山西建設
SHANXI CIG

山西安裝

山西省安裝集團股份有限公司

Shanxi Installation Group Co., Ltd.

（於中華人民共和國註冊成立的股份有限公司）
(A joint stock company incorporated in the People's Republic of China with limited liability)
股份代號 Stock Code: 02520

2023 年度報告 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. WANG Limin
Mr. REN Rui
Mr. ZHANG Yan

Non-executive Directors
Mr. XU Guanshi
Mr. ZHANG Hongjie
Mr. MU Jianwei
Mr. FENG Cheng

Independent Non-executive Directors
Mr. WANG Jingming
Dr. WU Qiusheng
Ms. SHIN Chuck Yin
Mr. GUO He

Audit Committee
Dr. WU Qiusheng (Chairman)
Mr. FENG Cheng
Mr. WANG Jingming

Remuneration Committee
Mr. WANG Jingming (Chairman)
Mr. ZHANG Yan
Mr. GUO He

Nomination Committee
Mr. WANG Limin (Chairman)
Mr. WANG Jingming
Mr. GUO He

Supervisors
Mr. SHI Meng
Mr. CAO Haiyang
Ms. ZHANG Caixia

Joint Company Secretaries
Mr. ZHANG Xiaodong
Ms. CHAN Sze Ting (FCG, HKFCG)

Authorized Representatives
Mr. WANG Limin
Mr. ZHANG Xiaodong

Company's Website
http://www.sxaz.com.cn

Investor Relations Contact
Mr. ZHANG Xiaodong
email: azjtssb@sxcig.com

Headquarters and Registered Office
No. 8 Xinhua Road
Tanghuai Industrial Park
Shanxi Transformation and Comprehensive Reform
Demonstration Zone
Shanxi
The People's Republic of China

Principal Place of Business in Hong Kong
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

H Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Legal Advisers to the Company
Jia Yuan Law Offices (as to PRC law)
Jia Yuan Law Office (as to Hong Kong law)

Auditor
Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

Bank of Communications Co., Ltd.
Taiyuan Economic and Technological
Development Zone Branch
18 Longsheng Street
Economic and Technological
Development Zone
Xiaodian District
Taiyuan, Shanxi
PRC

China Guangfa Bank Co., Ltd. Taiyuan Branch
89 Jinyang Street
Taiyuan, Shanxi
PRC

Hua Xia Bank Co., Limited
Taiyuan Tiyunan Road Branch
69 Xutanxi Street
Xiaodian District
Taiyuan, Shanxi
PRC

Compliance Adviser

Shanxi Securities International Capital Limited

Stock Code

02520

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of Shanxi Installation Group, I am entrusted by the Board of Directors to present to our Shareholders the report on the Group's consolidated results for the year 2023.

Major Work in 2023

2023 is a very unusual year. We were faced with complex circumstances and a competitive market environment in a period of economic recovery. Thanks to the trust of investors, Shanxi Installation was successfully listed on the Main Board of the Hong Kong Stock Exchange on November 22, 2023 and landed itself in the international capital market. We have become the first domestic company in the business of specialized industrial construction, specialized auxiliary construction and installation to be listed on the Hong Kong Stock Exchange, achieving HK$738.5 million of offshore financing. We firmly adhered to our established goals and forged ahead under extreme pressure. We carried out various tasks to achieve steady growth, we promoted transformation, explored the market, laid a solid foundation, strengthened innovation and risk migration. In 2023, we achieved an increase of 11.2% year-on-year in newly signed contract amount (investment) and an increase in total profit of 2.56% year-on-year, while operating income decreased by 13.2% year-on-year. We have achieved effective enhancement in quality and reasonable growth in quantity.

The influence of our Company is growing every day. We hosted the "2023 China Installation Association Science and Technology Achievements Exchange Meeting"; we were awarded the "2023 Customer Satisfaction Benchmarking Five-Star Enterprise"; we were selected as a "Core" enterprise in key industry chains in Shanxi Province; we were honored as one of "Shanxi Province Top Ten Core Construction Enterprises in Shanxi Province"; we were included in the "2022 Outstanding List of Major Enterprises of Shanxi Intellectual Property Protection Centre", "Class A Tax Credit Rating" enterprises, and "Top 10 Science and Technology Innovation Enterprises in 2022 awarded by Shanxi Civil Engineering and Architecture Society". The Company has also been honored to serve as the vice-chairman unit of Industrial Innovation Development Working Committee of China Asian Economic Development Association and the vice-chairman unit of Shanxi Wind Power Equipment Industry Union.

The Company is constantly unleashing its innovation capability. In 2023, we won 2 Luban Awards, 1 National Excellence Award and 4 Installation Stars. We obtained 15 authorized patents, participated in the compilation of 1 national standard and 1 provincial standard, and we are gradually improving our R&D capability. We completed the development and application of 6 key technologies, including the "Development and Application of Intelligent Heating and Constant Room Temperature Control Platform", in the fields of clean heating, new energy, and assembly construction, among which one of them was ranked as reaching the international advanced level technology, and two of them were ranked as reaching the national advanced level, demonstrating our capability in research and development of key technologies. We have been deepening the application of BIM. Three management platforms including Project-level BIM Digital Intelligence Design Collaboration Management, BIM+ Digital Intelligence Construction Collaboration Management and BIM+ Digital Intelligence Accounting Collaboration Management have been set up and put into operation. Our topic "the Whole-process Application of Assembly Construction Based on BIM Technology" presented in China Quality (Chengdu) Conference was awarded the highest level AAA certification in the Integration of Informatization and Industrialization.

In 2023, both opportunities and challenges existed in the domestic and international markets. We leveraged on the comparative advantages according to our actual circumstances and achieved a market share of more than 50% outside the province, newly signed contract amount of RMB2.738 billion in the overseas market, clearly demonstrating the advantage of the "1 + 7 + X" strategic layout. The newly signed contract amount for traditional main industries such as municipal, chemical and electromechanical industries increased by 11.07% year-on-year. The pace of specialization development was steady, with specialized industrial projects and specialized auxiliary projects achieving steady and positive growth.

Specialized Industrial Construction

Attributable to the substantial growth of the new energy industry and the national economy's significant development in relation to the strong demand for energy, the market of specialized industrial construction for China's new energy, petrochemicals, fine chemicals and others have achieved steady growth. We invested in the 200MW wind phase-II power project in Gujiao Zhenggou (古交正溝); the 66MW wind power project in Cox's Bazar was successfully connected to the grid; we continued to deepen the cooperation with companies such as State Grid Xinyuan (國網新源), China Dianjian Group Beijing Reconnaissance Design & Research Institute Co., Ltd. (中電建北京院), China three Gorges Corporation (三峽集團) and Wanjiazhai Water Holding Group Co. Ltd. (萬家寨水控); we have established cooperative mechanisms with LONGi Green Energy Technology Co., Ltd. (隆基綠能), Ming Yang Smart Energy Group Limited (明陽智能) and other industry-leading equipment manufacturers to share resources and complement each other's strengths; we won the bids for the source network and load-sharing energy storage power station project in Ying County, the Lucheng Tianchen Guangyun 150MW wind power generation project in Lucheng, the 100MW wind power expansion project of the Yangyi wind farm in Taigu. Our development of the whole industry chain of new energy business has reached a new stage.

We participated in the joint establishment of subsidiaries with the investment platform of Xiaoyi Economic Development Zone (孝義經開區), and actively promoted the landing of projects in the chemical industry. We successively won the bids for key projects such as Xinyi Silicon's (信義矽業) Polycrystalline Silicon Phase I Project, the Qiya Phase II 100,000 tons high-purity crystalline silicon construction and installation project in Xinjiang, the Runyang Phase I 50,000 tons of high-purity polycrystalline silicon project in Inner Mongolia, and the 1.3 million tons of coke production and waste heat power generation EPC project in Zimbabwe, etc. The 5.5m coke oven of the 4.7 million t/a coke project of De Tian Coking (Indonesia) Co. Ltd. was successfully put into operation. The contribution of the traditional core business to the development of the Company has recovered significantly, and our business portfolio is showing a good trend towards diversification, multi-dimension and multi-level development.

Specialized Auxiliary Projects

Professional auxiliary projects, including urban roads, power supply, water supply and transport infrastructure, generally occupy an important position in the development of infrastructure construction, and with the rapid advancement of China's urbanization process, the total output value of professional auxiliary projects continues to grow.

In the area of clean heating, the Chahar Right Rear Banner Cogeneration project in Inner Mongolia was completed smoothly and started the delivery of heat. The successful experience was copied in various locations, steadily pushing forward a number of centralized heating projects. In the area of solid waste disposal, we successfully obtained the operating right of resource utilization of construction waste in the urban area of Linfen. In the area of water environment treatment, we won a number of successive bids for the investment, construction as well as operation and maintenance for projects in Qinyuan, Yuanping, Wenshui and others. In the area of distributed energy, the Xiaohe and Jinzhong park rooftop photovoltaic projects were connected to the grid in succession. In the area of distributed energy, we cooperated with Shanxi Aviation Industry Group and Shanxi Geological Group in the development of the Taiyuan Wusu Zero Carbon Airport Project. Giving full play to the advantages of specialized auxiliary construction, the development of the transformation business has been speeding up in all respects, accelerating the process of industrial upgrading. The transformation business has become the new driving force to promote the both the scale and efficiency of the Group in terms of quantity and quality.

Outlook

The year of 2024 is a year in which Shanxi Installation will embark on a new journey after its listing on the Hong Kong Stock Exchange. Against the backdrop of China's economic transformation, Hong Kong's unique advantage in connecting China and the world are becoming more apparent. The agility and vitality of Hong Kong's market are being strengthened in the increasingly complex international environment, and the potential of emerging businesses such as the carbon market and technological empowerment is huge. We have designated this year as the "Year of Quality and Efficiency Improvement", and we will adhere to the principle of seeking progress while maintaining stability, and actively make progress in adopting different approaches, adjusting structures, improving quality and enhancing efficiency, so as to consolidate the foundation for continuous improvement in all aspects of operations, and unswervingly push forward the Group's high-quality development.

An All-out effort for Transformation and Detailed Definition of Responsibilities for Implementation. We will continue to optimize the market layout, expand cooperation with high-quality resources, carefully analyze and assess risks, profit, and cash flow, expanding our room of maneuver and improving the quality of business operation through the government-enterprise cooperation, investment, and equity cooperation. We will strengthen the development ideas of "specialization" and "going out" by expanding the market of specialized industrial construction and specialized auxiliary construction, focusing on new energy and chemical projects, taking advantage of the industry chain and actively achieving targets in new energy projects. Low carbon and environmental protection will be taken as the entry point of transformation. Further efforts will be made in the businesses of the transformation platforms, actively expanding the market for energy storage, offshore wind power, new energy upgrading and transformation, hydrogen amino, and other specialized fields, so as to effectively enhance the vitality of the Company's development. The whole-process management of overseas projects will be strengthened, and the quality of performance will be improved to ensure that the delivery of projects are delivered on time and with high quality, thus creating a good reputation for China's "Belt and Road" initiative. We will resolutely expand the overseas market with emphasis on specialization, strengthen risk identification, plan in advance and actively participate in the bidding of overseas projects.

Management by Close Monitoring and Control, and Innovation through Diligent Pursuit. We will ensure the effectiveness of ownership rights identification and debt recovery, so that the enterprise will have sufficient and stable cash flow for development. We will gradually promote the motivation force to achieve income and profit down to the grassroots units, and reinforce the idea that it is their primary responsibility to improve efficiency and earnings. Multiple measures such as innovation in management, talent development and others will be implemented to ensure that the employees are well managed are enthusiastic. We will deepen our reform and systematic change and upgrade our qualifications in all areas. We will strengthen Root Cause Problem Solving + Whole Process Management to improve the quality of project performance for better profit margins, with a focus on improving the profits of EPC projects. We will strive to achieve a quantum leap over last year's results, both in terms of quantity and quality. We will adjust and adapt our applicability to emerging industries, and by leveraging on the resources of these emerging industries, we will comprehensively shape a new type of quality productivity in the enterprise.

Sustainable and Effective Development, and Effective Governance. We will continue to advance the transformational development of the enterprise by exploring into new businesses including low-carbon environmental protection and integrated clean energy. We will seize key development opportunities including assembly type industrial parks, the Xiaohe Green-Smart City project, ecological demonstration cities, the "Diverting Clear Water into the Yellow River" project, and the "Three-Year Action Plan to Secure a Blue Sky" project, and ensure that in 2024, in the fields of clean heat supply, solid waste disposal, water environmental treatment and distributed energy, we will continue to replicate the successful experience to more heat supply projects, explore water treatment new model, conduct studies to improve the profitability level of distributed photovoltaic projects, consolidate the market in bulk solid waste disposal, and form a virtuous cycle in which we always have developing projects in progress and process in completion. We will continue to standardize its corporate governance processes in accordance with the requirements for listed companies in terms of investor relations management, coordination of information communication and close monitoring of public opinion. We will strive to maximize the Company's value in capital market by continuously promoting the progress of compliance management in subsidiaries, and making efforts in capitalization operations.

Acknowledgement

I would like to take this opportunity to express my sincere gratitude to our Shareholders, customers and suppliers for their unfailing support of Shanxi Installation and the hard work of our employees!

We are obligated to fulfil our corporate mission and to reach the goals of the vision of the Company. We are determined to become "the most competitive modern construction service provider in China", by introducing high-quality development into the whole process and all aspects of the Company's production and operation. Further steps will be taken to optimize strategic actions and deepen the full spectrum transformation through the development of comparative and competitive advantages. With continuous efforts in quality improvement, efficiency enhancement and incentives, Shanxi Installation is, unwaveringly and resolutely, on its way to meet a better future, to become a company with strong and robust growth.

By order of the Board
Shanxi Installation Group Co., Ltd.
Mr. Wang Limin
Chairman and Executive Director

FINANCIAL SUMMARY

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**11,150,176**	12,844,822	13,278,369	10,148,620	8,826,156
Gross profit	**1,578,292**	1,842,046	1,747,928	1,428,095	1,200,925
Profit for the year	**205,558**	200,436	188,034	282,233	395,762
Net profit attributable to equity holders of the Company	**154,942**	150,882	124,830	216,356	346,896
Profitability					
Gross profit margin	**14.2%**	14.3%	13.2%	14.1%	13.6%
Profit margin for the year	**1.8%**	1.6%	1.4%	2.8%	4.5%
Earnings per share (RMB)					
Earnings per share — basic	**0.15**	0.15	0.14	0.31	0.58
Earnings per share — diluted	**0.15**	0.15	0.14	0.31	0.58

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Asset	**23,522,431**	21,447,024	17,574,961	13,379,077	11,423,990
Total Liability	**20,396,627**	19,214,104	15,560,888	11,594,994	10,055,089
Non Controlling Interest	**515,662**	423,604	338,528	304,437	207,926
Equity interest attributable to equity holders of the Company	**2,610,142**	1,809,316	1,675,545	1,479,646	1,160,975
Equity-liability ratio (total liabilities/ net assets)	**6.53**	8.60	7.73	6.50	7.35

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

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 Engineering in China

Specialized industrial engineering generally includes construction related to new energy, petrochemicals and fine chemicals. The robust growth of the specialized industrial engineering 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 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 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. 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".

Business of the Company

We are a construction service provider based in Taiyuan, a city in Shanxi Province, China. We primarily engage in the following four business segments: (i) specialized industrial construction, (ii) specialized auxiliary construction, (iii) other construction, and (iv) non-construction business. We offer a wide range of services, from (i) design and consulting, (ii) investment and construction, (iii) building construction, to (iv) operation and maintenance.

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.

Financial Review, Operating Results and Analysis

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 business segment during the indicated periods:

	For the year ended December 31				
	2023		2022		
Revenue	**RMB'000**	**Percentage of revenue %**	RMB'000	Percentage of revenue %	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.

(i) 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.

(ii) Specialized Auxiliary Construction Business

Our specialized auxiliary construction business mainly include 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.

(iii) 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.

(iv) 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 arrangement 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 is primarily attributable to increase in valuation of investment properties for the year 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 RMB2.1 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

Our provision for expected credit losses on financial assets represent expected credit losses on our trade receivables and bills receivable and deposits and other receivables. During the Reporting Period, we apply an internal expected credit loss model (the "**ECL Model**") developed by the management of the Group in calculating expected credit losses and recognizes provision for expected credit losses. The expected credit loss rate reflects the recoverability and historical settlement results on trade receivables and bills receivable and deposits and other receivables at the end of each reporting period without the use of hindsight. Any reduction on or addition to the expected credit losses on our trade receivables and bill receivables and deposits and other receivables at the end of each year is credited or charged to profit or loss. 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 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 Tax

During the Reporting Period, our profit before tax 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 holders of the Company

During the Reporting Period, total comprehensive income attributable to equity holders of the Company was RMB157.5 million, representing an decrease of RMB5.1 million as compared to total comprehensive income attributable to equity holders 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.

Financial Position Review

As of December 31, 2023, the Group's total assets amounted to RMB23,522.4 million, with total liabilities of RMB20,396.6 million and shareholders' equity of RMB3,125.8 million.

Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,	
	2023 (RMB'000)	2022 (RMB'000)
Current Assets		
Inventories	**167,733**	146,240
Contract assets	**5,376,087**	5,168,704
Receivables under service concession arrangements	**289,634**	330,658
Trade receivables and bills receivable	**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
Total Current Assets:	**17,060,377**	16,102,402
Current Liabilities		
Trade payables and bills payable	**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	**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
Total Current Liabilities:	**17,009,249**	16,032,811
Net Current Assets:	**51,128**	69,591

Property, Plant and Equipment

Our property, plant and equipment mainly consist of fixed assets, construction in progress and other temporary facilities that are not current assets. As of December 31, 2023, our property, plant and equipment amounted to approximately RMB1,248.4 million (2022: RMB972.3 million), representing a year-on-year increase of 28.39%, which is primarily attributable to the construction work in progress for the newly started Chahar Right Rear Banner heat cogeneration project in 2023.

Investment Properties

Our investment properties are mainly our properties held for generating rental income and/or for capital appreciation. As of December 31, 2023, our investment properties amounted to RMB186.8 million (2022: RMB186.1 million), representing a year-on-year increase of 0.4%, which is primarily caused by increase in valuation of investment properties for the year 2023.

As of December 31, 2023, the applicable percentage ratios of the investment properties held by the Group did not exceed 5% or more of the Group's total assets.

Right-of-use Assets

Our right-of-use assets are mainly our operating leasehold properties and land, as well as the land leased from our wholly-owned subsidiary, Gaoping Xinshi Yangtian Solar Power Company Limited* (高平市鑫時陽田光伏發電有限公司), and the pipeline network leased from our subsidiary, Shan'an Bluesky. As of December 31, 2023, our right-of-use assets amounted to RMB294.2 million (2022: RMB170.7 million), representing a year-on-year increase of 72.3%, which is primarily due to the increase of leased machinery and equipment in branch companies and the increase of heating supply facilities and right-of-use assets such as leasehold land in subsidiaries.

Goodwill

Our goodwill of RMB15.0 million primarily resulted from the acquisition of 51% equity of Shanxi Ningyang Energy Co., Ltd. (山西寧揚能源有限公司) from two independent third parties on April 3, 2018. As of December 31, 2023, our goodwill amounted to RMB15.0 million (2022: RMB15.0 million).

Financial Assets Measured at FVOCI

Our financial assets measured at FVOCI (non-recycling) mainly include our non-listed equity investments held for long-term strategic purposes. As of December 31, 2023, our financial assets measured at FVOCI were approximately RMB142.5 million (2022: RMB138.8 million). The increase of 2.7% as compared to the same period last year was mainly attributable to the appreciation in the appraised values of the investee companies, Shanxi Jiantou Decoration Industry Co., Ltd. (山西建投裝飾產業有限公司) and Shanxi Jiantou South East Jin Construction Industry Co., Ltd. (山西建投晉東南建築產業有限公司).

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

Investment

As of December 31, 2023, the Group's interests in associates amounted to RMB195.1 million, representing an increase of RMB11.8 million or 6.4% as compared to the end of last year. The increase in the Group's interests in associates mainly represents capital injection in 2 associates.

As of December 31, 2023, each individual investment held by the Group did not constitute 5% or more of the Group's total assets.

Contingent Liabilities

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

For more details about the Case, please refer to section headed "Legal and Regulatory compliance" in the "Business" section of the Prospectus.

On November 15, 2023, the People's Court rejected the lawsuit of Plaintiff. The Plaintiff subsequently filed an appeal to the Inner Mongolia Autonomous Region High People's Court (the "**High People's Court**") on November 30, 2023. On February 27, 2024, Plaintiff failed to pay the appeal fee within the specified time limit, and the High People's Court treated the Plaintiff's appeal as automatically withdrawn in accordance with the PRC Civil Procedure Law. The ruling is final and the Directors confirm that the Case would not have any material adverse effect on the Group.

Save as disclosed above, as of December 31, 2023, the Group had no significant contingent liabilities, litigation or arbitration of material importance.

Material Acquisitions and/or Disposals and Future Plans for Material Investment or Acquisition of Capital Assets

From the Listing Date and up to December 31, 2023, there were no material acquisition and disposals. In the future, the Group shall focus on acquisition opportunities that will benefit our business, and proceed with relevant capital operations in a timely manner according to market conditions.

Employee and Remuneration Policies

As of December 31, 2023, the Group had 3,722 employees, and the majority of them are based in Taiyuan, Shanxi Province. Staff costs during the Reporting Period, including directors' emoluments, totalled approximately RMB613.0 million (2022: approximately RMB542.9 million).

We believe that our long-term growth depends on the expertise, experience and development of our employees. We mainly recruit through recruitment fairs and on-campus recruitment. We have established a training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development of our employees and invest in the future of our human resources. At the same time, we have established a practice certificate incentive mechanism to encourage employees to obtain practice qualification certificates, forming a good learning atmosphere. The remuneration package for our employees generally includes salaries, bonuses and welfare benefits. In addition, we make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for our employees.

