms, modernized management control based on core competence, modernized management strategies based on information and digital technologies.

Engineering service provider: Become a "Five in One" full life cycle provider with competitive edge in specialised areas including design and consulting, investment and construction, building construction, component manufacturing, as well as operation and maintenance.

2. *Corporate Mission*

Corporate mission: "Dedication to excellence and building the future"

Dedication to excellence: Serve the community with dedication to excellence in engineering. Uphold the spirit of being responsible for customers as well as ourselves, strive for excellence in terms of design, construction, operation and maintenance, provide excellent quality and thoughtful service, with dedication to high-quality engineering services for the community and setting a role model for the industry.

Building the future: Build a better future by taking actions today. Promote green and low-carbon environmental protection and energy-saving projects which are vital to the national economy and people's livelihood for generations. Today's hard work will certainly be rewarded with customer satisfaction, people's happiness as well as social harmony and stability, building a better and happier future.

3. *Core Values*

Corporate core values: "Integrity, pragmatism and perseverance"

Integrity and pragmatism: Keep promises, be loyal to the enterprise, work sincerely, and report performance truthfully without misrepresentation of data nor covering up of facts; exercise pragmatism: being down-to-earth, practical and reasonable, hold an attitude that is upright and serious, propose projects that are practical and feasible, and plans must be executed fully and thoroughly.

Perseverance: In the process of development, there are always many uncertainties. Do not give up because of short-lived difficulties or frustrations. Regardless of the place and time, the objective will finally be met if a goal can be clearly identified, followed by a great deal of confidence and persistent focus on the relevant tasks.

4. *Corporate Spirit*

Corporate spirit: The spirit of the Long March

Interpretation: Succeed to the spirit of the "Long March" formed in the early years of Shanxi Installation when the Great Hall of the People was constructed, that is, dedication and selfless contribution to the country, taking responsibility in critical times and making commitments to accomplish missions, with the innovative spirit of making continuous improvements, achieving excellent agility and demonstrating immense courage to achieve perfection and exceptional craftsmanship.

2. Strive to become a domestically well-known, industry-leading, modern engineering service provider

Strive to become a "domestically well-known, industry-leading, modern engineering service provider" by the end of the "14th Five-Year Plan", and focus on the development strategy of "One Core and Two Wings", meaning the Company will promote the strategic layout of becoming a "modern engineering service provider" as its top priority, empowered with the functions of a "green energy supplier" and a "low-carbon project operator".

Domestically well-known: Establish the Company as a leading brand with whole industry chain in the field of construction engineering, and make its engineering specialization ability as well as comprehensive ability of project integration well-known in China.

Industry leadership: Realize the Company's leadership in terms of its project planning ability, resource integration ability and market development ability in the field of front-end construction engineering, its consulting and designing ability, capital operation ability and construction ability in the middle-end, as well as commercial operation ability, maintenance service ability and customer maintenance ability in the back-end.

Modernization: Modernized management philosophy based on innovative business models, modernized management organization based on open platforms, modernized management control based on core competence, modernized management strategies based on information and digital technologies.

Engineering service provider: Become a "Five in One" full life cycle provider with competitive edge in specialised areas including design and consulting, investment and construction, building construction, component manufacturing, as well as operation and maintenance.

3. Adhere to the overall development proposition of "1–5–3–2–6"

For the "14th Five-Year Plan" period, Shanxi Installation Group will adhere to the overall development proposition of "1–5–3–2–6".

That is, it will focus on "one center", promote "five enhancements", firmly carry out the construction of "three transformation", and practice two development paths, to achieve six optimizations and innovations, and fully realize the strategic goal of becoming "a well-known domestic and industry-leading modern engineering service provider".

1. "1" is focus on "one center", that is, focus on the central strategy of "transformation and upgrading, reform and innovation, and high-quality development".

   a) Build a solid foundation for high-quality development by expanding and strengthening the main business. Focus on the development of the Company's main business, optimize business models, enhance integration and whole-process service capabilities, cultivate new capabilities, models, businesses and products around traditional business strengths, and take the enhancement of business scale and comprehensive strength as the basis for high-quality development.

   b) Adhere to independent innovation to stimulate strong momentum for high-quality development. Follow the national innovation-driven development strategy, accelerate the transformation from factor-driven to innovation-driven, unswervingly promote scientific and technological innovation, continuously increase R&D investment, solve key technological problems, and stimulate the kinetic energy of corporate development.

   c) Optimize and adjust the structure to improve the overall layout of high-quality development. Keep abreast of the development trends of the national "double carbon" strategy, the integrated life cycle of the construction industry, industrialization of construction and digital transformation, so as to magnify the advantages of the resources and capabilities of each transformation segment with continuously optimized structure of the transforming businesses.