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 restricted 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 (2022: RMB5,398.9 million), which were mainly borrowings in RMB, among which RMB1,170.2 million adopted fixed interest rates. Please refer to note 33 for an ageing analysis of our borrowings as at December 31, 2023. 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.

Fund-raising activities

The Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on November 22, 2023. For further details of the status of the use of proceeds, please refer to the Report of the Board of Directors.

Other Significant Events during the Reporting Period

Save as disclosed in this annual report, there were no significant events of the Group which would materially affect the Company's operating and financial performance during the period from the Listing Date to December 31, 2023.

Significant 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 annual report.

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 construction 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 report, 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.

Outlook

1. 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.

2. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WANG Limin

Mr. WANG Limin (王利民), aged 49, the chairman and executive Director of the Company, was appointed as a Director in March 2018 and was subsequently re-designated as an executive Director in March 2022. He is the chairman of the Nomination Committee. Mr. Wang is responsible for leading the Board and he is also in charge of our Audit and Risk Control Department.

Mr. Wang has over 20 years of experience in the construction industry. Mr. Wang joined our Shanghai branch in October 1994 initially as an installation worker and worked his way to be the deputy manager of our Shanghai branch in February 2004. In March 2011, Mr. Wang took the role of head of our Engineering Department. Mr. Wang became the head of our Safety Production department in March 2014 and was promoted to be our deputy chief engineer and the executive deputy general manager of our Shanghai branch in June 2014. He was further promoted to be our deputy general manager in April 2016 and subsequently became our deputy secretary of the Communist Party Committee of the Company, our general manager in March 2018. Mr. Wang has been the secretary of Communist Party Committee of the Company and our chairman since November 2020.

In January 2010, Mr. Wang obtained a bachelor's degree in Electronic Engineering and Automation from Tongji University through correspondence courses and a bachelor's degree in Water Supply and Drainage Engineering from Jianghan University also through correspondence courses. In June 2020, he obtained a master's degree in Business Administration from Shanxi University of Finance and Economics.

Mr. Wang was recognized as a constructor in electromechanical installation by the Human Resources Bureau of Shanxi Province in November 2006, and a senior engineer in water supply and drainage engineering by the Human Resources and Social Security Bureau of Shanxi Province in December 2019.

Mr. Wang received the special honor certificate as the leader of engineering (contractor) enterprise winning 2019–2020 China Excellent Installation Project Award (China Installation Star) (2019–2020年度中國安裝工程優質獎（中國安裝之星）工程企業領導人（承建）特別榮譽證書) from China Installation Association (中國安裝協會) and was named the 2020 National Excellent Integrity Entrepreneur (2020年度全國優秀誠信企業家) by Commercial Credit Center (商業信用中心) and "Enterprise Management" Magazine Publisher (《企業管理》雜誌社). Mr. Wang was honored the title of "Model Worker of the National Housing and Urban-Rural Development System (全國住房和城鄉建設系統勞動模範)"by the Department of Human Resources and Social Security and the Ministry of Housing and Urban-Rural Development in December 2022.

Mr. REN Rui

Mr. REN Rui (任銳), aged 43, the vice president and executive Director of the Company, was appointed as a Director in February 2018 and was subsequently re-designated as an executive Director in March 2022. Mr. Ren is also the general manager of the Company and is responsible for the Company's daily production, operation and management, and he is also in charge of the management of the Group. He is fully responsible for the production, operation, management and accounts receivable of the Company and is in charge of the Planning and Development Department and Equity Management Center.

Mr. Ren has around 23 years' experience in the construction industry. Mr. Ren worked for Shanxi Sijian Group Company Limited* (山西四建集團有限公司, "**Shanxi Sijian**") since October 2000 and was promoted to be a deputy manager of the Ventilation and Air-conditioning Installation Branch Company (通風空調安裝分公司) of Shanxi Sijian in March 2012. Mr. Ren joined the Group in June 2014 as the manager of our Municipal Engineering Branch Company before he was promoted to be a deputy general manager of the Company in July 2017. He was further promoted to be a Director in February 2018 while continued to serve as one of our deputy general manager and was subsequently appointed as the deputy secretary of the Communist Party Committee of the Company in February 2021. Mr. Ren has been our general manager since February 2021.

Mr. Ren obtained a bachelor's degree in Civil Engineering from Chongqing University in January 2017 through correspondence courses and obtained a master's degree in International Relations in Economy and Trade from Flinders University in Australia in April 2023. He has also attended the Tenth Youth Cadre Development Program organized by the Party School of Shanxi Province (Shanxi Academic of Governance) in November 2019.

Mr. Ren was appointed by Shanxi CIG (known as Shanxi Construction Engineering (Group) Corporation* (山西建築工程(集團)總公司, at the relevant time) as an engineer in October 2014.

Mr. Ren was named as one of the "2013 Outstanding Project Manager of Shanxi Construction Enterprises" by Shanxi Construction Industry Association in January 2014. Mr. Ren was named as the "Outstanding Person of 2016–2017 in the Standardization of the Safety and Quality in Construction Engineering of China" (2016–2017年度中國工程建設安全質量標準化先進個人) by the Construction Safety Professional Committee of the China Association for Engineering Construction Standardization (中國工程建設標準化協會施工安全專業委員會) in 2017 and the "Outstanding Leader in Quality Management" (質量管理卓越領導者) by Beijing ZhongJianXie Certification Centre Co., Ltd. (北京中建協認證中心有限公司) in 2019, respectively, and was awarded the "Third Prize of the 2020–2021 Science and Technology Progress Award of China Installation Association (2020–2021年度中國安裝協會科學技術進步獎三等獎)" by the China Installation Association in June 2021.

Mr. ZHANG Yan

Mr. Zhang Yan (張琰), aged 52, the vice president and executive Director of the Company. He is the member of the Remuneration and Appraisal Committee. Mr. Zhang was appointed as a Director in September 2013 and was subsequently re-designated as an executive Director in March 2022. Mr. Zhang is responsible for the party committee, labor union, complaints and proposals, human resources and logistics property management of the Group. He is in charge of the Party Committee Work Department (Youth League Committee), labor union, general office, Human Resources Department, Yu'an Hengchuang (human resources segment), Shan'an Training Center and Logistics Service Center.

Mr. Zhang has nearly 30 years of experience in the construction industry. Before joining the Group, Mr. Zhang has been an officer in the second branch company of Shanxi Sijian from July 1993 to December 1995 and subsequently served as a secretary, deputy chief officer and chief officer of the general office of Shanxi Sijian. In September 1998, Mr. Zhang became the head of the Administration Department of Shanxi Sijian. In November 2000, he was appointed as the deputy chief economist of Shanxi Sijian. In January 2003, Mr. Zhang joined Shanxi Construction Engineering (Group) Corporation and served as the secretary of general office until he joined the Company. Mr. Zhang joined the Company in June 2011 as the secretary of the Communist Party Committee. He was elected as the chairman of labors' union of the Company in February 2018 while he continued to be the full-time secretary of the Communist Party Committee. Currently, Mr. Zhang is a member of the Communist Party Committee, a full-time Deputy Secretary of the Communist Party Committee and chairman of the labor's union of the Company.

Mr. Zhang obtained a bachelor's degree in Chinese Literature from Shanxi University in July 1993 and he completed the master program in Legal Theory in the Party School of the Central Committee of C.P.C (National Academic of Governance) in July 2019.

Mr. Zhang was recognized as a senior economist in enterprise management by the Human Resources Bureau of Shanxi Province in November 2003. Mr. Zhang was named as one of the "Outstanding Worker for the Communist Party's Matters in Shanxi" (山西省優秀黨務工作者) in June 2016 and the "Outstanding Labor Union Cadre (優秀工會幹部)" by the Shanxi Construction Industry Labor Union Federation (山西省建築業工會聯合會) in December 2022.

Non-executive Directors

Mr. XU Guanshi

Mr. Xu Guanshi (徐官師), aged 51, was appointed as an outside Director in October 2021 and was subsequently re-designated as a non-executive Director in March 2022.

Mr. Xu has around 25 years' experience in the construction industry. He started his career by joining in Shanxi Fifth Construction Engineering Company Limited* (山西省第五建築工程公司, "**Shanxi Fifth Construction**") in July 1996. He has been serving as deputy chief officer and chief officer of the general office, assistant to general manager and subsequently the deputy general manager, a director and a member of Communist Party Committee of Shanxi Fifth Construction during the period from April 2004 to November 2020. Before he joined Shanxi CIG as the chief officer of general office in November 2020, Mr. Xu was a deputy general manager, a director and a member of the Communist Party Committee of Shanxi Fifth Construction. Mr. Xu currently remains as the chief officer of the general office of Shanxi CIG.

Mr. Xu obtained a bachelor's degree in Economic Management from Shanxi University in July 1996.

Mr. Xu was recognized as a senior engineer in construction engineering by the Human Resources and Social Security Bureau of Shanxi Province in November 2013.

Mr. ZHANG Hongjie

Mr. Zhang Hongjie (張宏杰), aged 45, was appointed as an outside Director in October 2021 and was subsequently re-designated as a non-executive Director in March 2022.

Mr. Zhang has around 20 years' experience in finance and accounting. Mr. Zhang has served as an accountant in the Capital Management Center of Shanxi Sijian from September 2002 to March 2010. After that, he has served as the chief officer of the Finance section of the second branch company of Shanxi Sijian until July 2011. Then, he was appointed as the deputy manager of a subsidiary of Shanxi Sijian in July 2011. In May 2016, Mr. Zhang joined Shanxi Construction Engineering (Group) Corporation and took a position in the Capital Management and Settlement Center and was subsequently promoted to be the deputy chief officer and chief officer in April 2017 and April 2020 respectively. Since November 2020, Mr. Zhang has been the head of Capital Management Department of Shanxi CIG. Mr. Zhang has been appointed as a non-independent director of Shenzhen Huakong SEG Co. Ltd. (深圳華控賽格股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000068) since April 2022.

Mr. Zhang obtained a master's degree in Business Administration from Shanxi University of Finance and Economics in July 2017.

Mr. Zhang was recognized as a senior accountant by the Human Resources and Social Security Bureau of Shanxi Province in December 2020.

Mr. MU Jianwei

Mr. Mu Jianwei (慕建偉), aged 52, was appointed as an outside Director in March 2022 and was subsequently re-designated as a non-executive Director in March 2022.

Mr. Mu has over 25 years' experience in the Communist Party's building work. From July 1995 to August 1998, Mr. Mu was the secretary of the Youth League Committee of Xizhuang Village of Yangqu County of Taiyuan City. Then he served as a clerk in the Organization Department of the Communist Party's Committee of Yangqu County until November 2000 when he was assigned to be a clerk and subsequently the deputy officer clerk in June 2004 in the Organization Department of the Communist Party's Committee of Taiyuan City. He was afterwards promoted to work in the Inspection Team of the Communist Party's Committee of Shanxi Province in December 2004 till immediately before joining the Group and he has been acting as an inspector (deputy director grade) of the Provincial Committee Inspection Team, deputy manager of Talent Office, deputy director of Cadres Education Division and inspector (director grade) of the Provincial Committee Inspection Team during such period. Mr. Mu has also been acting as the head of the Communist Party's Propaganda Department in Shanxi CIG since February 2022.

Mr. Mu completed a higher diploma program in Politics and Law from Party School of Shanxi Province (he graduated from Shanxi Academic of Governance) in July 2002 through correspondence courses and he also completed the bachelor program in Law from the Party School of the Central Committee of C.P.C (National Academic of Governance) in December 2005 also through correspondence courses.

Mr. FENG Cheng

Mr. Feng Cheng (馮成), aged 51, was appointed as an outside Director in October 2021 and was subsequently re-designated as a non-executive Director in March 2022. He is the member of the Audit Committee.

Mr. Feng has around 30 years' experience in accounting. Mr. Feng served as section chief in the Finance Department of Shanxi Fifth Construction from August 1993 to October 2003. He then joined Shanxi Construction Engineering (Group) Corporation in October 2003, initially as an officer in the Audit Department and subsequently the deputy head of the Capital Management Department. He was relocated to Shanxi Fifth Construction Group Co., Ltd. (山西五建集團有限公司) in October 2015 as the chief accountant. Mr. Feng took the role of deputy head of the Audit and Risk Management Department of Shanxi CIG since September 2016.

Mr. Feng obtained a college diploma in Accounting from Shanxi University of Finance and Economics in December 1999 and he graduated from University of International Business and Economics with a bachelor's degree in Finance in July 2005 through correspondence courses.

Mr. Feng was recognized as an accountant by the Ministry of Finance of the PRC in May 1997.

Independent Non-executive Directors

Mr. WANG Jingming

Mr. Wang Jingming (王景明), aged 62, was appointed as an independent non-executive Director in March 2022 taking effect on November 1, 2023. He is the chairman of the Remuneration and appraisal Committee, a member of each of the Audit Committee and Nomination Committee.

Mr. Wang has over 40 years' experience in enterprise management, over 20 years' experience in financial management and has been acting as senior management for enterprises for over 20 years. Mr. Wang started his career as an accountant in Datong Power Station* (大同發電總廠) in September 1981. From July 1985 to October 1998, he served as the deputy chief and then the chief of finance section and finally the deputy chief accountant of Yongji Power Station* (永濟熱電廠). Mr. Wang served as the manager of the Audit Department of Shanxi Zhangze Electricity Co., Ltd.* (山西漳澤電力股份有限公司) before he joined Chalco Shanxi new materials Co., Ltd* (中鋁山西新材料有限公司)(previously known as Shanxi Huaze Aluminum Battery Company Limited* (山西華澤鋁電有限公司)) as deputy general manager in January 2004. Since October 2018, Mr. Wang served SPIC Hebei Power Company Limited* (國家電投集團河北電力有限公司) and Shijiazhuang Dongfang Energy Co., Ltd.* (石家莊東方能源股份有限公司)) as a deputy general manager and the chief financial officer for both companies. Since January 2018, Mr. Wang has been acting as a director or a supervisor in varies subsidiaries of State Power Investment Corporation Limited (國家電力投資集團有限公司) (retired in May 2022), including SPIC Xinjiang Electricity Power Company Limited* (國家電力投資集團新疆電力有限公司) (retired in September 2021), SPIC Henan Electricity Power Company Limited* (國家電力投資集團河南電力有限公司) (retired in January 2022), SPIC Jilin Electricity Power Company Limited* (國家電力投資集團吉林電力有限公司) (retired in January 2022), SPIC North-East Electricity Power Company Limited* (國家電力投資集團東北電力有限公司) (retired in November 2020) and SPIC Beijing Electricity Power Company Limited* (國家電力投資集團北京電力有限公司) (retired in January 2022). Mr. Wang has also been a director of Chaoyang Jinda Titanium Co., Ltd. (朝陽金達鈦業股份有限公司) since July 2022, and an independent director of Hebei Cangzhou Xinchang Corporation (河北滄州信昌股份有限公司) since November 2023.

Mr. Wang completed a postgraduate course in Accounting from Capital University of Economics and Business in December 2000.

Dr. WU Qiusheng

Dr. Wu Qiusheng (吳秋生), aged 61, was appointed as an independent non-executive Director in March 2022 taking effect on November 1, 2023. He is the chairman of the Audit Committee. Dr. Wu is currently level 2 professor and PhD tutor of Shanxi University of Finance and Economics and is a leading researcher in state audit and internal control. Over the years, Dr. Wu has received various awards, such as Shanxi Provincial 1331 Project Outstanding Teacher Award (省1331工程立德樹人好老師), Shanxi Provincial Outstanding Backbone Talent Award (三晉英才拔尖骨幹人才) and Shanxi Provincial Teaching Achievement Awards (First Class in 2013 and Grand Prize in 2019) (省級教學成果一等獎(2013)和特等獎(2019)), for his contributions in education. He has also been named as Principal of National Level First Class Professional Accounting (國家級一流專業會計學負責人) and Principal of National Level First Class Auditing Course (國家級一流專業會計學和國家級一流課程審計學負責人), Dr. Wu has also been a standing executive director of China Audit Society since 2020 and an academic director of the Audit Research Center of the PRC Government (中國政府審計研究中心).

Dr. Wu has published over 140 profession articles, over 10 teaching materials and three books. Dr. Wu obtained his doctorial degree in Accounting from Tianjin University of Finance and Economics in 2006. Dr. Wu is also an independent director of Jinlihua Electric Co., Ltd. (金利華電氣股份有限公司) (Shenzhen Stock Exchange stock code 300069), an external supervisor of Bank of Shanxi Co., Ltd. (山西銀行股份有限公司), an independent director of Shanxi Coal International Energy Group Co., Ltd. (山煤國際能源集團股份有限公司) (Shanghai Stock Exchange stock code: 600546) since April 2022, an independent director of Shanxi Dayu Biological Functions Co., Ltd.* (山西大禹生物工程股份有限公司) (NEEQ stock code: 871970) since February 2023 and an external supervisor of Shanxi Bank Co., Ltd.* (山西銀行股份有限公司) since April 2020. He has been an independent director of Daqin Railway Co., Ltd. (大秦鐵路股份有限公司) (Shanghai Stock Exchange stock code 601006) from May 2011 to March 2016 and an independent director of Shanxi Lu'an Environmental Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (Shanghai Stock Exchange stock code 601699) from November 2012 to May 2016.

Dr. Wu obtained his PhD degree in Accounting from Tianjin University of Finance and Economics in 2006.

Ms. SHIN Chuck Yin

Ms. Shin Chuck Yin (單婥然), aged 50, was appointed as an independent non-executive Director in March 2022 taking effect on November 1, 2023. Ms. Shin has over 20 years' experience in finance and investment banking industry. Ms. Shin has been the managing director in the investment banking department of Diligent Capital Limited since October 2023. From July 2022 to October 2023, she served as an executive director in the investment banking department of TFI Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities and a subsidiary of Tianfeng Securities Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601162). From May 2019 to May 2022, she served as an executive director in the investment banking department of Sunfund Capital Limited. From June 2017 to May 2019, she served as an executive director in the investment banking department of LY Capital Limited. From May 2014 to June 2017, she served as a director in the investment banking department of Orient Capital (Hong Kong) Limited. From April 2011 to April 2014, she served as the vice president of the Corporate Finance Department at China Merchants Securities (HK) Co., Ltd. From June 2009 to April 2011, she served as an associate director of the Corporate Finance Department at South China Capital Limited. Ms. Shin has served as the senior manager in the Corporate Finance Department at Guotai Junan Capital Limited, Shenwan Hongyuan Capital (H.K.) Limited and Evolution Watterson Securities Limited during the period from November 2001 to February 2009.

Ms. Shin obtained a bachelor's degree in Business Administration from The University of Hong Kong in 1995.

Ms. Shin has been a Chartered Financial Analyst since 2006, a Certified Public Accountant since 1999 and a member of The Hong Kong Institute of Certified Public Accountants since 1999.

Mr. GUO He

Mr. Guo He (郭禾), aged 61, was appointed as an independent non-executive Director in October 2022 taking effect on November 1, 2023. He is the member of each of the Remuneration and appraisal Committee and Nomination Committee.

Mr. Guo obtained his bachelor's degree in Semiconductor Physics from Nanjing University (南京大學) in July 1982. He has been engaged in technical work in the design and manufacture of integrated circuits and semiconductor devices in Nanjing Semiconductor Factory (南京半導體總廠). Mr. Guo obtained a second bachelor's degree in Intellectual Property Law from Renmin University of China (中國人民大學) in 1989 and has been teaching at the university since graduation.

Mr. Guo has been engaged in the teaching and research of intellectual property law for more than 30 years. He is currently a full-time professor at Renmin University of China, and concurrently serves as the vice president of the China Intellectual Property Research Association (中國知識產權研究會), the vice chairman of the Intellectual Property Law Research Association of the China Law Society (中國法學會知識產權法學研究會) and the vice chairman of the China Writer's Association (中國文學著作權協會). Mr. Guo is also an independent director of BOE TECHNOLOGY GROUP CO., LTD. (京東方科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000725).

Supervisors

Mr. SHI Meng

Mr. Shi Meng (石孟), aged 42, was appointed as a Supervisor in October 2021.

Mr. Shi has around 20 years' experience in accounting. He has been served as an accounting clerk in Shanxi Sijian from September 2002 to October 2012. Then he joined Shanxi Yijia Real Estate Development Company Limited* (山西怡佳房地產開發有限公司) as the financial controller of the Finance Department until March 2014. From March 2014 to October 2018, Mr. Shi is the chief of Finance section of our branch company and was thereafter relocated to our Finance and Asset Department where he served as the senior officer, until he was promoted the be the deputy head of our Finance and Asset Department in January 2019. From November 2019 to March 2021, Mr. Shi was appointed as the deputy head of our Audit Department and he has been the head of our Audit and Risk Control Department since March 2021.

Mr. Shi obtained a bachelor's degree in Accounting from Shanxi University of Finance and Economics in January 2018 through correspondence courses.

Mr. Shi was recognized as an accountant by the Human Resources and Social Security Bureau of Shanxi Province in October 2012 and a senior accountant in November 2021.

Mr. CAO Haiyang

Mr. Cao Haiyang (曹海洋), aged 46, was appointed as a Supervisor in October 2021.

Mr. Cao joined the Company initially as a technician in the Technical and Quality Department of the Company in September 1999. From August 2007 to May 2010, he has served as the deputy head of our Construction Management Department. From May 2010, he served as the deputy manager of our Construction Branch Company. In June 2013, he was also appointed as the Communist Party branch's secretary and chairman of labors' union of our Construction Branch Company until he was designated as the deputy general manager, deputy secretary of the Communist Party Committee and chairman of labors' union of the Eighth Engineering Branch Company of the Company in March 2017. Other than his role of a Supervisor, Mr. Cao has been the secretary of the Communist Party branch and the deputy secretary of the disciplinary committee in the headquarters of the Company from September 2021 to March 2022.