   d) Insist on opening up and cooperation to broaden the space for high-quality development. Under the new development pattern in which the enormous internal circulation economy acts as the main driver, and together with the domestic-international dual circulation economy, each promoting the development of the other, the construction of the nation's unified big market will be an opportunity for intensive integration into the China's key metropolitan area and economic belt. Active engagement in internationalized operation and great strives to integrate into the global system of industrial division of labour, deepened strategic cooperation in the industry and opening up of the channels of internal cooperation will enhance the overall development capacity and broaden the space for the development of the corporation.

e) Comprehensively deepen reform to ignite a powerful engine for high-quality development. Adhere to the alignment of Party leadership and competent corporate governance, steadily push forward equity diversification and mixed ownership reform, accelerate the establishment of a flexible and efficient market-oriented business mechanism, continue to deepen the reform of the three internal systems of the corporation, define the powers and functions of the board of directors, and implement contractual management of members of the managerial level and the professional manager system.

The essence of "high quality" is to emphasize more on quality and efficiency, that is, to develop from a "bigger" player to a "stronger" player. The Group's objective of "high-quality development" is categorized into three dimensions: "strengths in company's scale, quality and efficiency, and employees' satisfaction".

A Strength in scale, or "Ten billion Shan'an": Continue to improve the scale and efficiency to achieve growth in quality and efficiency. It has been clarified that ten billion is a measurement of magnitude; it is not the final objective but a new starting point. This is to inspire all staff of Shan'an to reach for new highs and new goals again and again.

B Strength in quality benefits, or "Quality Shan'an": Quality excellence is the foundation of Shanxi Installation. Only continuous improvements on impeccable quality can produce quality projects. Only with the pursuit of "nation-wide awareness and industry-leading position" can brand awareness be strengthened and brand advantage be created, such that "Quality Shan'an" will become a hallmark of customer satisfaction for the century-old establishment.

C Strong sense of employees' satisfaction, or "Happy Shan'an": Focus on the development of the corporation and the benefits of the employees. The corporation's developmental dividends benefit every employee, such that all employees share a significant sense of satisfaction and happiness, and every member of Shan'an contributes to the enterprise whole-heartedly.

2. "5" is to promote the "five enhancements", that is, to enhance project profitability, enhance the ability to integrate resources, enhance the ability to transform technology, enhance the ability of contract performance and enhance the ability of refined management.

   a) Enhance project profitability: Projects are the source of profits. Perform a good job of management and control in the whole process of selecting, controlling, optimizing, organizing, and operating in all types of projects, to maximize profits.

   b) Enhance the ability of resource integration: Based on the development of the "Five-in-One" full industry chain. On the basis of cultivating the corporation's strengths, fully expand the cooperation of social resources, and scientifically allocating internal and external resources to achieve the goal of win-win situation.

   c) Enhance technology transformation ability: Adhere to the lead of technological innovation, promote the integrated development of manufacturing-knowledge-research and utilization, strengthen the application and transformation of technological achievements, and enhance the quality of products with company-owned core technology, explore market share and strengthen core competitiveness.

   d) Enhance contract performance ability: Adhere to integrity of performance with the basic objective to meet customer needs, and committed to ensuring the satisfactory performance by upstream, midstream and downstream partners.

   e) Enhance the ability of refined management: Starting from the enterprise internal control management and the management of project production factors, to implement refined management based on the standardized management, and achieve modernization of the overall management level of the enterprise.

3. "3" is the continuous adherence to the construction of "three transformations", which include group-oriented development, subsidiary specialization and refinement of projects.

   a) Group-oriented development: At the company level it focuses on "strategic leadership and effective control", it highlights the core functions of risks control, personnel, security and finance, it plays the role of the "brain" in strengthening the construction of systems, standards and processes, and strengthening the construction of resource platforms (fund management platform, human resource platform, labour resource platform, supplier resource platform and information management platform), while leading, supporting, serving and coordinating all kinds of resources, and promoting the development of industry-wide operation to a higher level.

b) Specialization of subsidiaries: The subsidiaries focus on "strategy execution and management implementation", highlight the main responsibility of market development and production and operation, play the role of the "body", and take "specialization" as their goal. They coordinate all aspects of production and operation, supervise and manage project performance, and promote the development of core competitiveness to a higher level.

c) Project management refinement: The project department focuses on "project performance and profit generation", highlights refinement management, plays the role of the "limbs", take the responsibility to ensure perfect performance, control costs, improve efficiency, and promote the development of standardization to a higher level.