Mr. Cao completed the diploma program in Industrial and Civil Building from Taiyuan University (currently known as Taiyuan College) in July 1999 and he also completed the bachelor program in Civil Engineering from Xi'an University of Architecture and Technology in June 2004 through correspondence courses.

Mr. Cao was recognized as a second grade associate constructor in construction engineering by the Human Resource Bureau of Shanxi Province in June 2008 and a senior engineer by the Human Resources and Social Security Bureau of Shanxi Province since December 2019. He was awarded with the First Class Award for Major Construction Technology Achievement in December 2019 by the Department of Housing and Urban-Rural Development of Shanxi Province and the Shanxi Province Science and Technology Award in March 2021 by The Science and Technology Department of Shanxi Province.

Ms. ZHANG Caixia

Ms. Zhang Caixia (張彩霞), aged 41, was appointed as a Supervisor in October 2021.

Ms. Zhang joined the Company immediately after her graduation and she is currently the vice president of the labor union of the Company.

Ms. Zhang obtained a bachelor's degree in Business Administration from Shanxi University in June 2012.

Senior Management

Mr. NIU Xiaoping

Mr. Niu Xiaoping (牛小平), aged 48, is a deputy general manager of the Company and is responsible for, among others, monitoring construction investment, general construction contracting, prefabricating construction and park construction of the Group.

Mr. Niu has around 27 years' experience in the construction industry. Prior to joining the Group, Mr. Niu had taken several roles in the Sixth Branch Company of Shanxi Sijian, including foreman, project manager and deputy manager from August 1995 before he was transferred to the Second Branch Company of Shanxi Sijian to act as a deputy manager in August 2008. He joined as a manager in our Construction Branch Company in September 2010. Mr. Niu was promoted in February 2017 to be a deputy general manager and subsequently the general manager in July 2017 of the Construction and Investment Department of the Company. From September 2018 to April 2020, he served as the deputy chief economics of the Company. Mr. Niu has been appointed as one of the deputy general manager of the Company since April 2020 and has also acted as a director of Shan'an Bluesky from January 2019 to April 2020.

Mr. Niu graduated with a diploma in Engineering Cost Management from Lvliang Vocational College* (呂梁高等專科學校, currently known as Lvliang University) in July 2004 through correspondence courses. He also obtained a bachelor's degree in Civil Engineering from Lanzhou University of Technology in July 2013 through correspondence courses.

Mr. Niu was recognized as an associate constructor in construction by the Housing and Urban-Rural Development Bureau of Shanxi Province in December 2009 and a senior engineer in construction engineering management by the Human Resources and Social Security Bureau of Shanxi Province in December 2016. Mr. Niu was named as one of the "2014 Outstanding Project Manager of Shanxi Construction Enterprises" by Shanxi Construction Industry Association in June 2015.

Mr. WANG Jianjun

Mr. Wang Jianjun (王建軍), aged 41, is a deputy general manager and the chief safety officer of the Company and is responsible for production safety, costs and settlements, and materials and labor procurements.

Mr. Wang has around 20 years' experience in the construction industry. Mr. Wang joined the Group in June 2002 and was appointed as a deputy manager of the First Branch Company of the Company in December 2013. In July 2017, he was further promoted to be the general manager of the First Branch Company of the Company, the assistant to the general manager of the Company in April 2020 and the general manager of our New Energy Department in November 2020. He has been a deputy general manager of the Company since April 2021 and chief safety officer of the Company since September 2021.

Mr. Wang graduated with a diploma in Construction Project from Shanxi Engineering Vocational College* (山西工程職業技術學院) in January 2009 through correspondence courses. He also obtained a bachelor's degree in Electrical Engineering and Automation from Taiyuan University of Science and Technology in January 2016 through correspondence courses.

Mr. Wang was recognized as an associate constructor in electromechanical engineering by the Human Resources and Social Security Bureau of Shanxi Province in June 2011 and a senior engineer in construction engineering implementation by the Human Resources and Social Security Bureau of Shanxi Province in November 2020. Mr. Wang was named as the "Responsible Cadre for 2021 (2021年度擔當作為幹部)" by the Organization Department of the Shanxi Provincial Party Committee in October 2022.

Mr. LIANG Bo

Mr. Liang Bo (梁波), aged 49, is the chief engineer of the Company and is responsible for matters relating to technology, technical, and quality.

Mr. Liang has around 25 years' experience in the construction industry. Mr. Liang joined the Group in September 1997 initially as a project technician and he had taken several roles in the Group, including an electrical engineering in our branch company and a technical officer for our direct investment projects before he was appointed as the head of our Technical Centre in July 2008. In March 2014, Mr. Liang also took the role as the head of our Technical and Quality Department. Mr. Liang was appointed as a deputy chief engineer of the Company in June 2014, was promoted to be an acting chief engineer of in January 2015 and was further promoted to be the chief engineer of the Company in March 2018. Mr. Liang currently also acts as the head of our Design Institution and BIM Research Institution.

Mr. Liang graduated with a diploma in Industrial Electrical Automation from Luoyang Industry Vocational College* (洛陽工業高等專科學校, the predecessor of Luoyang Institute of Science and Technology (洛陽理工學院)) in June 1997. In July 2009, he completed the bachelor program in Electrical Engineering and Automation from Shandong University of Technology (山東理工大學) through correspondence courses. He also obtained a master's degree in Project Management Engineering from China Three Gorges University (三峽大學) in December 2017.

Mr. Liang was recognized as a senior engineer in electrical construction by the Housing and Urban-Rural Development Bureau of Shanxi Province in December 2017 and awarded the title of one of the Top Ten Innovative Entrepreneurs in Shanxi Province (山西省十大創新創業人物) in 2018. Mr. Liang was named as a "Shanxi Province Outstanding Scientific and Technological Workers" by the Shanxi Provincial Science and Technology Association in December 2019.

Mr. GUO Xiaobing

Mr. Guo Xiaobing (郭小兵), aged 52, is an assistant to the general manager of the Company and is responsible for our legal, compliance, and risk management and is in charge of our Legal and Compliance Department.

Mr. Guo has around 28 years' experience in finance. Mr. Guo started his career as a finance staff in Shanxi Sijian in August 1994. From March 1998 to August 2003, Mr. Guo worked at Shanxi Yinghuang Engineering Consulting Co., Ltd.* (山西引黃工程諮詢有限公司) as the head of finance. He then became a lecturer at the Shanxi University of Finance and Economics until he joined Shanxi Securities Co., Ltd. as an analyst. Mr. Guo joined the Group in May 2014 and became the deputy officer in our Capital Department in August 2014. He subsequently promoted to be the deputy chief accountant of the Company and a deputy general manager of our Construction Investment Business Department in June 2015. In January 2019. Mr. Guo was appointed as the chief investment officer of the Company and was further promoted to be the general manager of our Construction Investment Business Department in April 2021. Since August 2021, Mr. Guo was appointed as an assistant to the general manager of the Company. Currently, Mr. Guo is also the secretary of the united Party's branch of our Construction Investment Business Department and a director of Shan'an Bluesky.

Mr. Guo graduated with a diploma in Finance from Shanxi Finance and Taxation Vocational College* (山西省財政及稅務專科學校) in July 1994. In June 2004, he obtained a master's degree in Economics from Shanxi University of Finance and Economics. In June 2012, Mr. Guo also obtained a doctorial degree in History of Economic Thoughts from Wuhan University (武漢大學).

Mr. Guo was recognized as a senior economist by the Human Resources and Social Security Bureau of Shanxi Province in November 2014.

Ms. ZHOU Saimei

Ms. Zhou Saimei (周賽梅), aged 44, is the chief accountant of the Company and is responsible for matters relating to assets, finance, capital and listing and is in charge of our Finance Share Service Center, Finance and Assets Department, Capital Management Department and the Listing Preparation Office. Ms. Zhou has around 18 years' experience in finance. Ms. Zhou joined the Company in July 2004 as a cashier and has served as an accountant in our First Branch Company, an accountant in our Finance Department and our Capital Centre since August 2005 before she became a deputy head of our Finance and Assets Department in July 2014. She was appointed as the head of our Capital Centre in January 2015 and then the head of Finance and Assets Department in February 2016. During the period from March 2020 to April 2021, she worked as the deputy head of our Finance Share Service Centre. Ms. Zhou is re-appointed as the head of our Finance and Assets Department in April 2021. She started to serve as the chief accountant of the Company in September 2022.

Ms. Zhou obtained a bachelor's degree in Economics and in Accounting (double degree) from Shanxi University of Finance and Economics in July 2004.

Ms. Zhou was recognized as a senior accountant by the Human Resources and Social Security Bureau of Shanxi Province in August 2014.

Joint Company Secretaries

Mr. ZHANG Xiaodong

Mr. Zhang Xiaodong (張曉東), aged 40, is the secretary to the Board and one of the joint company secretaries of the Company. Mr. Zhang joined the Group in August 2005 by initially working in our fifth and sixth Branch Companies and in the Finance and Assets Department of the Company. From February 2016 to January 2019, Mr. Zhang served as a director and chief accountant of Shan'an Bluesky. From August 2017 to March 2020, he served as the head of the Listing Preparation Office responsible for overall management of the preparation of the proposed listing of Shan'an Bluesky on the National Equities Exchange and Quotations and was again appointed as the standing deputy director of the Listing Preparation Office in April 2021 for the Listing. Mr. Zhang has also served as a deputy manager of the Construction and Investment Department of the Company from November 2019 to March 2021.

Mr. Zhang graduated with a diploma in Computerized Accounting from Shanxi Finance and Taxation College in July 2005 and he completed the bachelor program in Accounting from the Central Tele-broadcast University* (中央廣播電視大學, now known as The Open University of China) in July 2009. Mr. Zhang registered as a mid-level accountant in October 2014 and passed the International Certified Management Accountant Association certificate in International Certified Management Accountant Qualification in August 2016. He was recognized as a senior accountant by the Human Resources and Social Security Bureau of Shanxi Province in July 2022.

Ms. CHAN Sze Ting

Ms. Chan Sze Ting (陳詩婷) is one of the joint company secretaries of the Company. Ms. Chan is a director of the corporate services division of Tricor Services Limited, which is a global professional services supplier specializing in integrated business, corporate and investor services. Ms. Chan has over 18 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is a Chartered Secretary (CS), a Chartered Governance Professional (CGP) and a Fellow of both The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI) (formerly The Institute of Chartered Secretaries and Administrators (ICSA)) in the United Kingdom. Ms. Chan holds a bachelor's degree in law from the University of London, Britain.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report in this annual report (the "**Corporate Governance Report**").

Compliance with 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 and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the CG Code as set out in Appendix C1 of the Hong Kong 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 Listing Date up to December 31, 2023.

Directors' and Supervisors' Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors, Supervisors and the Group's senior management.

The Company has maintained a system in monitoring the dealings of the Company's securities by Directors and Supervisors (including a notification mechanism) to ensure compliance with the Model Code. In particular, the Company will notify all Directors and Supervisors the blackout period before the commencement of such blackout period, reminding the Directors and Supervisors not to deal in the Company's securities during the blackout periods before the announcement of results. The Board is of the view that the guidelines and procedures for the Directors' and the Supervisors' dealings of securities in the Company are adequate and effective.

The Company had made specific enquiry of all Directors and Supervisors and all Directors and Supervisors have confirmed that they were in strict compliance with the standards as set out in the Model Code since the Listing Date up to December 31, 2023.

Board of Directors

The Company is headed by an effective Board which oversees the Company's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The terms of reference of the committees under the Board specify that the Directors may invite experts, scholars, intermediary agencies and relevant personnel to attend the meetings to explain and describe the issues to be discussed at the meetings if necessary. Such invitations are at the Company's expense to ensure that the Directors are given independent views and opinions. The Board has reviewed these mechanisms to ensure their effective implementation.

The executive Directors of the Company earnestly perform the dual responsibilities of decision-making and implementation, actively implement the decisions of the general meeting and the Board, and effectively play the role of a bond between the Board and the management. The non-executive Directors of the Board supervises the Board and the senior management and provides different perspectives to matters presented to the Board. The independent non-executive Directors of the Company carefully study the development strategy and business strategy of the Company, and provides independent opinion and judgement to the Board.

During the Reporting Period, the independent non-executive Directors of the Company contributed significantly in improving the Company's corporate governance structure and protecting the interests of the Company's minority shareholders.

Board Composition

As of the date of the report, the Board comprised 11 Directors, consisting of three executive Directors, four non-executive Directors and four independent non-executive Directors as follows:

Executive Directors
Mr. WANG Limin
Mr. REN Rui
Mr. ZHANG Yan

Non-executive Directors
Mr. XU Guanshi
Mr. ZHANG Hongjie
Mr. MU Jianwei
Mr. FENG Cheng

Independent Non-executive Directors
Mr. WANG Jingming
Dr. WU Qiusheng
Ms. SHIN Chuck Yin
Mr. GUO He

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "Biographical Details of Directors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Independent Non-executive Directors

From the Listing Date up to December 31, 2023, the Board at all times fulfilled the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Directors (including executive Directors and independent non-executive Directors) shall be elected at the general meeting for a term of three years. The Board is eligible for re-election upon expiry of the term of office.

Corporate Culture

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.

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.

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.

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.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, or indirectly through its committees, leads and provides direction to senior management by laying down strategies and overseeing their implementation, monitors the Company's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. The management is responsible for implementing the decisions of the Board, guiding and coordinating the daily operation and management of the Company.

Permitted Indemnity Provision

The Company has arranged appropriate insurance coverage on Directors', Supervisors' and senior management's liabilities in respect of any legal actions taken against Directors, Supervisors and senior management arising from the Company activities since the Listing Date.

Continuous Professional Development of Directors

Each newly appointed Director has received a comprehensive, formal and tailor-made induction programme upon his/her first appointment to ensure that he/she has a proper understanding of the Company's business and operations and is fully aware of his/her responsibilities and obligations under the Hong Kong Listing Rules and relevant regulatory requirements.

The Company provides lectures, seminars and on-line training as well as reading materials on relevant topics for the Directors. During the year ended 31 December 2023, all Directors have attended training courses on Directors' responsibilities. In addition, the Company has provided the Directors with relevant reading materials such as the latest legal and regulatory information for their reference and study.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2023 is summarized as follows:

Directors	Types of Training[Note]
Executive Directors	
Mr. WANG Limin	A, B
Mr. REN Rui	A, B
Mr. ZHANG Yan	A, B
Non-executive Directors	
Mr. XU Guanshi	A, B
Mr. ZHANG Hongjie	A, B
Mr. MU Jianwei	A, B
Mr. FENG Cheng	A, B
Independent Non-Executive Directors	
Mr. WANG Jingming	A, B
Dr. WU Qiusheng	A, B
Ms. SHIN Chuck Yin	A, B
Mr. GUO He	A, B

Note:

Types of Training

A: Attending training sessions, including but not limited to, talks, seminars and online training

B: Reading relevant training materials, news alerts, newspapers, journals, magazines and relevant publications

Board Diversity Policy

The Board has adopted a board diversity policy ("**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance its effectiveness. Pursuant to the Board Diversity Policy, diversity in our Board is achieved through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Company recognises and believes strongly in the benefits of a diverse board of directors and sees increasing diversity, including gender diversity, at the board level as a key factor in maintaining the Company's competitive edge, enhancing its ability to attract a diverse range of talent as well as retaining and motivating employees. We have also taken and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management.

The Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, research and development, sales and marketing, legal compliance and corporate finance. They obtained degrees in various areas and with experience from different industries and sectors.

As at the date of this report, the Board consists of 11 Directors, including four independent non-executive Directors. The ages of our Directors range from 42 years old to 61 years old, and we have both male and female representatives on the Board. The Nomination Committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. At the same time, our Nominating Committee will consider the benefits of all aspects of diversity, including, but not limited to, professional experience, skills, knowledge, educational background, age, gender, culture, ethnicity, as well as length of service, in order to maintain an appropriate weighting and balance of talents, skills, experience and diversity of perspectives on the Board.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender
Male: 10 Directors
Female: 1 Director

Designation
Executive Directors: 3 Directors
Non-executive Directors: 4 Directors
Independent Non-executive Directors: 4 Directors

Nationality
Chinese: 11 Directors

Age Group
41–50: 3 Directors
51–60: 5 Directors
61–70: 3 Directors

Educational Background
Business Administration: 4 Directors
Account and Finance: 3 Directors
Civil Engineering: 1 Director
Legal: 3 Directors

Business Experience
Construction Industry: 4 Directors
Account and Finance: 4 Directors
Others: 3 Directors

The Nomination Committee is of the view that the current Board fully demonstrates diversity in terms of skills, experience, knowledge, independence, gender, age, etc., and the Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

Nomination Policy

The Company has adopted a nomination policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors and Supervisors. Any Shareholders individually or jointly holding more than 3% of the shares of the Company may, by way of a written proposal, put forward to the shareholders' general meeting the nomination of candidates for Directors and Supervisors, and the nominators shall provide the biographical details and basic information of the candidates for Directors or Supervisors (such as educational background, work experience, relationship with the Company and its Controlling Shareholders and de facto controllers, shareholding of the Company, and whether they have been disciplined by relevant government departments). In accordance with the relevant laws, administrative regulations, regulatory documents of China, the listing rules of the stock exchange where the Company's securities are listed and the relevant regulatory rules and the Articles of Association, the personal information of the nominated candidates for Directors shall be disclosed in due course for the Shareholders' consideration and voting at the general meeting.

Board Independence Evaluation

The Company has established a board independence evaluation mechanism ("**Independence Evaluation Mechanism**") during the Year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The board independence evaluation report ("**Independence Evaluation Report**") will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended for December 31, 2023, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended for December 31, 2023 the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee, which are responsible for specific affairs of the Company respectively, and providing consultation or recommendations in relation to decision-making of the Board.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and HKEX's website and are available to Shareholders.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Feng Cheng, Mr. Wang Jingming and Dr. Wu Qiusheng. Dr. Wu Qiusheng is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The primary duties and responsibilities of the Audit Committee include but are not limited to:

- To evaluate and monitor external audit work, including monitoring external auditors' independence and objectivity and effectiveness in the audit process, discussing the nature and scope of the audit and reporting obligations, developing and implementing policies on engaging external auditors to supply non-audit services;

- To review the financial statements and financial reports of the Company and advise thereon;

- To review the Company's financial controls, internal control and risk management systems;

- To review anonymous whistle-blowing arrangements of the Company for employees to raise concerns about possible improprieties;

- To review and monitor the training and continuous professional development of directors and senior management of the Company; and

- Other matters as authorized by the Board and other matters involved in the laws and regulations as well as the relevant regulations of the securities regulatory authority and the stock exchange at the place where the securities of the Company are listed.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members".

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of three independent non-executive Directors, namely Mr. Wang Jingming, Mr. Zhang Yan and Mr. Guo He. Mr. Wang Jingming is the chairman of the Remuneration and Appraisal Committee.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The primary duties and responsibilities of the Remuneration and Appraisal Committee include but are not limited to:

- to make recommendations to the Board on the Company's policy and structure for remuneration of all directors and senior management and on the formulation of a set of formal and transparent procedures for developing remuneration policy;

- to review and approve the remuneration proposals of the management with reference to the corporate goals and objectives set by the Board;

- to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- to make recommendations to the Board on the remuneration of non-executive directors;

- to determine the remuneration packages of directors and senior management members of the Group, taking into account the salaries paid by comparable companies to similar positions, the time commitment required, responsibilities and employment conditions of other employees of the Group;

- to review and approve compensation payable to executive directors and senior management of the Group for any loss or termination of office or appointment to ensure that they are consistent with contractual terms or are otherwise fair and reasonable;

- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms or are otherwise fair and reasonable;

- to review and approve the payment of compensation to executive directors and senior management for loss or termination of employment or appointment so as to ensure that such compensation satisfies the contractual terms or, in case the compensation does not conform to contractual terms, is fair and reasonable and no undue burden is placed on the Company;

- to review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules; and

- other duties and powers as conferred by laws, regulations, departmental rules, relevant regulatory rules of the securities regulatory authority and the stock exchange at the place where the securities of the Company are listed, these rules of procedure and the Board.

The attendance records of the Remuneration and Evaluation Committee are set out under "Attendance Record of Directors and Committee Members".

Details of the remuneration of the senior management by band for the year ended December 31, 2023 are set out below:

Remuneration band (RMB)	Number of person(s)
Nil to 400,000	9
400,000 to 600,000	5
600,000 to 1,000,000	6

Nomination Committee

The Nomination Committee consists of one executive Director, namely Mr. Wang Limin, and two independent non-executive Directors, namely, Mr. Wang Jingming and Mr. Guo He. Mr. Wang Limin is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The primary duties and responsibilities of the Nomination Committee include but are not limited to:

- to formulate the standards, procedures and methods for election of directors and senior management of the Company and submit the same to the Board for consideration; to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. In addition, the Nomination Committee shall formulate policies in respect of the diversity of the members of the Board. The diversity of the members of the Board can be realised through a variety of factors, including but not limited to the gender, age, culture and education background or expertise and experience, and the policies in respect of the diversity of the Board shall be disclosed in the corporate governance report;

- to review the candidates for directors and the general manager and make recommendations; to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the chairman of the Board and the general manager;

- to identify individuals suitably qualified to become directors, and screen the candidates for other senior management members nominated by the general manager, select and nominate individuals for directors or other senior management members or provide advice to the Board in this regard;

- to review the Company's plans on developing a team of talents;

- to look for suitable candidates for vacant positions from the domestic and overseas human resources markets and within the Company, and make recommendations to the Board;

- to evaluate the overall skills, knowledge and experience of directors and senior management and assess the independence of the independent directors; and

- other duties and powers delegated by the Board.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee shall expand and discuss on measurable objectives for achieving diversity on the Board every year, monitor the progress of achieving such measurable objectives, and recommend them to the Board for adoption to ensure the continuous effectiveness of the diversity policy and the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's gender, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) and diversity policy of the Board and considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members".

Attendance Record of Directors and Committee Members

As the Company's H shares were listed on the Hong Kong Stock Exchange on November 22, 2023, no meetings of the Audit Committee, Remuneration and Appraisal Committee or Nomination Committee were held during the Reporting Period. The attendance record of each Director during their tenure of office at the Board meetings and the general meetings of the Company during the Reporting Period is set out in the table below:

	Attendance/Number of Meetings	
Name of Director	**Board Meetings**	**General Meetings**
Mr. Wang Limin	13/13	2/2
Mr. Ren Rui	13/13	2/2
Mr. Zhang Yan	13/13	2/2
Mr. Xu Guanshi	13/13	2/2
Mr. Zhang Hongjie	13/13	2/2
Mr. Mu Jianwei	13/13	2/2
Mr. Feng Cheng	13/13	2/2
Mr. Wang Jingming[(1)]	1/1	N/A
Dr. Wu Qiusheng[(1)]	1/1	N/A
Ms. Shin Chuck Yin[(1)]	1/1	N/A
Mr. Guo He[(1)]	1/1	N/A

Note:

(1) The appointments of Mr. WANG Jingming, Dr. WU Qiusheng, Ms. SHIN Chuck Yin and Mr. GUO He as independent non-executive Directors became effective from 1 November 2023.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

For the year ended December 31, 2023, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

Risk Management and Internal Controls

The Company recognizes that risk management is critical to the success of our business. The major operational risks faced by the Company in the course of its business are described in the "Management's Discussion and Analysis" section of this report. To address these challenges, our Audit Committee is responsible for reviewing the Company's financial control, internal control and risk management systems.

The Company has established an effective comprehensive risk management system and mechanism to improve the level of risk mitigation and management standard, as well as to clarify the collection, collation and reporting of events with significant operational risks to safeguard the stable operation and sustainable development of the Company.

The Company organizes a company-wide risk assessment exercise each year to determine the risk situation in the following year.

Internal Control

The Board of Directors is responsible for establishing and maintaining an effective internal control system. During the Reporting Period, we regularly reviewed and strengthened our internal control system. The following is a summary of the internal control policies, measures and procedures that we have implemented or plan to implement:

— We have adopted a number of measures and procedures for various aspects of our operations, such as environmental protection and occupational health and safety. Regular training on these measures and procedures is provided to employees as part of their training programs. We also regularly monitor the implementation of these measures and procedures at every stage of the service delivery process through our on-site internal control team.

— The Board, with the assistance of our legal advisers, will regularly review our compliance with relevant laws and regulations.

— We have established the Audit Committee, which is responsible for reviewing our financial control, internal control and risk management systems on a regular basis.

— We have appointed Shanxi Securities International Capital Limited as our compliance adviser to advise the Directors and the management team on Hong Kong Listing Rules matters.

— We require all directors, supervisors, senior management and employees to act honestly and ethically at all times, to the extent permitted by applicable law, and to comply fully with our Code of Conduct. The Code of Conduct outlines prohibited types of behaviour and imposes strict rules on charitable donations and sponsorships and hospitality expenses to minimize the risk of corruption.

— We will continue to seek advice from law firms in other jurisdictions in which we currently operate, or may operate in the future, in order to keep abreast of applicable local laws and regulations. We will continue to arrange for various trainings to be provided from time to time by our external legal advisers and/or any appropriate accredited organizations to keep our directors, supervisors, senior management and relevant employees up-to-date with the laws and regulations of the jurisdictions in which we currently operate or may operate in the future.

The Company has formulated its disclosure policy to provide general guidelines to the directors, supervisors, senior management and relevant employees of the Company in handling confidential information, monitoring disclosure of information and whistleblowing protocols.

The Board recognizes its responsibility for the risk management and internal control systems and reviews the effectiveness of these risk management and internal control systems. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established internal audit and risk prevention and control functions with the objective of helping the Company to achieve its objectives by adopting a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's risk management and internal control system and to address significant internal control deficiencies. The Board has reviewed the effectiveness of the Company's internal audit system and risk management and internal control system, including the adequacy of the Company's resources, staff qualifications and experience in the above systems and the Company's accounting, internal audit and financial reporting functions, as well as the adequacy of staff training programs and budget.

The Audit Committee attaches great importance to the Company's internal control management, promotes the effective implementation of internal control measures by all departments and subsidiaries of the Company, and ensures that the Company will carry out the internal control review tasks satisfactorily for the proper execution of the Company's production and operation activities. The Company conducts annual reviews and evaluations of its risk management and internal control system during the reporting period. The Company's "Annual Internal Control Risks Report 2023" has been reviewed and approved by the Audit Committee of the Board, which considered that the inspection and supervision mechanism was able to evaluate the effectiveness of the Company's internal control and risk management operations, and that the Company was in compliance with the code provisions relating to risk management and internal control. The Audit Committee has carefully reviewed the evaluation report on internal control and communicated with the auditors on matters in relation to internal audit, and has not found any material and significant deficiencies with respect to the Company's internal control.

During the Reporting Period, the Board considered that the Company's risk management and internal control systems were effective and adequate after reviewing all material controls over finance, operation and compliance for the year ended December 31, 2023. The Board will review the Company's risk management and internal control system annually.

Gender Diversity and Equal Opportunities Policy

We respect the gender, age and ethnicity of each person. As of December 31, 2023, approximately 26.1% of our full-time employees (including senior management) were female. We will continue to focus on embracing diversity within the Company and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. To this end, we have adopted policies on compensation, dismissal, equal opportunities, diversity and antidiscrimination. Accordingly, the Company gives each job applicant an equal job opportunity and we have an internal policy in place to ensure that there is no discrimination as to gender, age and ethnicity. In addition, we have stipulated in our internal guidelines that decision in relation to human resource management, which include but not limited to promotion, salary increment and dismissal within the Company would be based solely on the employee's performance, experience and capability. While we strive to provide equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	**Male**
Board	9.1%(1)	90.9%(10)
Senior management	16.7%(1)	83.3%(5)
Other employees	26.2% (970)	73.8% (2,735)
Overall workforce	26.1% (972)	73.9% (2,750)

The Board had targeted to achieve and had achieved at least 9.1% (1) of female Directors, 16.7% (1) of female senior management and 26.2% (970) of female employees of the Group and considers that the above current gender diversity is satisfactory.

We will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management. We will encourage current Board members, particularly members of the Nominating Committee, to recommend female director candidates and take other actions to help achieve greater Board diversity, such as inviting some of our talented mid- and senior-level female employees to attend and observe Board meetings. This will enable the Board to learn more about female candidates before they are nominated to the Board, and provide potential female candidates with the opportunity to prepare for directorships.

We will also continue to ensure that gender diversity exists in the recruitment of middle and senior level employees so that we can provide female senior management and potential successors to the Board at the proper timing to ensure gender diversity on the Board. The Group will continue to emphasise the training of female talents and provide long-term development opportunities for female employees, including but not limited to business operations, management, accounting and finance, legal and compliance. As such, we believe that the Board will have the opportunity to identify capable middle and senior level female employees for future nomination as Directors and will be able to make available a list of female candidates for such purpose.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

To the knowledge of the Directors, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

Auditors' Remuneration

The following table sets forth the types of services provided by and the fees for the domestic and international external auditors of the Group in 2023:

Services rendered by Grant Thornton Hong Kong Limited and other member firms	**Fees paid/ payable RMB'000**
Audit services[1]	6,927
Non-audit services[2]	893
Total	7,820

Notes:

(1) The audit fees include the fees rendered for the annual audit and reporting accountants in relation to the listing of the Company.

(2) The non-audit services fees include fees rendered for review of internal control of the Group.

Joint Company Secretaries

Mr. Zhang Xiaodong and Ms. Chan Sze Ting acted as joint company secretaries of the Company. For their respective biography, please refer to the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

Ms. Chan Sze Ting, the director of the corporate services division of Tricor Services Limited, was appointed as one of the joint company secretaries of the Company. The key contact person between Ms. Chan Sze Ting and the Company is Mr. Zhang Xiaodong. During the Reporting Period, Ms. Chan Sze Ting and Mr. Zhang Xiaodong have both complied with Rule 3.29 of the Hong Kong Listing Rules by taking no less than 15 hours of the relevant professional training.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

Shareholders' Rights

To safeguard Shareholders' interests and rights, all resolutions put forward at general meetings will be voted on by poll pursuant to the Hong Kong Listing Rules and poll results will be posted on the websites of the Company and HKEX after each general meeting.

Convening Shareholders' General Meetings

An annual general meeting is required to be held once every year within six months following the end of the previous financial year. An extraordinary general meeting is required to be held within two months subsequent to the occurrence of any of the following:

- the number of directors is less than the number provided for in the Company Law or less than two thirds of the number prescribed in the Articles of Association;
- the Company's losses which have not been made up attain one-third of the total paid up share capital;
- upon requisition by a Shareholder who holds 10% or more of the Company's shares singly or jointly (the number of shares held by the Shareholders shall be counted based on the date of the written request);
- the Board of Directors deems necessary;
- upon requisition by the Board of Supervisors;
- upon the approval by at least half of all of the independent non-executive Directors;
- other circumstance as specified by laws, administrative regulations and the Articles of Association.

A general meeting shall be convened by the Board, and chaired by the chairman. In the event that the chairman is unable to perform his/her duties, the meeting shall be chaired by the deputy chairman. In the event that the deputy chairman is unable to perform his/her duties, a Director jointly nominated by half or more of the Directors shall chair the meeting.

A general meeting convened by the Board of Supervisors shall be chaired by the chairman of the Board of Supervisors. Where the chairman of the Board of Supervisors is incapable of performing or is not performing his/her duties, a Supervisor jointly recommended by more than one half of the Supervisors shall chair the meeting.

A general meeting convened by the Shareholders themselves shall be presided over by a representative elected by the convener. If for any reason, the Shareholder is unable to elect a representative as a presider to preside over the meeting, the Shareholder holding the most voting shares among the Shareholders (including shareholder proxy (other than HKSCC Nominees)) shall act as the preside to preside over the meeting.

Putting Forward Proposals at General Meetings

Shareholders who individually or collectively hold over 3% of the shares of the Company may submit written provisional proposals to the convener of the general meeting 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of general meeting within two days upon receipt of the proposals and announce the contents of the proposals on the agenda.

Except as provided in the Articles of Association, the convener shall not make any changes to the proposals set forth in the notice of the general meeting or add any new proposals once the notice and announcement of the general meeting have been issued.

The contents of such proposals shall fall with the authority of the general meeting, contain a clear topic and a specific resolution and comply with relevant provisions of laws, administrative regulations and these Articles of Association.

Contact Details

Shareholders may send their enquiries or requests to the Company at 5/F Manulife Place, 348 Kwun Tong Road, Hong Kong (For the attention of the Board/Company secretary).

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors/Investor Relations

The Company recognises that communication with its Shareholders and the market is essential to ensure that Shareholders have access to the information they reasonably require to make an informed assessment of the Company's strategy, operations and financial performance. The Company is committed to maintaining effective and timely communication of the Company's information to its Shareholders and the market.

The Company endeavours to maintain an ongoing dialogue with Shareholders, in particular through general meetings which provide an opportunity for communication between Shareholders and the Board.

The Company's Shareholder Communication Policy has been developed to ensure that Shareholders, including individual and institutional Shareholders and, where appropriate, the investment community, have timely access to comprehensive, equal and easy to understand information about the Company (including overviews on financial performance, strategic objectives and plans, significant developments, governance and risks), in order to enable Shareholders to exercise their rights in an informed manner and to allow Shareholders and the investment community to engage actively with the Company.

1. General Policy

1. The Board shall maintain an ongoing dialogue with Shareholders and the investment community, and will regularly review this policy to ensure its effectiveness.

2. The main channels through which the Company communicates information to Shareholders and the investment community are: the Company's financial reports (quarterly (if any), interim and annual reports); the annual general meeting and other general meetings that may be convened; and the publication of all disclosures submitted to Hong Kong Stock Exchange, as well as the Company's newsletters and other corporate publications on the Company's website.

3. The Company will at all times ensure that information is communicated to Shareholders and the investment community in an effective and timely manner. Any queries on this policy should be directed to the joint company secretaries of the Company.

2. Communication Channels

Shareholders' Enquiries

Shareholders should address any questions regarding their shareholdings to the Company's share registrar and transfer office. Shareholders and the investment community may at any time request access to publicly available information of the Company.

The Company shall provide Shareholders and the investment community with a designated contact person, email address and enquiry channel of the Company to facilitate any enquiry they may have about the Company.

Shareholders may send such enquiries or requests to:

Address:	No. 8 Xinhua Road, Tanghuai Industrial Park, Shanxi Transformation and Comprehensive Reform Demonstration Zone, the People's Republic of China
Postcode:	030032
Telephone/Fax:	0351–5679326

Shareholders are required to deposit and send the original of the signed written request, notice or statement or enquiry (as the case may be) to the above address, giving their full names, contact details and identities to enable the Company to respond. Shareholders' information may be disclosed as required by law.

Corporate Communication

Corporate communication refers to any document which issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to, the directors' report and annual accounts together with the auditor's report, interim report, notice of meeting, circular and proxy form.

Corporate communications to Shareholders are prepared in plain language in both Chinese and English to facilitate Shareholders' understanding of the contents of the communications. Shareholders have the right to choose the language (either English or Chinese) in which they wish to receive the corporate communications or the means of receipt (paper version or electronic form).

Shareholders are advised to provide the Company with, inter alia, their email addresses to facilitate the provision of timely and effective communications.

Company Website

A dedicated "Investor Relations" section is available on the Company's website (www.sxaz.com.cn). The information posted on the website is updated regularly.

Information released by the Company on the website of HKEX is also posted on the Company's website immediately. Such information includes financial statements, results announcements, circulars, notices of general meetings and relevant explanatory documents.

General Meetings

Shareholders are encouraged to participate in general meetings and if they are unable to attend, they may appoint a proxy to attend and vote on their behalf.

Appropriate arrangements should be made for annual general meetings to encourage Shareholders' participation.

The Company shall monitor and regularly review the proceedings of general meetings and make changes where necessary to ensure that they meet the needs of Shareholders.

Board members, in particular, the chairmen of Board committees or their delegates, appropriate executive management and the external auditors shall attend the annual general meeting to answer questions from Shareholders.

Shareholders are encouraged to attend Shareholders' events organised by the Company to keep abreast of the Company's developments, including updates on strategic planning, products and services.

Investment market communications

The Company organises various activities, including briefings and individual meetings with investors/analysts, local and/or international promotional tours, media interviews and investor outreach activities, as well as organises/participates in industry thematic forums, etc., as it deems appropriate to facilitate communication between the Company and its Shareholders and the investment community.

Directors and employees of the Company are subject to the disclosure obligations and requirements under the Company's policy on disclosure of inside information whenever they have contacts or dialogues with investors, analysts, the media or other outside related parties.

3. Shareholders' Privacy

The Company understands the importance of protecting Shareholders' privacy and will not disclose Shareholders' information without their consent, except as required by law.

The Board has reviewed the above policy, and believes that Shareholders have sufficient means and channels to express their opinions to the Company, and the Company's shareholders' communication policy was effectively implemented and executed during the period since the Listing Date and up to December 31, 2023.

Changes to the Articles of Association

From the Listing Date and up to December 31, 2023, the Company had not made any amendments to the Articles of Association.

An up-to-date version of the Articles of Association is available on the Company's website and HKEX's website.

Dividend Policy

The Company has adopted a dividend policy in respect of the payment of dividends. The Company does not have any predetermined dividend payout ratio. In accordance with the dividend policy, the Board shall take into account the following factors when considering the declaration and payment of dividends:

- the actual and expected financial performance of the Group;
- the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

- the Group's liquidity position;
- the Group's financial position;
- general economic conditions, the business cycles of the Group's operation and external factors that may affect the Group's future business and financial performance and position;
- Shareholders' interests;
- any restrictions on dividend payments; and
- other factors that the Board considers relevant.

The Board will review this policy from time to time, and reserves the right to update, amend, modify and/or cancel this policy at any time in its sole and absolute discretion.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

1. About The Report

(1) Report Explanation

This is the Environmental, Social and Governance (ESG) report for 2023 released by Shanxi Installation Group Co., Ltd. ("the Company", "we" or "Shanxi Installation", together with its subsidiaries, collectively referred to as "the Group"). This report aims to convey the Group's principles and management practices regarding ESG matters, fostering understanding of and communication with various stakeholders.

(2) Preparation Basis of the Report

The Company has prepared this report in accordance with Appendix C2 "Environmental, Social, and Governance Reproting Guide" (the "ESG Reporting Guide") of the Hong Kong Listing Rules of the Hong Kong Stock Exchange. This report has complied with the provision of "comply or explain" under the "ESG Reporting Guide" and prepared based on the reporting principles of materiality, quantitative and consistency, striving to fully reflect the Group's management status and performance in ESG aspects for the year.

Materiality: During the preparation process of this report, the Company has identified the key stakeholders and the ESG issues of their concern. Based on the relative importance of these issues, targeted disclosures have been made in this report to address their specific concerns.

Quantitative: The report utilizes quantitative data to present key performance indicators ("KPIs") related to environmental and social aspects. The measurement criteria, methods, assumptions, and/or calculation tools, as well as the sources of conversion factors used for the key performance indicators mentioned in this report, have been explained in the respective sections.

Consistency: Unless otherwise specified, the data and statistical methods used in this report are consistently maintained on an annual basis.

(3) Reporting Scope

The time span of this report is from January 1, 2023, to December 31, 2023. Unless otherwise specified, this report aligns with the coverage of our Company's "2023 Annual Report," which includes Shanxi Installation Group Co., Ltd. and its subsidiaries.

(4) Information Explanation

All data in this report are sourced from internal documents and statistical reports within the Group.

(5) Report Statement

This report is published in two languages: Traditional Chinese and English. In case of any discrepancies, the Chinese version shall prevail.

2. About the Company

Shanxi Installation Group Co., Ltd. ("Shanxi Installation") was established in 1952. It is among the first batch of construction contracting companies awarded with Quality Management System Certifications in the PRC, and also a market-leading specialized industrial construction contracting company. Guided by the "spirit of the craftsmanship", Shanxi Installation consistently focuses on the four methods for modernization of enterprise management, including "ideology management, organizational management, control management, method management". It actively cultivates five core business capabilities, including "market expansion, product and service provision, resource integration, production and operation, as well as technological and digital assurance". It has developed a complete service chain of "Design Consultation, Investment, Construction, Component Manufacturing as well as Operation and Maintenance".

We possess comprehensive industry qualifications and are the first construction service provider to obtain the Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction and Municipal Public Engineering Construction, and Grade A Qualifications for Industry Design (雙特雙甲) in China. Our business qualifications cover a wide range of engineering categories. We have a complete industrial chain and are one of the limited engineering companies in the construction engineering contracting industry that have design institutes and engineering design capabilities. Our subsidiaries have clients spanning across the country and overseas regions. Having received over a hundred national and provincial-level quality awards, we have a stable service quality and leading innovation capabilities. We have accumulated nearly a thousand innovative construction methods, QC research and development results, and invention patents. We actively fulfil our social responsibilities, creating satisfaction through integrity and reputation through practicality, and have been recognized as a "National Construction Industry AAA Credit Enterprise."

Shanxi Installation is committed to upholding the corporate values of "integrity, pragmatism and perseverance," and adheres to the corporate mission of "Dedication to Excellence and Building the Future." We adhere to the principles of "integrity as the foundation, ethics as the priority," continuously improving industry qualifications, expanding the industrial chain, accumulating innovative achievements, and refining service quality. With a customer-centric approach, we strive to provide high-quality services to our clients. Our goal is to become the "most competitive modern engineering service provider in China".

3. ESG Management Approach

ESG Governance

Shanxi Installation considers sustainable development as an effective guarantee for the Company's long-term stable development. By identifying issues of concern to stakeholders, conducting assessments on the importance of the issues, and defining ESG management priorities, we aim to build an ESG framework and enhance the Company's ESG management system. We are committed to achieving excellent performance in sustainable development.

To comprehensively and actively fulfil corporate citizenship responsibilities, participate in building a harmonious society, and achieve coordinated development between the Company and society, Shanxi Installation has further strengthened its ESG governance framework, aiming at enhancing ESG performance and promoting the Company's sustainable development. As part of this effort, an ESG governance framework has been established, consisting of the Board of Directors, ESG Committee, and ESG Execution Team.

Three-tier ESG governance framework

Three-tier ESG governance framework in Shanxi Installation

The Board of Directors of the Company serves as the highest authority and decision-making body for ESG matters. It is responsible for assessing and determining the Company's ESG-related risks and opportunities, and ensures that appropriate and effective ESG risk management and internal control systems are established. It formulates ESG management policies and strategies, oversees and regularly reviews ESG performance.

The ESG Committee is responsible for conducting internal and external stakeholder materiality assessments, implementing the Board's strategies and policies, generally promoting the Company's ESG matters, monitoring the progress towards targets, and providing reports to the Board in a timely manner.

Additionally, we have established an ESG Execution Team composed of members from different departments, which is responsible for coordinating and executing day-to-day ESG activities, organizing the preparation of ESG reports, leading ESG-related training initiatives, and reporting regular work updates to the ESG Committee.

Currently, ESG risks have become important considerations in our daily business management processes. We continuously establish a sound risk prevention and control system, regulate the reporting of major operational risk events, take timely response measures, and develop a list of authorities and responsibilities. We conduct inspections on sites with operational risks and promote the normalization of daily supervision and management practices.