4. "2" is to practice two development paths, these are "going out" and "specialization".

   a) Going out: Adhere to the "1+7+X" regional development strategy, take market business development as the priority and "localization" development as the means, consolidate the "out-of-province + foreign" business-oriented development pattern, to achieve breakthrough into new regions and new businesses.

   b) Specialization: Adhere to the market positioning of "domestically renowned, industry-leading+" for the professional brand, promote the enhancement of professional capacity in matching production resources and whole-process management, strengthen the competitive advantages of specialization to build a professional brand recognized by the industry.

5. "6" is to achieve six optimizations and innovations, namely: organizational optimization, system optimization, process optimization, management innovation, technological innovation and mechanism innovation.

   a) Organizational optimization: The organizational structure is continuously optimized based on the concept of "six definitions" to form a management mechanism with clear responsibilities, which is streamlined and efficient with clear boundaries and synergistic operation, fully authorized and decentralized. A scientific hiring system is established to improve the medium- and long-term incentive mechanism, and fully stimulate the vitality of the organization.

   b) System optimization: Taking the "enterprise reality" as the starting point, to improve and update the construction of system, continuously optimize the enterprise management system to enhance and strengthen management effectiveness.

c) Process optimization: Taking "standardized construction" as the guiding principle, apply information technology measures to simplify processes and improve platform construction under the premise of risk control, so as to achieve convenient, streamlined and efficient management.

d) Management innovation: guided by objective of "management excellence", introduce the performance excellence management model to promote internal management innovation and enhance the modernization level of enterprise management.

e) Technological innovation: Based on foundation of "enhancing scientific and technological efficiency", innovation in technological R&D and application is achieved to strengthen efforts in cultivating core technologies in multiple fields and specialties, reinforcing the transformation of scientific and technological achievements, and enhancing the rate of technological benefit contribution.

f) Mechanism innovation: With "high-quality development" as a guiding principle, innovation in the mechanisms of incentives, competition, operation and development in adapting to the development trend of the market economy, so as to stimulate the vitality of the various components of the enterprise, the various operating segments, and the various resource elements.

Major Risk Factors

Risks that may have material effects on the operation of the Group are as follows:

The Company's business and future growth prospects are dependent on the overall economic situation in China and the extent of the development of specialised industrial engineering, specialised ancillary engineering, other engineering and infrastructure, and the Company's business operations and financial condition are subject to the following major risks:

Policy and Regulatory Risks

The Company's core business is affected by changes in government policies relating to the engineering industry, including laws and regulations affecting infrastructure development, new energy, project financing and taxation, local government budgets and corporate participation in the infrastructure industry. During the Reporting Period, the Company complied with the regulatory requirements of the principal laws, regulations and departmental rules while closely monitoring the legislative developments in the industries in which it operates. During the Reporting Period and up to the date of this announcement, the Group has complied with the relevant laws and regulations that have impacts on the Group's business and operations. Relevant employees and operating units are notified from time to time of any changes in applicable laws and regulations. Changes in the PRC government's policies relating to the construction industry may affect the Company's business and financial performance; any changes in procurement policies or industry standards may have significant impacts on the Company's business.

Market Risks

The Company is exposed to market risks primarily from the Company's major customers and key suppliers. Market uncertainties caused by reforms in major customers and suppliers may have a significant impact on the Company's business. In addition, other market risks, including foreign exchange risk and interest rate risk, may also have impacts on the Company's business and operations.

Environmental Compliance Risks

In the course of conducting the Company's business, we are required to comply with various PRC national and local environmental laws and regulations that set out the standards for the emission and treatment of pollutants generated during operations, including the "Law of the People's Republic of China on Prevention and Control of Noise Pollution", an environmental protection law and regulation. For example, we are required to take measures to control environmental pollution generated at construction sites and pay for the discharge of waste materials.

In the event of serious environmental offences, we may be subject to fines and other administrative penalties and/or rejection from obtaining or renewing relevant licences and permits. Law enforcement officials also have the right to order the closure of our construction facilities if they cause environmental damage or destruction that we are unable to remedy.