Board Statement

Shanxi Installation places green, low-carbon, and high-quality sustainable development as a crucial component of its corporate strategic objectives. As mentioned in the "14th Five-year Plan", the Company aims to become a leading "modern engineering service provider" by fostering collaborations with "green energy suppliers" and "low-carbon project providers", thus enabling strategic layout for low-carbon development. The Group is actively advancing research in low-carbon technologies and accumulating a portfolio of specialized cutting-edge construction techniques to provide technical support for the restructuring of the Company's business operations. Meanwhile, the Company adheres to green development and incorporates these principles into its corporate growth and governance practice. With a focus on areas such as industrialized construction and new energy projects, the Company actively engage in ecological civilization construction, leveraging our role as a leading example in the field of green and low-carbon development.

Shanxi Installation has established a three-tier ESG governance framework, with the Board of Directors providing comprehensive leadership, the ESG Committee leading implementation, and the ESG Execution Team ensuring specific execution, to assess and oversee the Company's environmental, social, and governance performance. The Board of Directors, as the highest authority and decision-making body for ESG matters, bears overall responsibility for the Group's ESG strategy and reporting. It is responsible for evaluating and dertermining ESG risks and opportunities, and regularly receiving and reviewing reports from the ESG Committee on the progress of ESG initiatives. The Board comprehensively supervises and manages all ESG-related matters within the Company. The Board of Directors holds regular meetings annually to discuss ESG management strategies and important issues, assess the importance of ESG topics as well as to provide rational recommendations for the formulation of ESG management policies and strategies.

During the Year, the Board of Directors has actively participated in the identification, assessment, prioritization, and management of key ESG issues within the Company. It has clearly defined the annual focus areas and successfully formulated ESG indicators and targets. Following the Company's ESG-related policies, all departments have strictly fulfiled their responsibilities and conducted self-assessments on the completion and achievement of ESG indicators and targets for all aspects in the year 2023. Additionally, the Board of Directors has regularly reviews the progress of target attainment to ensure their realization.

The Group will continuously strengthen the mechanisms for the Board of Directors' participation in ESG work to ensure the ongoing implementation of ESG governance of the Group. This effort aims to drive continuous improvement in the Company's ESG governance standards.

This report provides a comprehensive disclosure of the progress and achievements of the aforementioned ESG initiatives for the year. It has been reviewed and approved by the Board of Directors in March 2024.

Board of Directors
March 2024

Stakeholder Communications

Shanxi Installation gathers insights on various ESG issues by conducting surveys and internal meetings to understand the perspectives of different stakeholders. We identify and assess the importance of issues concerned by stakeholders. Given the scope of our business, the main stakeholders we have identified include investors, government, employees, suppliers, customers, and the local community. By actively engaging in communication with these stakeholders, we have summarized the key ESG issues that they are primarily concerned about during the year.

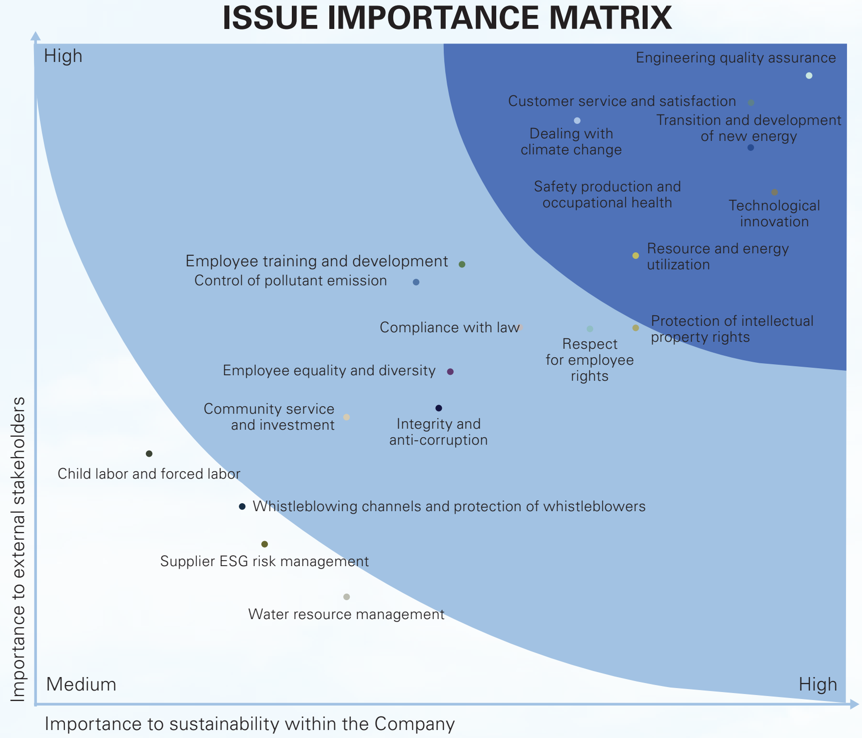
Stakeholders	Expectations and appeals	Communication and responses
Investor	Financial performance Company transparency Protection of Interests	Enhancement of the Company's sustainable profitability Disclosure of routine information Improvement of communication mechanism
Government	Compliance with the law Payment of taxes in accordance with the law	Compliance Active Taxation
Employee	Remuneration and benefits Healthy work environment Vocational training and promotion Work and life balance	Competitive remuneration system Employee health and safety Employee development and training Employee caring activities
Supplier	Win-win collaboration Fair and just Mutual growth	Improvement of supplier management system Build a platform for partner communication
Customer	Product and service quality Customer information protection Enhance customer satisfaction	Improve product and service quality Improve communication mechanism with customers Complaints and handling mechanism Protection of consumer rights and privacy
Community	Create a harmonious community environment Boost employment Public welfare and charity Concern for the vulnerable group	Promoting community culture Create job opportunities Implementing philanthropic projects Volunteer services

Identifying Key Issues

We have engaged in continuous communication with stakeholders and conducted substantive issue assessments to identify ESG issues that are important or relevant to both the Company and stakeholders. Through various channels such as regular surveys and questionnaires, we gather feedback from stakeholders to understand their expectations and identify ESG issues that are significant to the Company and stakeholders under the current business environment. Based on the identification and analysis of substantive issues, we have structured this report to provide stakeholders with a better understanding of the Company's ESG performance.

Step 1: Identification of issues	During the initial stage of report preparation, in-depth research was conducted to identify 20 substantive ESG issues that stakeholders highly value and are closely related to the Company's performance. This was achieved through studying exemplary reports from peer companies, conducting substantive issue research, and addressing disclosure requirements. These identified ESG issues have been prioritized as key content for information disclosure in the report.
Step 2: Conduct research	The ESG substantive issue surveys are distributed through online questionnaires and targeted outreach to various stakeholders, allowing them to rate the issues based on their own perspectives.
Step 3: Establish an ESG issue importance matrix	Based on the results from the surveys, the importance of each issue is analyzed from both internal and external perspectives; With the analysis, we prioritize the core issues based on their importance to "external stakeholders" and "Shanxi Installation" separately to form an ESG issue importance matrix.

The ESG issue analysis for the year 2023 indicates that stakeholders are most concerned about the Company's performance and achievements in product responsibility, customer service, environmental impact, and employee rights. This includes areas such as engineering quality assurance, safety production and occupational health, resource and energy usage, customer service and satisfaction, transition to new energy, technological innovation, and other important issues. In the subsequent chapters of this report, the Company will provide detailed disclosure on these issues to address the concerns of stakeholders.



Matrix of Key ESG Issues of Shanxi Installation

Special Issue: Green development in response to national call

Shanxi Installation actively responds to the national strategic call for green development, upholding the corporate spirit of "innovation, breakthroughs, and proactive endeavours." Guided by the national "dual-carbon" goals, the Company is exploring its own transition as a traditional enterprise while striving to promote green upgrades across the industry. Faced with the severe challenges of global climate change, Shanxi Installation has actively established its presence and been involved in the development of the new energy sector since 2020, establishing a green investment platform and promoting energy conservation and emission reduction, which has contributed to addressing climate change. Through the development of clean energy resources such as wind power and solar power, the Company not only brings new economic growth opportunities but also contributes to the sustainable development of society as a whole.

By 2023, Shanxi Installation has achieved significant progress in the field of new energy. The Company's new energy projects have expanded to major domestic and international regions, which not only increased the share of clean energy in the overall energy structure, but also provided strong support for local economic and social development. Furthermore, Shanxi Installation actively explores and practices green building design and construction, integrating the principles of green development into various aspects of its operations, and striving to contribute to the construction of a resource-efficient and environmentally friendly society.

In addition, Shanxi Installation recognizes the limited nature of resources and places great importance on waste recycling and reuse. Leveraging its green investment platform, the Company has increased research and development investments in recycling technologies and equipment. It focuses on the efficient and safe treatment of waste heat, sewage, solid waste, and other waste materials which are transformed into valuable recycled resources, thus providing strong support for social development.

Achievements in Shanxi Installation's New Energy Business

Business Scale	• As of the end of 2023, Shanxi Installation has obtained project resources in most regions within China, as well as in overseas regions such as Southeast Asia, Africa, and East Asia; • During the Year, the Company has successfully achieved distributed new energy target of 174MW and centralized bidding and allocation target of 200MW, totalling 374MW.
Innovative construction method	• Construction method for large wind turbine generator foundations; • Construction method for tower erection and conductor spreading for transmission line of new energy project in mountain areas; • Construction method for connecting bolts for wind turbine equipment in wind turbines; • Construction method for 200KV generator step-up transformer in Booster Station; • Construction method for 35KV overhead lines by drones and tension strings. • ……

Deployment of Clean Energy
Shanxi Installation actively implements the national "dual carbon" and green development strategies, closely following national strategic policies, seizing development opportunities, and actively promoting the development of the new energy production industry. Since entering the new energy sector in 2010, Shanxi Installation has established a comprehensive industrial chain business system encompassing "design consultation, investment, construction as well as operation and maintenance". The Company has accumulated extensive experience in the development, construction, and operation of new energy projects such as wind power and photovoltaics. It has also established a sound regulatory framework for the new energy system, supported by dedicated research teams focusing on carbon assets, enabling the successful achievement of full coverage of new energy products.

The Company has established a diversified development model in the field of new energy through innovative collaboration approaches. Relying on its wholly-owned subsidiary Shan'an Maode, Shanxi Installation has made significant efforts to expand its business in wind power, photovoltaics, and other new energy sectors. By 2023, the newly signed contracts for Shanxi Installation's new energy projects accounted for over 50% of the total contract value, and the green energy output from new energy sources reached 32,880,243.2 kWh.

Moreover, the Company has been closely following the national development trends and actively expanding technological innovation in the field of new energy. It has been actively exploring wind power generation, clean energy, and green energy sectors, accumulating rich experience and strong capabilities. Additionally, the Company has adopted a three-pronged approach to its strategic deployment, focusing on "provincial layout," "domestic layout," and "overseas layout", through which, it has fully utilized domestic customer and partner resources. Meanwhile it strived to develop new energy markets in Southeast Asia, South Asia, and Oceania, aiming to become a domestically leading and internationally advanced green building industry hub.

Photovoltaic Power Generation
Shanxi Installation is committed to the development of renewable energy, energy conservation, and emission reduction. The Company strives to create centralized and distributed renewable energy supply systems and explore the potential of utilizing industrial waste heat and excess pressure. It is dedicated to the path of green, low-carbon, and environmentally sustainable development. Leveraging its advantages in the photovoltaic field, the Company extensively installs solar panels on the roofs of industrial and commercial buildings, establishing rooftop distributed photovoltaic power projects. These projects operate in a mode of "self-consumption with surplus electricity fed into the grid" with connection to the national grid. The Company establishes mutually beneficial and cooperative relationships with building owners, promoting synergistic development and resource utilization.

The Company has currently completed rooftop distributed photovoltaic projects with a total capacity of 10.235 MW on the roofs of Shan'an Lide factory buildings, Shanxi Modernization of Construction Industry Xiaoxi River, and Jinzhong Industrial Park. These projects generate approximately 10.24 million kWh of electricity annually, leading to approximately 3,276.8 metric tons of standard coal savings, 10,209.3 metric tons of carbon dioxide emissions, 27.85 metric tons of sulfur dioxide emissions, 24.27 metric tons of nitrogen oxide emissions, and 21.4 metric tons of particulate matter emissions.

Case: Roof-mounted Distributed Photovoltaic Power Projects

Located in Jiangning District, Nanjing, the project was connected to the grid and commenced operation in August 2023. It involved the installation of photovoltaic power systems in party and government offices, public buildings and commercial and industrial buildings in Jiangning District. The installed capacity of the project reaches 179.58MW.

The Roof-mounted Distributed Photovoltaic (PV) Project of 179.58MW in Guli Key Industrial Park, Nanjing Jiangning Economic and Technological Development Zone

Case: Yuanqu 100MW Multi-Energy Complementary Project

Located in Gaoluo Town, Yuanqu County, Yuncheng City, Shanxi Province, China, the project achieved full grid connection in August 2023, covering an area of approximately 3,000 acres and has abundant solar resources. With a total investment of around RMB370 million and the planned installed capacity of 100MW, the project is a key initiative for wind and solar power guaranteed grid connection in Shanxi Province. Once completed, it is expected to generate approximately 138 million kWh of electricity annually. The project employs a multi-energy complementary approach, combining wind and solar power generation. The electricity generated by the Yuánqū project will meet the annual energy needs of nearly 70,000 households. It will also contribute to substantial energy savings, with an estimated reduction of about 45,000 metric tons of standard coal consumption per year and a decrease of approximately 137,600 metric tons of carbon dioxide emissions. The project demonstrates remarkable economic benefits and ecological advantages, playing a significant role in promoting the green and low-carbon transition of the energy structure and driving high-quality and sustainable socio-economic development in the region.

Yuanqu Multi-Energy Complementary Project

Wind Power Generation

The Company's wind power projects offer significant advantages of environmental friendliness and high level of feasibility. These projects can greatly reduce local air emissions caused by coal combustion and bring tangible benefits to rural areas, both domestically and internationally. By continuously enhancing the research in engineering design, construction, smart installation, deepening design, new construction materials, and green and low-carbon technologies, the Company has developed advanced construction techniques in various specialized fields, providing a solid foundation for business structure adjustments. In the field of wind power generation, the Company possesses comprehensive advantages and has successfully implemented wind farm projects in a number of locations domestically and internationally.

Case: The Jingle Hongyi New Energy Wind Power Project in Shapo Township

The project is located in Jingle County, Xinzhou City, Shanxi Province. It involves the installation of 32 units of 3.2 MW wind turbines and 37 units of 2.65 MW wind turbines, with a total installed capacity of 200 MW. The project also includes the construction of a 220 kV step-up substation and a 16.85 km transmission line. In 2023, the project received several national-level awards from China Association of Construction Enterprise Management, including the National Quality Engineering Award for 2022–2023 and the China Power Quality Engineering Award for 2023. These awards recognize the project's contribution to optimizing the regional energy structure and environmental protection. They also instill strong momentum for China's achievement of its "dual carbon" goals.

The Jingle Hongyi New Energy Wind Power Project in Shapo Township

Case: The Koba 66 MW Wind Power Project in Bangladesh

The project is located in Cox's Bazar, Bangladesh and construction started in September 2021. It was successfully grid-connected and began generating electricity in October 2023. The project involves the installation of 22 units of 3.0 MW wind turbines, with a total installed capacity of 66 MW. This project holds significance as it is the first overseas PC (Power Construction) project developed by the Group. It showcases the Company's commitment to the national "Belt and Road" initiative and the "Going Global" strategy, while promoting high-quality transition and development.

The Koba Wind Power Project in Bangladesh

In recent years, Shanxi Installation has seized the opportunities presented by high-quality development and digital transition, expanding its business in various new energy sectors, including wind power, solar power, biomass energy, energy storage, hydrogen energy, pumped storage hydroelectricity, and electrochemical energy storage. With a total installed capacity exceeding 15 GW in the field of new energy, the Company has been recognized with six awards at the provincial and ministerial levels, achieved two scientific and technological achievements, obtained 21 provincial-level construction methods, and holds four invention patents and eight utility model patents related to the industry.

Looking ahead, Shanxi Installation will further focus on the integrated development of "wind power, solar power, hydroelectricity and pumped storage hydroelectricity" in the field of new energy. The Company aims to achieve scale, refinement, and branding, with a strong emphasis on high quality and the energy revolution. By positioning itself in the province while facing the whole country and expanding overseas, Shanxi Installation will accelerate its development and improve the quality of its projects to establish a new energy and new industry system that excels in scale, technology, and efficiency. Shanxi Installation will explore lifecycle models incorporating project operation, industrial implementation and integrated energy management, and venture into the vast ocean of new energy business models, striving to become a "domestically well-known and industry-leading new energy engineering service provider" through relentless efforts.

Resource Recycling and Utilization

Shanxi Installation continuously optimizes its industrial layout with the goal of expanding high-quality operational assets and supporting low-carbon and environmental-friendly businesses from an investment and profitability perspective. The Company actively promotes green investment transition to support waste resource recycling and utilization. It has developed transition investment platforms such as Shan'an Blue Sky, Shan'an Biquan, and Shan'an Lide, focusing on clean energy heating, water treatment, solid waste management, and other resource recycling sectors. Shanxi Installation strengthens emission management, enhances resource utilization efficiency, and promotes the green development of enterprises.

Clean Energy Heating

Through its investment in Shanxi Shan'an Blue Sky Energy Conservation Technology Co., Ltd., Shanxi Installation actively puts efforts on the research and development, investment and application of clean energy heating technologies. Shanxi Installation is committed to advancing clean energy heating projects. It focuses on the entire process, from heat sources to end-users, to identify energy-saving opportunities and effectively recover industrial waste heat. By incorporating innovative and advanced automatic control technologies, the Company promotes clean heating methods to significantly reduce carbon emissions, minimize environmental pollution, and actively contribute to energy conservation and the creation of livable environments for humanity.

Case: Taigu Heating — Xingneng Power Plant Heating Hub

In 2023, the Xingneng Power Plant Heating Hub embarked on its eighth year of providing heating services. The Taigu Heating project, as the largest single-unit heating source project in Asia, was invested in, constructed, and operated by Shan'an Blue Sky using the Energy Management Contracting (EMC) model. By retrofitting the power generation units for heating purposes and employing the "low-grade energy cascading heating technology," the project recovers waste heat from the power plant and supplies it as a heat source to Taiyuan City, Gujiao City, and the Xishan Coal and Electricity Gujiao Mine Area. The project has heating capacity of 1,924 MW and covers an area of 76 million square meters for heating. It saves the standard coal of 931,000 tonnes per annum, and reduces carbon dioxide emission by 2.44 million tonnes, which is equivalent to 65,000 mu of forestation annually. Professor Jiang Yi, an academician of Chinese Academy of Engineering, commented that the project "pioneers the history of heating and plays an excellent demonstration role".

Taigu Heating Project — Substation of Energy Relay

Sewage Recycling and Treatment

Shanxi Installation actively explores methods for sewage treatment, reclamation, and reuse to promote ecological civilization, improve living environments, and efficiently utilize resources. The Company has invested in the establishment of Shanxi Shan'an Biquan Haimian City Technology Co., Ltd., which focuses on water engineering design, construction, operation and management, river and lake restoration projects, sewage treatment and purification, as well as landscaping and greening projects. Shanxi Installation places a strong emphasis on investment, construction, operation, and maintenance in the field of water services. Leveraging its excellent resource integration capabilities, the Company continuously builds high-quality platforms for water services cooperation, making contributions to the development of water resource recycling.

Case: Collaborative Partner Operation Project for Xia County Sewage Treatment Plant

Since its operation in April 2021, the Xia County Sewage Treatment Plant has cumulatively treated nearly 8.3 million metric tons of sewage. The reduction in chemical oxygen demand (COD) emission amounts to 1,740 metric tons, ammonia nitrogen (NH3-N) emission reduction amounts to 302 metric tons, total nitrogen (TN) emission reduction amounts to 300 metric tons, and total phosphorus (TP) emission reduction amounts to 27 metric tons. The reclaimed water is reused for ecological purposes in the Baisha River, further reducing the total pollutants from sewage in Xia County and restoring water body functions. This also provides a high-quality water source, significantly improving the water quality and ecological environment of Xia County and the Baisha River.

The Xia County Sewage Treatment Plant

Case: Efficient Operation of Linfen City Sewage Treatment Plant Recognized by the Bureau of Ecology and Environment

The Chengbei New City (Phase IV) Sewage Treatment Plant in Linfen City adopts an "Improved Multi-stage A2O + Advanced Treatment" process. The plant primarily treats residential sewage and employs physical and chemical methods to treat indicators such as COD, BOD, TN, TP, and NH3-N in the water. This ensures that the effluent quality meets Class V surface water standards and remains stable. In 2023, the plant demonstrated efficient management of high standard, safe and stable operation, and consistent compliance with effluent standards, making positive contributions to achieving water quality standards for the Gaohedian West Section of the Laohu River, a national monitoring section, in Linfen City. As a result, the plant received commendation from the Yaodu District Bureau of Ecology and Environment in Linfen City.

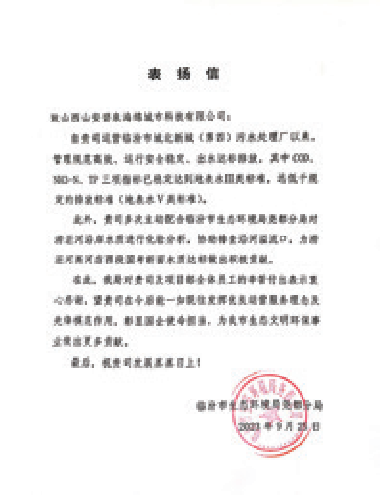


表 扬 信

Commendation Letter from the Yaodu District Bureau of Ecology and Environment in Linfen City

Solid Waste Recycling and Utilization

Shanxi Installation closely monitors the issues of construction waste treatment arising from the accelerated urbanization process. It continuously explores resource utilization technologies for solid waste, aiming to alleviate waste management pressures, reduce energy consumption, and mitigate the environmental pollution and damage caused by construction waste. The Group has invested in establishing Shanxi Shan'an Lide Environmental Technology Company Limited, which offers comprehensive services in the environmental solid waste field, including design consultation, financing and construction, operation and maintenance, technology research and development, and equipment manufacturing. By promoting the resource utilization of construction waste, it contributes significantly to carbon peak and carbon neutrality goals while conserving a substantial amount of natural resources.

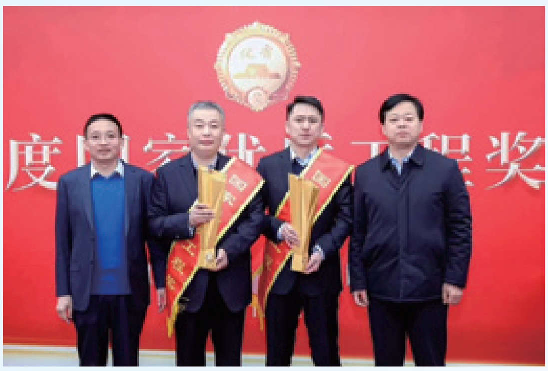
Case: Xiaohe Industrial Park Construction Waste Resource Utilization Project

Shan'an Lide has completed the project "Xiaohe Industrial Park Construction Waste Resource Utilization Project (Phase I)" in the Shanxi Transition and Comprehensive Reform Demonstration Area, processing up to 2 million metric tons of construction waste annually. It effectively mitigates the environmental pollution and land occupation issues caused by the accumulation of construction waste within the project's coverage area, saving approximately 156 acres of land per annum (calculated based on a burial depth of 6 meters) that would have been used for landfilling construction waste. This aligns with the national goals of energy conservation, emission reduction, and environmental protection. Furthermore, the project achieves an annual saving of 20,000 metric tons of standard coal and reduces carbon emissions by 7,400 metric tons.

Main Structure of the Xiaohe Industrial Park Construction Waste Project

Case: The Domestic Waste Incineration Power Generation Project in the Taiyuan Circular Economy Environmental Sanitation Industry Demonstration Base Received the National Excellent Engineering Award

In December 2023, the Domestic Waste Incineration Power Generation Project in the Taiyuan Circular Economy Environmental Sanitation Industry Demonstration Base, constructed by the Group, received the National Excellent Engineering Award for the year 2022–2023 from the China Association of Construction Enterprise Management. This project is currently the largest domestic waste incineration power generation project in Shanxi province, with designed handling capacity of 3,000 tons of domestic waste per day, supported by four sets of 750 tons/day mechanical grate incinerators and two sets of 40 MW extraction-condensing steam turbine generators. It is responsible for processing over 65% of Taiyuan city's domestic waste, effectively achieving the goals of "harmless treatment, reduction, and resource utilization" for domestic waste. The project plays a vital role in supporting the implementation of "dual carbon" strategy in China.




The Project was Awarded the National Excellent Engineering Award for the Year 2022–2023

By strenthening emission management as well as recycling and reusing waste resources, Shanxi Installation has significantly improved resource utilization efficiency. While promoting its own green development, it has made positive contributions to the sustainable development of society as a whole. The construction of various major green investment platforms has not only deepened Shanxi Installation's layout in the field of green development but also injected new vitality into the long-term development of businesses. In the future, the Group will continue to deepen its industrial layout, increase green investment efforts, and tirelessly strive to achieve the goals of green, low-carbon, and circular development.

4. Safe Production to Safeguard the Long-term Success of Enterprise.

The Company upholds the safety philosophy of "respecting life and prioritizing inherent safety" and strictly implements relevant safety production measures. We adhere to national regulations, establish scientific management practices, actively develop safety systems, improve safety measures, and prioritize the occupational health and development of our employees. By achieving a high level of integration among people, machinery, materials, regulations, and the environment, the Company ensures a safe production environment.

(1) Establishing Comprehensive Mechanisms to Shape a Safety System

The Company strictly adheres to relevant national and regional safety production laws and regulations, such as the" Work Safety Law of the People's Republic of China," "Fire Control Law of the People's Republic of China," and "Regulations on Safety Management of Projects with Higher Hazards." To ensure compliance with these requirements in the Company's quality control system, environmental management system, and occupational health and safety management system, dedicated personnel are assigned to regularly identify and follow up on the publication and updates of relevant national and local laws and regulations. The Company monitors and evaluates the compliance of its subsidiaries, project departments, and relevant staff with the regulations. If any non-compliance is identified, appropriate corrective measures are implemented.

Enhancing Safety Assurance Systems

The Company follows the principle of" safety first, focusing on prevention, and integrated control" and continuously improves its safety management system. It has developed internal safety management systems including the "System for Safety Production Inspection and Potential Risk Examination and Control," "System for Major Safety Risk Management," and "System for Safety Risk Identification and Graded Control." The Company also stays updated with the latest national safety production regulations and regularly adjusts its internal systems in line with actual operational needs. In 2023, the Company introduced the "Measures for Safety Production Assessment of All Staff," which enables timely adjustments to the management of major safety risks involving engineering subsidiaries and business units as outlined in the "Measures for Major Safety Risk Management", providing better guidance, supervision, and assessment of safety risks. The Company also revised and issued internal systems such as the "Administrative Measures for Overseas Project Safety, Environmental, and Occupational Health," "Administrative Measures for Safety Production Cost Extraction and Utilization", "Measures for Safety Production Inspection and Accident Hidden Hazard Investigation and Control for Operation and Maintenance Projects," and the "Unforgivable Work List for Safety Production in 2023" (also known as the "Ten Red Lines"). These internal systems are designed to cultivate a bottom-line mindset and strengthen the institutional foundation for safety production across various areas, including production, finance, and maintenance.

Implementing Emergency Response Mechanisms

The Company actively conducts safety risk and potential risk inspections in accordance with the relevant requirements of the "Work Safety Law of the People's Republic of China" and the "Guidelines for the Formulation of Emergency Response Plans for Production Safety Accidents of Production and Business Units." During this process, it follows the "Emergency Response Plan for Production Safety Accidents of Shanxi Installation Group Co., Ltd." for implementation and is supervised and managed by a team of safety experts based on the "Risk List." The Company continuously improves the construction of its production safety accident emergency response system, emphasizing effective management and implementation to ensure strict production safety and minimize safety hazards.

(2) Enhancing Management to Ensure Safety in Production

The Company adopts a "zero tolerance" attitude towards safety risk management and comprehensively strengthens its safety risk management system. It takes an integrated approach to manage risks both domestically and internationally, considering internal and external factors. The Company adapts its management measures to the specific circumstances, individual situations, and local conditions, effectively controlling various types of risk and hazards. In terms of construction organization, the Company places a strong emphasis on quality control. While actively implementing proactive planning, it strictly enforces the assessment of the responsibility system for safety production among all personnel. It also adheres to the management system of "responsibility at all levels, everyone is responsible, and each bears their own responsibilities" to promote construction safety management.

Strengthening Safety Risk Management

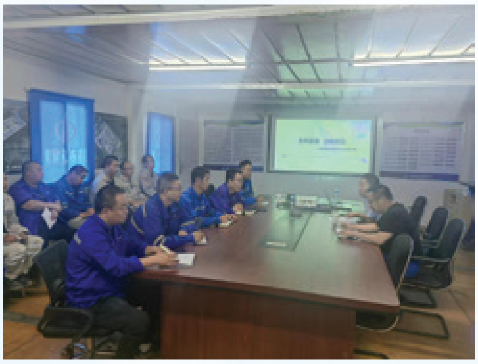
The Company has established a Safety Production Committee responsible for supervising, inspecting, guiding, and coordinating the safety production work of relevant departments and units. The committee follows a safety management framework led by the chairman, with dual directors of the Safety Production Committee. It organizes internal discussions and revisions of emergency response plans based on the study and understanding of relevant regulations. Regular safety inspections, potential safety risk investigations, and special inspections are conducted within the Company. In 2023, the Company increased the intensity of inspections at construction sites. Various inspection methods were employed, including self-inspections by project departments, specialized inspections, seasonal inspections, inspections led by company leaders, cross-inspections among subsidiaries, and random inspections by the Company. These inspections aimed to promptly identify unsafe factors during construction and take measures to address production issues. Additionally, the Company introduced third party evaluation organizations to identify deficiencies and further strengthen the safety foundation of existing sectors. Comprehensive safety inspections were carried out in seven aspects: ideology, organization, systems, safety education and training, measures, risks, and accident management to continuously promote the construction of its safety management system. As part of the Special Inspection and Rectification Action for Major Accidents in 2023, the Company established inspection frequencies and scopes based on project scale and risk levels. Full-year coverage inspections were implemented for "high-risk and large-scale" projects. Throughout the year, more than 500 internal and external inspections were conducted, nearly a thousand inspections were conducted on three types of equipment, and identified risks were categorized, recorded in a ledger, and reported during monthly safety meetings. This approach effectively prevented the occurrence of accidents resulting from identified risks.

Emphasizing Overseas Project Management

Regarding overseas projects, in 2023, the Company specifically revised the "Management System for Safety, Environment, and Occupational Health in Overseas Projects", which provides detailed regulations for project planning, safety management, environmental management, occupational health, emergency management, risk control, inspection, and supervision. We follow the overseas project management principles of "planning before commencement of work, video surveillance during the process, weekly report submission, and enhanced training from time to time". Additionally, we require each project to fully adhere to the Company's internal safety production responsibility system and strictly conduct assessments. We develop targeted emergency response plans based on local conditions. Regular activities such as safety risk classification, control, and risk identification and rectification are carried out to address the constantly changing international risks.

Case: Project Management in Indonesia

Shanxi Installation continuously improves its overseas project management processes. Prior to commencing work, a project safety plan is prepared and submitted for review and approval. During the project, implementation is monitored through an online platform to ensure maximum safety in overseas production. In addition to regular project video safety inspections and guidance and rectification by relevant departments, the leaders of the Group conducts on-site and video inspections from time to time. As a key project, the Indonesian project team is required to submit weekly reports, which are reviewed by dedicated personnel to assess the progress of safety production work. The Supervisory Management Centre conducts on-site inspections and provides guidance. Furthermore, the Legal and Compliance Department conducts compliance training for project personnel and assists the project team in identifying potential risks.

The Indonesian Project Receiving Online Guidance and Support

Ensuring Subcontractor Safety Management at the same time

To enhance safety production management for subcontractors at construction sites, the Company has established the "Subcontractor Safety Management Regulations" in accordance with national, regional, and internal group regulations. With a three-tier management system consisting of the Group, Engineering (Subsidiary) Companies and Divisions, and Project Departments, clear management principles have been defined. The regulations provide explicit provisions for subcontractor selection, evaluation, accountability, and exit mechanisms, as well as the qualifications required for subcontractors. Additionally, specific provisions have been made for construction process safety, personnel safety, and civilized construction behavior. Targeted requirements have been developed for different types of subcontractors, including labor subcontractors, specialized subcontractors, equipment lessors, and material suppliers. The Company conducts safety education for subcontractor personnel upon entry and daily operations from time to time, performs three-dimensional supervision inspections, and provides protective equipment for subcontractors. The safety management measure provided by the Company for subcontractors effectively guide subcontracting units to strengthen safety management, regulate safety behavior, prevent and reduce production safety accidents in the process of construction, and promote the continuous and stable development of the Group. In 2023, there were no significant safety incidents involving cooperating subcontractors.

(3) Adopting People-oriented Approach to Safeguard Occupational Health

The Company fully adheres to the "people-oriented" principle and emphasizes the management of employees' occupational health. We strictly abide by the requirements of national and local laws and regulations such as the" Work Safety Law of the People's Republic of China Law," the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases," and the" The Special Equipment Safety Law of the People's Republic of China." We have established internal systems such as the "Occupational Health Risk Prevention and Control and Health Supervision Management System" to identify, supervise, and manage occupational health risks. We continuously safeguard the health of our employees and create a healthy work environment for them.

Coordinating Safety and Security Mechanisms

The Company has designed a three-tier management framework for occupational health management, consisting of the responsible person of the Group, the responsible person of the Engineering (Subsidiary) Company, and the head of the Project Department. Starting from the institutional level, the framework clearly defines the responsibilities of various departments in terms of employee health in areas such as contracts, salary, and production, collectively taking responsibility for employee occupational health. Efforts are made to prevent and minimize production safety accidents, standardize occupational risk notification, identification, training, protection, inspections, occupational health examinations, employee health records management, occupational health supervision, and management of emergency incidents. Regular occupational health emergency drills are conducted to effectively prevent, control, and eliminate occupational health incidents and their risks. This includes providing guidance and regulations for emergency response work related to various types of occupational health incidents, in order to prevent or mitigate damages caused by major or catastrophic occupational health incidents, maintain social order, and safeguard the physical health and life safety of employees.

Caring for Employees' Well-being

Shanxi Installation pays close attention to the occupational health of its employees and strives to ensure comprehensive protection through proactive prevention, ongoing monitoring, and post-incident handling. It identifies occupational health risks present in different construction stages and compiles a "List of Occupational Health Risk Factors" to determine key occupational disease risks and critical control points. Pre-job training and health examinations are conducted, and occupational disease prevention and control measures are actively implemented. Through occupational health briefings, employee health conditions are assessed, and employee health records are established to ensure regular inspections and compliance with requirements, preventing untrained employees or those with contraindications from engaging in tasks with occupational health risks. Regular occupational health examinations are provided, including entry examinations, periodic examinations, and pre-departure examinations. Flexible examination projects are developed to meet the diverse examination needs of employees based on gender, age, and occupation, providing comprehensive health examination. The Company continuously provides occupational hospitalization medical mutual aid plans for its employees. This year, it covered 2,950 employees, with a total expenditure of RMB82,600. Targeted measures are implemented for occupational disease prevention, monitoring, handling, and emergency response, and employees are provided with appropriate occupational disease protective equipment. In 2023, the Company conducted three lectures and voluntary medical consultations with the themes "Caring for Women's Health, Blossoming a Beautiful Life," "Guarding Employee Health, Building a Colorful Vision," and "Preventing Diseases, Healthy Living," reaching over 1,000 participants. Furthermore, through regular occupational health care activities such as providing cooling in summer and warmth in winter, the Company gains a deeper understanding of the physical and mental health of employees on the front lines. During the year, we visited 14 key projects, reaching over 4,200 individuals, with a total visitation fund of RMB225,000, ensuring full coverage of visitation to meet employees' occupational health needs to the greatest extent.

Strengthening Occupational Health Training

The Company places great emphasis on the construction of a safety management training system and regularly organizes internal and external training and observation activities. We extensively promote occupational health management training and provide education on relevant laws and regulations to enhance employees' awareness of occupational health. We educate employees on occupational health and occupational risks prevention and control before and during their work, guiding them to become familiar with operating procedures and correctly use protective facilities, equipment, and gears, in order to reduce the level of occupational health risks. We pay special attention to the effectiveness of occupational safety training for new employees and labor workers by conducting specialized trainings from time to time. During the year, the Company conducted two dedicated training sessions for new employees and labor workers, totalling 11 training hours and covering 1,783 individuals, with a participation rate of 100% for new employees. In 2023, the Company organized 11 internal safety education and training sessions, 11 safety production training sessions, and monthly safety meetings were held 12 times. We also encouraged employees to participate in external construction association training sessions five times and observational learning activities three times. The training covered the Company's management directors and a majority of frontline production personnel. Through theoretical learning, practical exercises, and post-training reviews, we continuously strengthen employees' safety awareness and improve the Company's safety management level.

Providing Occupational Health Trainings for Employees in Various Forms and Themes

In 2023, both our Company and its domestic subsidiaries conducted business activities that complied with the relevant national laws and regulations regarding safety production in material respects. No significant safety incidents resulting in liability occurred during the Year.

Indicators1	2023	2022	2021
Number of work-related fatalities (persons)	0	0	0
Percentage of work-related fatality (%)	0	0	0
Work-related injuries	0	/	/
Workdays lost due to work-related injuries (days)	0	/	/

Note:

1. Work-related injury and fatality data statistics do not include dispatched labor personnel.

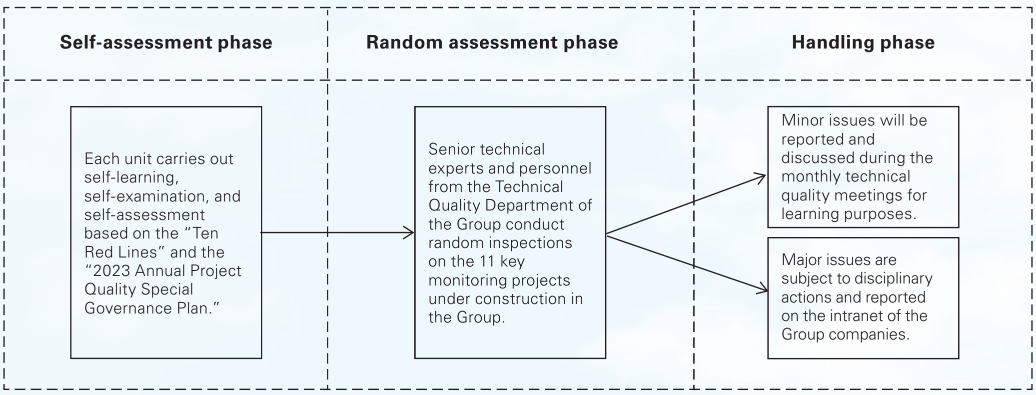
5. Providing Craftsmanship Quality and Creating Excellent Projects

The Company upholds the quality philosophy of "dedication and focus, meticulous craftsmanship" and places great emphasis on improving engineering quality. We strictly abide by relevant national laws, regulations, and industry quality standards. We proactively assume product responsibility and rely on rigorous quality control processes, abundant technological innovations, and a comprehensive customer complaint management system. We are dedicated to enhancing engineering quality and making every effort to create excellent projects. Our goal is to promote the development of our brand and ensure the well-being of our customers.

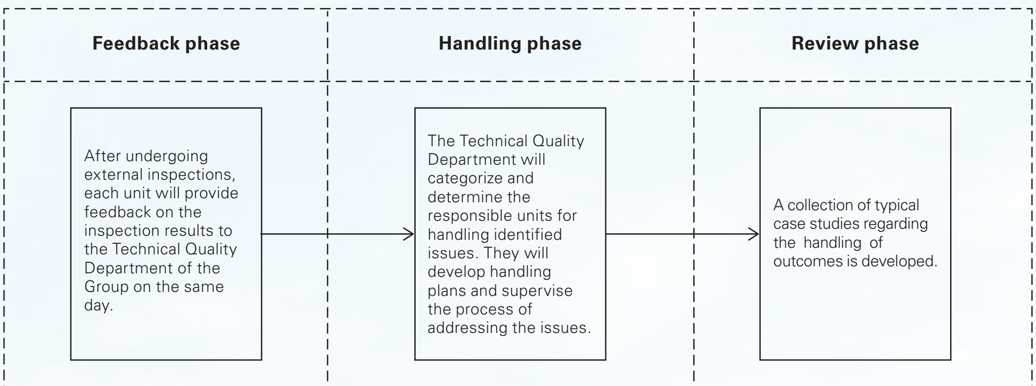
(1) Comprehensive Deployment with Strict Quality Control

The Company strictly abides by relevant laws and regulations such as the "Regulations on Construction Project Quality Control" and the "Code for Construction Project Management" as well as industry quality standards. We have established an engineering quality control system and management framework. We have developed specific systems such as "Quality Control Manuals," "Technical Quality Control Systems," and "Overseas Project Technical Quality Control Measures" tailored to different regions and types of projects. These systems clearly outline the objectives, tasks, and specific measures for quality control and management. To strengthen our accountability and maintain a bottom-line mindset, in 2023, we launched a special campaign for engineering quality governance, and developed inspection checklists covering six major disciplines, including civil engineering and municipal engineering. Additionally, we formulated "Ten Red Lines" for technical quality control, aiming to comprehensively strengthen technical quality control throughout the construction process and effectively enhance engineering quality.

With the support of a three-tier quality control system involving the Group, Engineering (Subsidiary) Companies, and Project Departments, we require regular quality inspections and hold quality dynamic analysis meetings at each level. We continuously improve our specific measures to enhance engineering quality and strengthen the overall quality control level of the Company. We have introduced qualified third-party organizations for engineering quality evaluation, strengthening the end-to-end management of quality improvement efforts and vigorously promoting the principle of "getting it right the first time" in our projects. We place great importance on internal review activities. We conduct monthly technical quality meetings and quarterly general engineering meetings, where we report on the current technical quality achievements or issues. For addressing quality problems, we have established internal and external inspection processes for problem resolution, as outlined below:



Process for Handling Problems in Internal Inspection



Process for Handling Problems in External Inspection

Improving the quality and moral of our employees has become a crucial factor in enhancing the level of engineering quality. We have conducted a series of engineering quality training programs for our employees to firmly establish the "quality first" mindset among all staff members. We have guided our Engineering (Subsidiary) Companies to establish dedicated quality personnel, which helps in streamlining quality control systems and processes, ensuring that management is well-structured, concise, and efficient so as to foster a quality culture where everyone values, creates, and enjoys quality.

In response to the notice issued by the State Administration for Market Regulation and other departments regarding the nationwide "Quality Month" campaign in 2023, the Company actively participated in promoting the construction of quality-driven enterprises. Starting from 2023, we have been actively engaged in various activities related to engineering quality and have strengthened our Company's quality control system through the following initiatives:

- On August 31st, the Group held the launch ceremony for the 2023 "Quality Month" campaign at the Intelligent Agricultural Cold Chain Logistics Park project of the First Engineering Company;

- On September 1st, the Group implemented various activities as part of the "Quality Month" campaign, including quality oath-taking, knowledge competitions, accident case-studying, skills competitions, specialized training, flight inspections, benchmarking exchanges, and more;

- On September 6th, 2023, the Group conducted its first monthly quality meeting;

- On October 26th, 2023, the Group organized the second Professional Installation Knowledge Competition;

- Starting from November 2023, the Group regularly conducts targeted inspections to assess the effectiveness of the engineering quality governance activities on a monthly basis;

In 2023, our Group and its domestic subsidiary companies conducted business activities that complied with the relevant Chinese laws and regulations regarding product quality and technical supervision in material aspects. Throughout the track record periods, we did not receive significant administrative penalties due to product quality, technical standards, or industry norm issues.