Use of Proceeds

The total net proceeds from the issue of new H Shares by the Company in its listing on the Stock Exchange amounted to approximately HK$738.5 million, after deducting the underwriting commission and other estimated expenses payable by the Company in connection with the global offering of the Company. The Company intends to use the unutilized net proceeds in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

	Net proceeds intended to be distributed according to the Prospectus *(HK$ millions)*	**Actual use of proceeds during the Reporting Period** *(HK$ millions)*	**Net proceeds unutilized as at the end of the Reporting Period** *(HK$ millions)*	**Expected timeframe for utilizing the remaining unutilized net proceeds**
For financing our future centralized photovoltaic projects.	147.6	—	147.6	To be utilized before end of 2025
For financing our investment in existing and future distributed photovoltaic projects	73.9	—	73.9	To be utilized before end of 2025
For our future investment in wind power projects in the PRC or abroad	73.9	—	73.9	To be utilized before end of 2026
For financing the future equity investment in and/or construction of other types of new energy projects	73.9	—	73.9	To be utilized before end of 2026
For financing our existing and future clean heating projects	29.5	—	29.5	To be utilized before end of 2026
For financing our future distributed energy projects	36.9	—	36.9	To be utilized before June 2025
For financing our existing water treatment projects	36.9	—	36.9	To be utilized before June 2024
For financing our future solid waste disposal projects	29.5	—	29.5	To be utilized before end of 2026

	Net proceeds intended to be distributed according to the Prospectus *(HK$ millions)*	Actual use of proceeds during the Reporting Period *(HK$ millions)*	Net proceeds unutilized as at the end of the Reporting Period *(HK$ millions)*	Expected timeframe for utilizing the remaining unutilized net proceeds
For paying up the registered capital of the project company and the payment of construction fee of the existing service concession project	22.2	—	22.2	To be utilized before end of 2024
For making payment of the construction fee for purchase of equipment required for the existing service concession project	36.9	—	36.9	To be utilized before end of 2024
For our existing and future service concession projects including the service concession project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City	44.3	—	44.3	To be utilized before end of 2025
For financing new energy projects of upstream and downstream manufacturing industries, major expenditures include the payment used in purchase of tower production line equipments and related ancillary facilities, purchase of raw materials	73.9	—	73.9	To be utilized before end of 2025
For working capital and other general corporate purposes	59.1	—	59.1	To be utilized before June 2024
Total	738.5	—	738.5	

COMPLIANCE WITH THE CG CODE

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as in effect from time to time) as the basis of the Company's corporate governance practices. The Company has complied with all the code provisions of the CG Code during the period since the day of the Company's listing on the Stock Exchange on November 22, 2023 ("**Listing Date**") up to December 31, 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors, the Supervisors and the Group's senior management. After enquiry to all Directors of the Company, all Directors have confirmed that they were in compliance with the standards as set out in the Model Code since the Listing Date up to December 31, 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to December 31, 2023.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three members, namely Professor Wu Qiusheng (Chairman), Mr. Feng Cheng and Mr. Wang Jingming.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated annual results for the Reporting Period and was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the results of the Group for the year ended December 31, 2023 as set out in this results announcement have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2023. The work performed by Grant Thornton in this respect was limited and did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by Grant Thornton in this announcement.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board proposed to declare a final dividend of RMB0.02682 (inclusive of tax) per 10 Shares of the Company ("**Shares**") (representing an aggregate amount of RMB3.68 million (inclusive of tax) based on the total issued Shares as at the date of this announcement) for the year ended December 31, 2023 (the "**Final Dividend**").

The aforesaid proposal is subject to the consideration and approval at the annual general meeting of the Company ("**AGM**"). In order to qualify for the entitlement to the proposed Final Dividend, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of H shares in the Company will be registered. All transfer of H shares, accompanied by the relevant share certificates, must be lodged with the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2024. If the distribution proposal is approved at the AGM, the Final Dividend will be distributed no later than June 25, 2024 to H shares Shareholders whose names appear on the register of members of the Company's H shares on June 3, 2024. The Final Dividend is denominated and declared in Renminbi. The Final Dividend payable to the holders of the Company's H shares shall be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC one calendar week prior to the approval of the Final Dividend at the AGM.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there were no significant events of the Group which would materially affect the Company's operating and financial performance subsequent to the Reporting Period and up to the date of this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and on the website of the Company (www.sxaz.com). The 2023 annual report of the Company containing all the information required by the Listing Rules will be made available to the Shareholders in due course and will be published on the websites of the Stock Exchange and the Company.

By order of the Board
Shanxi Installation Group Co., Ltd.
山西省安裝集團股份有限公司
Mr. Wang Limin
Chairman and Executive Director

Shanxi, the PRC, March 27, 2024

As at the date of this announcement, the board of directors of the Company comprises: (i) Mr. Wang Limin, Mr. Ren Rui and Mr. Zhang Yan as executive directors, (ii) Mr. Xu Guanshi, Mr. Zhang Hongjie, Mr. Mu Jianwei and Mr. Feng Cheng as non-executive directors; and (iii) Mr. Wang Jingming, Professor Wu Qiusheng, Ms. Shin Chuck Yin and Mr. Guo He as independent non-executive directors.