Case: Shanxi Installation Honored with the Asia Quality Excellence Award

On October 26th to 27th, 2023, the 20th Asia Quality Excellence Award Ceremony was held in Beijing. After intense competition, Shanxi Installation emerged as the recipient of the highest honor in Asia in the field of quality control, the "Asia Quality Excellence Award." It is the only enterprise in Shanxi Province and the entire national construction industry to receive this prestigious award. This represents a significant recognition of the Group in the global quality arena following its winning of the 3rd "Shanxi Quality Award" and the 19th "National Quality Award." The Group also stands as the only company in the industry to have consecutively received provincial, national, and international honors in the field of quality control.

Shanxi Installation Honored with the Asia Quality Excellence Award

(2) Building upon Our Past Accomplishments and Forging ahead to Promote Development with Technological Innovation

Enhancing Intellectual Property Protection System

The Company strictly abides by the laws and regulations of the People's Republic of China, including the Patent Law, Trademark Law, Copyright Law, and Intellectual Property Protection Law. We have formulated seven systems, including the "Intellectual Property Management Manual," "Technology Progress Management System," and "Patent Management Measures," which comply with national standards. These systems establish clear processes for intellectual property management and create an intellectual property management system to enhance our effort in the compliance with intellectual property protection. We utilize various means such as patents, trademarks, domain names, and contractual rights to safeguard our intellectual property. As of December 31st, 2023, the Company has a total of 95 domestic computer software copyright registrations, 3 domain names, and 17 registered domestic trademarks.

We strictly implement internal intellectual property management measures within the Company. At the beginning of each year, we establish annual performance indicators that integrate intellectual property management with promotion within the technical career ladder, selection of technical personnel, and expert recommendations, encouraging active participation from all employees. Regarding the latest achievements of the Company, we promptly summarize the scientific and technological achievements of key technology projects and industry-academia-research cooperation projects. We timely apply for high-quality patents, software copyrights, and other intellectual property rights to protect the Company's intellectual property assets, thereby supporting the specialized development of the Group. To further standardize the intellectual property declaration process and improve the quality of declarations, we require all departments to utilize the patent management module developed by the Group for patent applications so as to avoid duplicative applications for similar patents within different departments, thereby preventing resource wastage. To promote the sharing of internal achievements within the Company, we actively facilitate the exchange and management of applicable achievements. We organize an annual technology achievement transition and exchange symposium where we release a list of outstanding patents, which are then uploaded to our information system for internal sharing. Additionally, we organize exchanges and sharing sessions during weekly learning sessions and the general labor union meetings, focusing on advanced and applicable patent technologies that bring remarkable benefits. This ensures an innovative accomplishment can benefit all similar projects within the entire Group, maximizing its value.

This year, the Company has strictly complied with relevant laws and regulations, and no incidents of infringement upon the intellectual property rights owned by third parties have occurred. Similarly, there have been no instances of our intellectual property rights being infringed upon by any third parties. Furthermore, there have been no significant disputes or legal proceedings regarding intellectual property infringement claims pending or threatened we initiated or brought against us that could have a significant adverse impact on our business operations.

Igniting the Vitality of Technological Innovation

In response to the national "14th Five-Year Plan" call to "boost the principal role of enterprises in innovation and comprehensively enhance their innovation capabilities," the Company has consistently adhered to the policy of promoting enterprises through technology and strengthening enterprises through quality. We have established an innovative concept of "drawing on the strengths of many, striving for self-improvement." To create an atmosphere for innovation, enhance the proactive and dynamic innovation capabilities of employees at all levels, and accelerate technological progress within the Group, we have organized multiple technology innovation achievement release and evaluation meetings, aiming to fairly and openly recognize talents who have made outstanding contributions to technological innovation within the Group. We have also established technical exchanges and industry-academia-research cooperation with top Chinese universities such as Tsinghua University, Zhejiang University, and Taiyuan University of Technology. These collaborations focus on areas such as clean heating, renewable energy utilization, sponge cities, and prefabricated construction. Through these partnerships, we have developed several key technologies, enhancing our core competitiveness and jointly working on various technological innovation projects. For example, we collaborated with Taiyuan University of Technology on the provincial key scientific and technological project "Research and Development of Multi-Energy Complementary Natural Gas Distributed Energy System" to promote the low-carbon and efficient utilization of new energy. Additionally, we jointly established the "Shanxi Provincial Low-Carbon Intelligent Heating Engineering Research Center" with Taiyuan University of Technology. As of December 31, 2023, we have obtained four national-level construction methods, 209 provincial-level construction methods, and 27 provincial and ministerial-level scientific and technological progress awards. We have accumulated 32 excellent engineering projects, including seven national-level awards, 19 provincial and ministerial-level awards, and six municipal-level awards. Furthermore, we possess 97 national invention patents, 709 utility model patents, and one design patent, with several applications currently under review. Our research and development achievements have received widespread recognition. In addition to the projects mentioned above, we have registered four construction technology achievements with the Provincial Department of Housing and Urban-Rural Development, obtained eight micro-innovation technologies recognized by the China Association of Construction Enterprise Management, and achieved one innovation in geotechnical engineering application.

Project	**Award**
《Research on PC (precast concrete) Modular Underground Comprehensive Pipe Gallery Construction Technology》	Third Prize of Shanxi Provincial Science and Technology Progress Award
《Research on Integrated Production and Construction Technology of Multi-Specification Aluminum Templates Based on Smart Manufacturing》	First Prize of China Installation Association Science and Technology Progress Award
《Installation Technology for Long-Distance Multi-Geological Water Pipeline》 《Research and Application of Intelligent Energy Management Cloud Platform》 《Research and Application of Building Information Modelling (BIM) Technology Integrated with 3D Geographic Information System (GIS)》	Third Prize of China Installation Association Science and Technology Progress Award
《Research and Application of Construction Technology for Photovoltaic Projects in Complex Mountainous Terrain》	Third Prize of Electric Power Construction Science and Technology Progress Award
《The Renovation Project of Urban Village at Nanhan, Jinze Huafu, Luqiao》	Gold Prize of "Zhan Tianyou Award Excellout Residential Project Areas"

Promoting Industry-Academia Research Collaboration

Technology Innovation Awards

(3) Continuous Improvement in Customer Service: Taking Suggestions Modestly

The Company places great emphasis on fostering harmonious relationships with all stakeholders. We have established a comprehensive quality complaint resolution mechanism and customer complaint handling process. Additionally, we regularly conduct customer satisfaction surveys to understand their needs and concerns. We humbly listen to feedback from all parties and diligently address any issues raised. We proactively engage in communication and collaboration with relevant parties, strengthen accountability, and actively coordinate with construction units to handle various problems. We ensure that there is feedback and follow-up for every matter, as well as a return visit to promote cooperation through joint effort.

Proactively Responding to Customer Feedback and Striving for Efficient Resolution of Complaints on Quality

The Company is committed to diligently addressing customer complaints and strictly implementing the requirements that every complaint must be seen, resolved, tracked, and improved upon, aiming to achieve 100% customer complaint management. This year, the Company revised the "Customer Complaint Management Measures" with a focus on complaint management. Through management supervision, the complaint management process has been significantly enhanced. According to the revised measures, the Engineering Management Department is required to investigate the issues within 24 hours of receiving a customer complaint and communicate the resolution plan with the customer within 48 hours. Additionally, the Company requires departments to conduct specialized meetings to analyze and focus on units and categories with higher complaint rates over the past three years. For major and recurring complaints, proactive management escalation is implemented, strengthening the complaint interview mechanism and emphasizing follow-up feedback from customers. For complaints that cannot be resolved promptly, a complaint tracking form is established, and the progress is followed up on a weekly basis. Furthermore, departments need to analyze and report complaints during monthly production meetings to enhance the awareness of performance and timeliness in handling complaints at the grassroots level. Through electronic questionnaire-based complaint follow-ups, the Company collects feedback on the handling of complaints, significantly reducing the number of complaints.

Furthermore, the Company is actively building a closed-loop quality complaint management mechanism of "Assigning Issues, Implementing Rectification, Tracking Results, and Educating Responsible Personnel." It continuously enriches channels for customer complaints and listens comprehensively to customer suggestions. The Company has designated personnel responsible for quality complaint management and established a complaint ledger. Upon receiving a complaint, a thorough analysis is conducted, and a solution is determined in collaboration with the relevant grassroots units. The grassroots units are supervised to ensure timely resolution of the complaint issues. After a complaint is resolved, the grassroots units are required to report the resolution plan and results to the Group. Strict penalties are imposed for the handling of complaints that violates the Group's regulations. In 2023, the Group's companies received a total of 24 complaints, a decrease of 52% compared to the previous year, among which, there were 8 complaints regarding quality, representing an 11.1% decrease from the previous year, indicating a further improvement in quality standards.

Conducting Comprehensive Satisfaction Surveys to Continuously Improve Management Standards

The Company insists on conducting two satisfaction surveys annually, utilizing two different surveys within the Company and among partner vendors. Based on the survey results, the Company strives to identify areas for improvement and actively promotes retrospective work to enhance management practices. Based on the results of the customer satisfaction surveys for this year, the Company received higher scores and a larger percentage of perfect scores in areas such as communication and cooperation, safety management, technical management, and customer follow-up. However, there is still room for improvement in areas such as construction progress, timeliness of repairs, and effectiveness of repairs. The Company has already developed optimization measures to continuously enhance its management standards

Based on current results of the satisfaction surveys, the Company has collaborated with various departments to disseminate management improvement plans to the grassroots units, aiming to collectively enhance the level of services provided by the Company, actively cultivate a positive corporate image and reputation. This year, the Company received a total of 87 customer appreciation letters, and the overall customer satisfaction score has improved compared to the previous year. Additionally, no major negative incidents related to customer complaints have occurred.

Indicator	**2023**
Total number of customer complaints (times)	**24**
Resolution rate of customer complaints (%)	**100%**
Overall satisfaction rate of customers (%)	**94%**

(4) Close Collaboration for High-Quality Supply Management

Establishment of System Framework

The Company has implemented strict supplier management policies and procedures and actively identified environmental and social risks in various stages of supply chain management. We comply with relevant laws and regulations, such as the "Bidding Law of the People's Republic of China" and the "Regulation on the Implementation of the Bidding Law of the People's Republic of China." We have also formulated and issued a series of regulations and systems, such as the "Supplier Management System," "Materials Procurement Management Measures," and "Tendering and Procurement Management Measures," to regulate the procurement process. This year, based on the "Detailed Rules for Supplier Management of Shanxi Construction Investment Group Co., Ltd.," we have revised two clauses in the "Supplier Management Measures of Shanxi Installation Group Co., Ltd." concerning supplier reputation requirements and the exclusion of disqualified suppliers. We have categorized the behavior of disqualified suppliers into three levels: relatively serious, serious, and exceptionally serious, and imposed different durations of suspension on their participation in procurement activities as a penalty. Suppliers exhibiting exceptionally serious misconduct will no longer be eligible or considered as strategic suppliers.

Supplier Selection

The Company has established a strict supplier admission process that includes suppliers' qualifications in terms of health, safety, and environmental standards. Procurement officers are responsible for conducting comprehensive investigations into suppliers' qualifications, supply capabilities, product quality, pricing, and reputation. The information is recorded in the Materials Management System through the "Qualified Supplier Investigation Recommendation Form." The suppliers are then reviewed and approved by the materials manager at the grassroots level before entering the qualified supplier database. During the procurement bidding process, we require suppliers to provide relevant documentation, such as Quality Management System certification (ISO 9001), Environmental Management System certification (ISO 14001), and Occupational Health and Safety Management System certification (OHSAS 18001). The effectiveness of these certifications is verified by a panel of experts during the evaluation process to ensure that the selected suppliers have well-operated management systems and can deliver quality performance from various aspects. In the selection of suppliers for special equipment and its components, procurement officers verify the production equipment license through the "National Special Equipment Public Information Query Platform" to ensure that the suppliers' production equipment meets the required standards and has a valid license.

We consistently practice green procurement principles and give priority to suppliers who offer environmentally friendly products and services. We consider all environmental factors related to the procurement of equipment and make purchasing decisions based on advanced evaluation results and verification by the panel of experts, ensuring that the purchased equipment can provide efficient, environmentally friendly, and sustainable support for projects. In particular, when procuring equipment for new energy projects, the Company focuses on five key environmental factors: equipment energy efficiency, equipment material, equipment production process, equipment lifespan, and equipment maintenance and recycling. Based on these factors, the Company has established clear environmental standards for equipment procurement. Regarding equipment energy efficiency, the Company requires that the purchased equipment demonstrates high energy efficiency performance to ensure effective energy utilization, reduce energy consumption, and greenhouse gas emissions. For equipment material, the Company prioritizes equipment made from environmentally friendly, recycled, or recyclable materials to promote recycling and minimize environmental pollution. For equipment production process, the Company requires equipment suppliers to adhere to environmental standards to ensure compliance with environmental protection requirements during the production process. When selecting equipment, the Company prioritizes equipment with longer lifespans to minimize the environmental impact of equipment replacement and disposal. Additionally, suppliers must ensure that equipment can be properly maintained, recycled, or reused after its useful life, thereby reducing resource waste and environmental pollution. Furthermore, the Company conducts timely advanced evaluations of equipment, focusing on four indicators: technological innovation, reliability, maintainability, and economic viability, ensuring that the equipment can drive long-term and stable development of new energy technologies.

Supplier Evaluation Criteria

The Company has established a detailed supplier evaluation process, which includes regular assessments of suppliers' day-to-day operational quality. It also conducts periodic midterm and final evaluations, using the evaluation results as important references for subsequent supplier screening. In cases where qualified suppliers are involved in quality incidents, poor management, deteriorating creditworthiness, or serious contractual performance risks such as commercial infringement or fraud, emergency evaluations are conducted. Suppliers who fail to meet the evaluation criteria will be placed in the inactive supplier database. The Company conducts annual evaluations, summarizing supplier cooperation frequency, supply amount, and other relevant factors. Based on the evaluation rules, an annual assessment is formed, and supplier ratings are adjusted accordingly for the next year. Suppliers are classified into four levels (A, B, C, D) based on their evaluation scores for the year. (As shown below) The Company closely collaborates with upstream and downstream partners, implementing customer classification management for major customers, regionalization, and channelization. It actively signs strategic partnership agreements with outstanding suppliers to promote the healthy development of the industry.

A	Excellent Suppliers • Preferred suppliers for the Group
B	Qualified Suppliers • Allowed for normal procurement
C	Supporting Suppliers • Conduct assistant, reduced procurement, or temporary suspension of procurement
D	Suppliers to be removed from the qualified supplier list • Automatic inclusion in the inactive supplier database

In addition, the Company has established a "Supplier Blacklist", which promptly includes non-compliant suppliers in the blacklist. Punishments or accountability is imposed according to the signed contracts and agreements.

Annual Rating Scale for Suppliers

Case: Supplier Training — New Energy Equipment Technology Exchange Conference

In 2023, Shanxi Installation organized a total of four New Energy Equipment Technology Exchange Conferences, each focusing on different topics. The Company invited several leading domestic new energy technology enterprises to participate. The training topics covered various aspects of new energy equipment technology, including photovoltaic modules, substation integration technology, flexible support structures, tracking systems, innovative foundation techniques, transformers, energy storage safety technology, inverters, SVG (Static Var Generator), and more, which received positive feedback and recognition from multiple key suppliers.


Supplier Training Event

Total number of suppliers in 2023 (by region)	2,551
Total number	2,551
Northern Region	1,488
Northeast Region	34
Eastern Region	431
Central-South Region	224
Northwest Region	275
Southwest Region	99
Number of suppliers implementing supplier management practices in 2023	2,551

6. Energy Conservation and Environmental Protection, Empowering Green Development

The Company actively responds to the initiatives related to "ecological protection" and "green development" outlined in the 20th CPC National Congress. We strictly abide by relevant laws and regulations in China, such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, and Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, as well as local environmental protection management measures. We have developed various institutional policies and systems, including an "Environmental Management Plan," "Environmental Factor Identification and Assessment Forms," "List of Significant Environmental Factors," and "Environmental Emergency Response Plan." These measures continuously improve the internal environmental management system and monitor the environmental compliance performance. Through dynamic project management, establishment of dedicated environmental management positions, arrangement of specialized training, and proactive inspections, potential negative impacts on the environment and natural resources throughout the operations are minimized.

We place great emphasis on comprehensive control over all stages of construction and continuously adjust management measures according to actual circumstances. Prior to construction, thorough investigations, precise identification, and advance planning are carried out. We also design targeted emergency response plans and carry out emergency drills for significant environmental impacts. In the event of an environmental emergency or pollution incident, we promptly activate our response procedures to prevent or minimize harmful environmental impacts. We actively provide postmortem reports, conduct comprehensive reviews, and promptly revise our plans with utmost effect in environmental restoration and reparation work. We particularly focus on the sustainability of the Company's production and operation processes. "Ecological protection" and "green development" are important considerations in the Company's development strategy, and we actively fulfil our environmental protection responsibilities. In 2023, the Company was not aware of any event of significant pollution or adverse environmental impacts during our operations.

(1) Adopting Integrated and Balanced Approach to Steadily Improve Environmental Management Standards

The Company strictly abides by relevant national and local regulations and has established the "Dual Carbon" Research Institute to regularly interpret environmental policies and stay updated on policy changes. The Company attaches great importance to the environmental impact of new business deployments and establishes effective management measures to minimize any negative effects on the environment from our business for continuous improvement of environmental performance.

Before the implementation of any project, an Environmental Impact Assessment must be conducted., which evaluates and assesses the potential impacts on surrounding air, water quality, soil, and biodiversity, among other environmental factors. Safety assessments, social stability assessments, and flood assessments are carried out by specialized third party agencies. Approved projects are required to develop corresponding preventive and mitigation measures based on the assessment results.

During project operations, it is crucial to focus on land resource management and ecological conservation. When managing land resources, the Company ensures that projects minimize damage to the surrounding environment during site selection and layout. This includes but is not limited to the rational utilization, restoration, and protection of land. For new energy projects such as wind and solar energy, particular attention is given to site selection to avoid disturbances to natural environments and wildlife habitats. Regarding ecological conservation actions, a preventive approach is prioritized with restoration as a supplementary measure. The Company implements a series of ecological conservation measures such as ecological environment restoration and vegetation rehabilitation. Adhering to the principle of "safety first," active communication and cooperation with local communities are maintained to ensure their interests are protected.

The Company strives to ensure the legal and regulatory compliance of projects throughout their operation. By establishing long-term monitoring and assessment mechanisms, regular inspections are conducted on operating projects. Based on the assessment results, timely adjustments to management measures are made to ensure that the project's impact on the surrounding environment remains within acceptable limits. Concurrently, the government and relevant authorities strengthen regulatory efforts and take strict legal actions against any violations of environmental protection regulations. To promote the long-term development of projects, the Company strongly supports technological innovation encouraging the research and development of more environmentally friendly and efficient technologies and equipment. This approach aims to reduce the projects' impact on the surrounding environment effectively.

(2) Accurate Identification and Strict Management of Emissions

Strengthening Waste Management

During the Company's operations, the main types of waste generated are construction waste and domestic waste. In 2023, the Company continued to strengthen waste management efforts, aiming to reduce the negative impact of waste emissions on the surrounding environment and natural resources. Regarding hazardous waste, the Company focuses on centralized collection, proper storage, and strict covering measures. The Company also contacts professional waste management units to ensure unified and appropriate disposal of hazardous waste. For non-hazardous waste and construction waste, the Company adopts a classification approach for treatment. For example, excess materials generated during the pouring process of commercial concrete are used for temporary road pavement or filling in the production of precast components. As for domestic waste, the Company utilizes enclosed containers for storage and ensures that the waste is disposed of in government-approved facilities or locations operated by qualified units. Additionally, recyclable materials from domestic waste are collected and recycled for future production processes. By 2025, the Company plans to achieve the goal of 100% compliant storage and disposal of hazardous waste through effective waste classification and management.

Reducing Sewage Discharge

The Company's sewage discharged primarily includes construction sewage and domestic sewage. We have established sewage treatment facilities and advanced sewage treatment processes to minimize the impact of sewage on surrounding water resources. For construction sewage, the Company has implemented collection devices, such as sedimentation tanks, to collect and reuse sedimentation from the sewage. Additionally, storage facilities for construction site oil materials undergo measures to prevent leakage, spills, and seepage. Regarding domestic sewage, the Company has installed special collection devices to collect and store sewage through methods such as sedimentation tanks, grease traps, and septic tanks. When a certain quantity is reached, the sewage is transported and treated by professional organizations. Currently, the Company has achieved 100% compliance in sewage treatment through the classification and treatment of sewage.

Reducing Air Emissions

The Company actively implements pollution prevention and control policies and strengthens the management of air emissions to minimize their negative impact on the environment. During construction processes, we install exhaust hoods on the sides or tops of fixed welding operating sites to capture toxic and harmful gases generated at each operation area. These gases are then collected through a shared exhaust system and transported to specialized dust removal and purification equipment for comprehensive treatment. After inspection and meeting the emission standards, the gases are discharged. In 2023, the Company achieved compliance with permitted emission limits for all major air pollutants, ensuring that emissions met the required standards.

Reducing Light Pollution

The Company actively takes measures to implement green and energy-efficient transitions of lighting fixtures to reduce the impact of light pollution. We have undertaken renovations of lighting circuits and fixtures in large conference venues, office spaces, and public areas. By installing remote control devices or replacing the previous single control method with control circuits, we prioritize the use of LED light sources or modules while ensuring the required level of area illumination. Furthermore, we strictly adhere to designated construction timeframes, controlling nighttime construction lighting, and strictly prohibiting direct light projection from crane searchlights into residential buildings. Additionally, measures are taken to shield welding operations and prevent the leakage of welding arc light. In 2023, the Company did not receive any complaints related to light pollution.

Reducing Noise Pollution

We have identified construction machinery and transportation vehicles as the main sources of noise. To mitigate the noise impact on the surrounding environment during the construction period, we strictly comply with relevant regulatory standards such as the "Environmental Noise Emission Standards for Construction Sites" and the Company's "Environmental Management Plan." We have implemented a series of measures to prevent and control noise pollution. We use equipment that complies with national and local noise emission standards. For machinery that generates high levels of noise, we install enclosed structures or implement effective soundproofing measures to reduce the spread of loud noise. Additionally, we schedule project operations to avoid resting hours, ensuring that construction machinery remains in good technical condition and minimizing the impact and harm of noise on individuals. Currently, our noise control measures are in compliance with the relevant national standards.

(3) Green Operations: Implementing Energy Conservation and Emission Reduction Measures

We enhance resource utilization and continuously improve resource efficiency while promoting the concepts of green office practices and energy conservation. We actively promote resource conservation and work towards reducing emissions. Energy conservation and emission reduction are fundamental requirements for implementing sustainable development and practicing green growth. In our daily office operations and business activities, we strictly comply with relevant national laws and regulations, enforce national industrial policies, and adhere to national and industry technical standards, creating favorable conditions for energy conservation in our production processes.

Energy consumption

Electricity is our primary source of energy consumption and a major contributor to greenhouse gas emissions. In response to the national call for energy conservation, the Company has established a professional energy management system. This system allows for real-time monitoring of equipment energy consumption, ensuring timely identification and resolution of energy waste issues. The Company has set targets to reduce energy consumption density and greenhouse gas emission density by 30% by 2025 compared to 2020 levels. We achieve this by adopting environmentally friendly and low-energy-consumption facilities and process technologies. We actively promote the development and utilization of renewable energy sources and strive to raise employee awareness of energy conservation. We actively implement the following energy-saving measures:

- Strengthen maintenance and timely repairs of electrical equipment to save electricity;
- Improve the power factor of electrical equipment by installing compensation cabinets in substations to compensate for power factor;
- Use certified lighting and electrical appliances, focusing on covering the Company's offices, construction sites, and production workshops;
- Utilize delay and light-sensitive (sound-controlled) switches certified by the 3C standards for precise control of lighting systems in the Company's offices, living areas, and production areas;
- Equip tower cranes with independent meters for separate measurement and with dedicated power supply lines. When not in use, they are disconnected by professionals;
- Replace traditional energy equipment such as diesel and gasoline with electric equipment, for example, electric forklifts and electric trucks, to reduce direct carbon emissions.

Water resource consumption

We continuously strengthen the basic management of water resources during our operations, including the regulation of water consumption statistics, analysis, and improvement efforts. We actively implement water-saving measures. The Company's water consumption primarily comes from construction water usage and office/living water usage. The specific water-saving measures we adopt are as follows:

- Strengthen regular inspections, maintenance, and replacement of water supply facilities to eliminate the "continuous flow" phenomenon caused by equipment issues;

- Use first-grade energy-efficient sanitary fixtures in office and living areas to conserve water while meeting the needs of employees;

- Display signage at water usage points to remind employees to adjust their water usage to an appropriate level. Install body-sensing switches or delay switches in areas with a high number of people to improve control over water sources and avoid wastage;

- Implement measures such as pipeline cleaning, water pressure control, and collection of rainwater for recycling and efficient utilization of non-potable water generated at construction sites. Use this water for on-site firefighting, washing construction vehicles, irrigation, road dust suppression, concrete maintenance, and wet operations during earthwork excavation through secondary pressurization and other methods.

Case: Xiongan Branch of Shanxi Installation Launches Energy-saving and Emission Reduction Initiative

To enhance employees' awareness of energy conservation and environmental protection and create a positive atmosphere for energy-saving and emission reduction, the Xiongan Engineering Company Branch has launched an energy-saving and emission reduction initiative with the theme "Green and Low Carbon, Leading in Energy Saving." The initiative aims to promote the exploration of low-carbon lifestyles and encourage employees to become advocates, communicators, and practitioners of energy-saving and low-carbon practices. It further fosters a strong culture of energy-saving and emission reduction, guiding and inspiring all staff members to make active contributions to environmental protection.

Xiongan Branch of Shanxi Installation Launches Energy-saving and Emission Reduction Initiative

(4) Be Prepared and Proactively Address Climate Change Risks

Since the Central Government introduced the "dual-carbon" goals for 2030 and 2060, Shanxi Installation has been focusing on transforming its business and seizing development opportunities in the areas of clean heating, distributed energy, solid waste disposal, and water environmental management for energy conservation and environmental protection. It has rapidly promoted industrialized construction and formed a new pattern of "5+1" transformation and development. The Company continuously monitors the updates of laws, regulations, and regulatory systems, identifies and complies with the updates and implementation of the "Law of the People's Republic of China on Protection of the Yellow River" and the "Regulations on the Management of Fenhe River in Shanxi Province," to strengthen environmental management, and to follow and promote high-quality development. Meanwhile, from the perspective of the entire industry chain, the Company formulated and issued the "Action Plan for Carbon Peak in Shanxi Installation Group Co., Ltd." in October 2023. It clearly defines the key targets and implementation paths for each stage and sector, and establishes relevant mechanisms and requirements. This has successfully facilitated the specific work of various departmental units in "dual carbon" transformation.

In addition, the Company is actively collecting and organizing data regarding the national "dual-carbon" strategic goals and the current carbon trading market situation according to the decision-making arrangements at the national level, local carbon peak action plans, and relevant requirements for the industry's carbon peak. The Company also prepared 11 monthly research reports based on the related content, including an overview of the carbon trading market, differentiation and connection of green electricity, green certificates, and CCER (National Certified Voluntary Emission Reductions) as well as their respective application processes, carbon inventory boundaries, carbon inventory methods for construction companies, and implementation pathways for zero-carbon industrial parks.

This year, the Company has identified climate risks and opportunities that are relevant to its operations and has developed specific response measures:

Types of Risk	Description of Risk	Management and Response Measures
Physical Risk		
Short-term risk	The impact of extreme weather and natural disasters on the normal operation of the construction site and its surrounding environment; The safety risks posed to construction personnel from extreme weather;	• Develop standards for construction operations during extreme weather; • Establish emergency plans for extreme weather and set up emergency rescue teams;
Long-term risk	Due to the increase in temperature the Company needs to equip more cooling equipment, which results in increased operating costs; During high-temperature seasons, employees may be unable to work outdoors for prolonged periods, which can impact operational efficiency;	• Application of more energy-efficient cooling equipment; • Reasonable arrangement of production plans, careful deployment of production organization, and improvement of operational efficiency;
Transition Risks — Policy, Legal, Technical, Market, Reputation		
Policy risk	The tightening environmental policies at both the national and local levels, and gradually increasing regulatory matters and more stringent requirements present a dual challenge for the Company in terms of management and regulatory compliance;	• Actively follow regulatory requirements and implement management measures; • Strengthen internal management in response to the inspections of national environmental supervision group and local governments; • establish a sound carbon emission management system, accurately measure and record carbon emission data, and ensure compliance with the rules and requirements of the carbon trading market; • Strengthen cooperation with the government, regulatory bodies and other enterprises to jointly promote carbon emission reduction;
Technical risk	Failure to recognize and apply low-carbon technologies in a timely manner resulted in the product's low-carbon transition lagging behind the industry;	• Conduct research on the forms of cooperation on new technologies and equipment; • Enhance our own research and development capabilities in new technologies and equipment;

Types of Risk	Description of Risk	Management and Response Measures
Market risk	Due to factors such as the level of economic development, energy prices, production costs, production processes, and personnel quality, the operating costs of the Company are expected to increase accordingly;	• Adjusting the energy structure and adopting new technologies to reduce energy consumption. However, during the initial phase of transition, it is crucial to consider how to better ensure economic benefits;
Reputation risk	Due to poor performance in addressing climate change and sustainability issues, it may result in negative feedback from stakeholders.	• Enhance the Company's sustainable development capabilities and establish effective communication channels with stakeholders, maintaining ongoing dialogue and actively addressing climate change. • Incorporate carbon emission reduction goals into the planning and design of proprietary projects, considering carbon control and reduction measures from the project's early stages; • Implement effective measures during project operations to reduce carbon emissions, such as utilizing clean energy and optimizing energy efficiency, in order to achieve "dual carbon" goals.
Opportunities brought about by climate change		
Carbon trading increases operating income	• Carbon trading, as a new requirement, will drive the Company to actively participate in the carbon emissions trading market. The Company can generate income by participating in carbon trading and acquiring carbon emission rights. Additionally, we develop voluntarily verified emission reduction projects that generate carbon credits and trade them on the national carbon market, generating benefits for funding the Group's business development.	
Technological innovation and upgrading	• The "dual carbon" goals bring opportunities for the Company to drive technological innovation and upgrading. By increasing research, development, and application of low-carbon technologies and equipment, the Company can improve energy efficiency and reduce carbon emissions. Additionally, the Company can actively introduce advanced environmental technologies and management practices to enhance its competitiveness in the field of sustainable development.	

Types of Risk	Description of Risk	Management and Response Measures
Obtaining green finance support	•	The Company can apply for green finance support from banks to undertake project investment, financing and operational activities in areas such as environmental protection, energy efficiency, clean energy, green transportation, and green buildings. By securing low-interest green loans, the Company can receive financial assistance to support the Group's transition towards a green and low-carbon future.
Enhancing overall corporate competitiveness	•	The Company can reduce costs and enhance competitiveness by reducing its own carbon emissions. Simultaneously, it strives to become a provider of carbon reduction technologies and services, thereby exploring new business opportunities.

(5) Environmental Performance Management

The Company has set sustainable development goals based on 2020 for a 5-year period. By 2025, the targets for carbon reduction, energy efficiency, water conservation, and waste management in Shanxi Installation are as follows:

- Reduce greenhouse gas emission intensity by 30% compared to 2020 by 2025 and progress is being made to achieve the goal;
- Reduce energy consumption intensity by 30% compared to 2020 by 2025 and progress is being made to achieve the target;
- Reduce water consumption intensity by 6% compared to 2020 by 2025 and the milestone target has been achieved;
- Achieve 100% compliant storage and disposal of hazardous waste and the milestone target has been achieved.

Emissions

Indicator	Unit	2023
Exhaust gas emissions:[2]	metric ton	**159.94**
Nitrogen oxides (NO_x)[3]	metric ton	**69.73**
Sulphur oxides (SO_x)[3]	metric ton	**39.81**
Carbon monoxides (CO)	metric ton	**11.13**
Smoke (dust) particles[3]	metric ton	**39.27**
Total greenhouse gases emission[4]	metric ton	**268,412.98**
Greenhouse gases emission intensity[5]	metric ton/person	**72.12**
Greenhouse gases emission intensity[5]	metric ton/RMB million	**24.07**
Direct emission (Scope 1)	metric ton	**206,077.41**
Natural gas	metric ton	**203,928.13**
Petrol	metric ton	**752.87**
Diesel	metric ton	**1,188.52**
Liquefied petroleum gas	metric ton	**38.78**
Coal	metric ton	**169.11**
Indirect emission (Scope 2)	metric ton	**62,335.57**
Purchased electricity	metric ton	**62,335.57**
Sewage discharge	metric ton	**19,477.29**
Sewage intensity[5]	metric ton/person	**5.23**
Intensity[5]	metric ton/RMB million	**1.75**
Hazardous waste emission[6]	metric ton	**24.35**
Waste paints and paint containers	metric ton	**9.67**
Selenium-containing, carbon-containing waste	metric ton	**4.75**
Waste batteries	metric ton	**0.12**
Electronic waste	metric ton	**9.81**
Hazardous waste emission intensity[5]	metric ton/person	**0.0065**
Hazardous waste emission intensity[5]	metric ton/RMB million	**0.0022**
Non-hazardous waste emission[7]	metric ton	**5,022.82**
Office waste	metric ton	**78.84**
Domestic waste	metric ton	**1,195.29**
Construction waste	metric ton	**2,887.19**
Food waste	metric ton	**806.16**
Other non-hazardous waste	metric ton	**55.34**
Non-hazardous waste emission intensity[5]	metric ton/person	**1.35**
Non-hazardous waste emission intensity[5]	metric ton/RMB million	**0.45**

Notes:

2. The exhaust gas emitted during the Company's operational processes consists of nitrogen oxides, sulfur oxides, carbon monoxide, and smoke (dust) particles. These emissions primarily result from natural gas combustion. The calculation of nitrogen dioxide emissions is based on the "Pollutant Generation Coefficients for Coal and Natural Gas Combustion," while sulfur dioxide emissions are calculated according to the "Practical Handbook of Environmental Protection Data." The calculation of smoke (dust) particle emissions is based on the same "Pollutant Generation Coefficients for Coal and Natural Gas Combustion."

3. In October 2023, Shan'an Blue Sky's newly invested Chahar Right Rear Banner Shan'an Thermal Power Co., Ltd. commenced operation. This project provides clean heating for Baiyinchagan Town in Chahar Right Rear Banner and operates on a combined heat and power (CHP) mode. The project emits nitrogen oxides, sulfur oxides, and smoke (dust) particles. It is equipped with desulfurization and denitrification environmental protection equipment and strictly adheres to relevant environmental standards.

4. The greenhouse gas inventory includes carbon dioxide, methane, and nitrous oxide, primarily originating from purchased electricity, natural gas consumption, coal combustion, liquefied petroleum gas, diesel generators, and fuel consumption by Company-owned vehicles. Greenhouse gas emissions are reported in terms of carbon dioxide equivalents and calculated based on the "2021 China Regional Grid Baseline Emission Factors" published by the Ministry of Ecology and Environment of the People's Republic of China and the "IPCC 2006 Guidelines for National Greenhouse Gas Inventories, 2021 Revised Edition" published by the Intergovernmental Panel on Climate Change (IPCC).

5. Intensity-related data for 2023 are disclosed based on environmental data, total number of employees of the Group and the Group's annual revenue.

6. Hazardous waste includes waste paint and paint containers, selenium and carbon-containing waste, waste fluorescent tubes, waste batteries, electronic waste, and other hazardous waste. It is handed over to qualified third parties for disposal, and the calculation is based on the information recorded on the hazardous waste transfer manifest or recycling documents from waste recyclers during the reporting period.

7. Non-hazardous waste includes office waste, household waste, construction waste, kitchen waste, and other non-hazardous waste. The calculation is based on the information provided by the Company's factory or waste collection units and the third party purchasers.

Energy and Resource Usage

Energy Consumption	**Unit**	**2023**
Energy consumption[8]	MWh	**1,138,944.54**
Intensity of energy consumption[5]	MWh/person	**306.00**
Intensity of energy consumption[5]	MWh/RMB million	**102.15**
Direct energy consumption	MWh	**1,051,182.64**
Natural gas consumption	MWh	**1,042,917.73**
Petroleum consumption	MWh	**3,075.50**
Diesel consumption	MWh	**4,520.25**
Coal consumption	MWh	**494.28**
Liquified petroleum gas consumption	MWh	**174.88**
Indirect energy consumption	MWh	**87,761.90**
Electricity consumption	MWh	**86,856.86**
Owned clean energy	MWh	**905.04**
Water resource consumption[9]	metric ton	**720,255.53**
Water consumption for municipal water supply	metric ton	**720,255.53**
Intensity of water consumption[5]	metric ton/person	**193.51**
Intensity of water consumption[5]	metric ton/RMB million	**64.60**

Notes:

8. Energy consumption data is calculated based on the consumption of electricity and fuels, using relevant conversion factors provided by the "General Rules for Comprehensive Energy Consumption Calculation (GB/T 2589–2020)." It includes the consumption of electricity, natural gas, petroleum, diesel, coal, and liquefied petroleum gas.

9. During the reporting period, the main source of water for the Group is municipal water supply, and there was no issue in sourcing water that is fit for purpose.

7. Caring for Employees and Creating A Harmonious Workplace

Consistently upholding the people-oriented philosophy, the Company emphasizes on the protection of employees' rights and interests, talent development and employee care, follows the talent selection and incentive standards of "selecting talents having both ability and integrity based on merits", and implements the team building concept of "making concerted efforts to achieve long-lasting development", to actively create a good company atmosphere, harmonious labor relations and positive social image under the guidance of the code of conduct of "working together with one heart and one mind", so as to facilitate the development of the Company.

(1) Concentrating on Protecting Employees' Rights and Interests

The Company strictly complies with the requirements of laws and regulations related to employment and dismissal, welfare and promotion, rest periods, working hours, equal opportunities, diversity, anti-discrimination and other benefits and welfare, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the Provisions on Prohibiting the Use of Child Labour, and formulates institutional documents such as Employee Recruitment and Employment Management System, Employee Labour Contract Management System and Employee Training Management System, to continuously improve the human resources management system, in order to protect the legitimate rights and interests of employees.

We respect employees, by putting great emphasis on employee diversity, assuring that employees of different ethnicities, gender and ages are entitled to the same rights and interests and encouraging employees to arrange working hours reasonably to achieve a balance between work and life. We resolutely ban gender discrimination. During the Year, we specially formulated the Special Provisions on Labor Protection of Female Employees to protect their rights and interests. We also resolutely prohibit the use of child labor and forced labor, by verifying the identity information of employees during recruitment and strengthening the supervision during employment. In case of any violation such as use of child labor and forced labor, we will strictly handle it according to laws and regulations and the Company's regulations, and properly arrange the forced workers and child laborers as such. Meanwhile, we attach importance to protecting the rights and interests of labor outsourcing personnel. By signing cooperation agreements with third-party entities to clarify responsibilities, we record specific information on the personnel employed in the Group's human resources information system for centralized management, and supervise the payment of wages and insurance on a monthly basis.

We have established transparent and equal communication channels, focusing on the construction of democratic consultation mechanism and the collection of employees' feedback. In accordance with the requirements of the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》) and the Articles of Association of Trade Unions in the PRC (《中國工會章程》), each of the Group's companies holds a workers' congress as scheduled annually to elect staff representatives from level to level by grass-roots units, ensuring that the voices of employees can be conveyed to the senior management of the Company in a timely, smooth and accurate manner. The management systems and safeguard measures related to employees' rights and interests, including wages, insurance, provident fund and annuity, shall be formulated in compliance with the requirements of democratic procedures of the workers' congress, and be issued and implemented after being approved by the congress by voting. We have also established an information system message mechanism, in which employees can leave messages online to safeguard their own rights and interests, and the Group General Office conducts follow-up visits to ensure that every message is handled and responded.

(2) Promoting Employee Growth and Creating An Environment for Employee Development

The Company attaches great importance to the growth and development of employees, by constantly upgrading and optimizing the measures for talent team building and improving the salary incentive system, promotion system and training programs, so as to provide clear career development paths for employees.

Talent Team Construction Arrangement

The Company strictly abides by its internal regulations on recruitment management, and in line with its strategic objectives, continuously optimizes position setting and plans talent layout based on the professional areas and core technologies involved in the actual operation of the Company, helping "going out" units realize localized management, so as to attract talents in various fields through multiple channels and forms. In terms of social recruitment, we continue to innovate the ways and means of talent introduction, and actively cooperate with recruitment platforms and headhunting companies through special recruitment, targeted recruitment, internet recruitment, recommendation from grass-roots units and other means to ensure that the Company recruit talents in short supply in a timely manner. Regarding on-campus recruitment, we further strengthen school-enterprise cooperation, and ensure the level of universities in each on-campus recruitment to enhance the recruitment orientation and efficiency, ensuring that the majors in on-campus recruitment matches the Group's strategy. Through both social recruitment and on-campus recruitment, we are committed to building a diversified, capable and energetic talent team, to uninterruptedly bring new momentum to the development of the Company.

Case: The Group's Subsidiaries Actively Arrange School-enterprise Cooperation to Facilitate the Construction of Talent Team

In 2023, Sichuan Shan'an and Hubei Shan'an, being the subsidiaries of the Group, cooperated with Chengdu University, Wuhan Polytechnic University, Hubei Land Resources Vocational College and other universities and colleges to fully attract high-quality fresh graduates from colleges and universities to join our talent team. During the Year, Sichuan Shan'an and Hubei Shan'an recruited a total of 8 new employees through school-enterprise cooperation, accounting for 57% of total new employees in the local on-campus recruitment of subsidiaries.

Sichuan Shan'an and Hubei Shan'an Carried Out School-enterprise Cooperation

Improving Employee Incentive System

The Company provides competitive and diversified compensation packages to employees, keeps enhancing promotion channels, and continuously arranges for elite team building while attracting and retaining outstanding talents. We keep improving our internal rules and regulations such as the Provisional Measures for Performance Appraisal of All Employees and the Management System for Employees' Performance-based Salary, to fully motivate employees by establishing a long-term mechanism.

In 2023, we made a comprehensive reform of the compensation management evaluation measures. Following the six principles of "value orientation, fairness, legitimacy, incentive, reasonable growth and dynamic management", we conduct performance appraisal for all employees, emphasize the benchmarking of performance appraisal against incentive level, and further clarify the performance-based pay mechanism. We implement the policy of "paying according to job position and adjusting salary if job position changes", and have established a more flexible and competitive compensation management mechanism that aligns with the characteristics of the industry and the actual development of the Group. In terms of promotion, we implement measures covering "management + specialty", including 14 aspects of management, and flexibly set evaluation indicators according to post nature and professional skills. Employees are required to meet all such indicators before promotion, and are promoted level by level according to their job level based on the performance appraisal results at the end of the year, after being confirmed by experts and the human resources department.

Our employee incentive system, which is fair, transparent, reasonable and motivated, integrates organizational performance and personal performance into the evaluation system at the same time, and incorporates corporate value and personal value into the Company's culture, demonstrating the values of both employees and their positions, and effectively stimulating employees' enthusiasm for work.

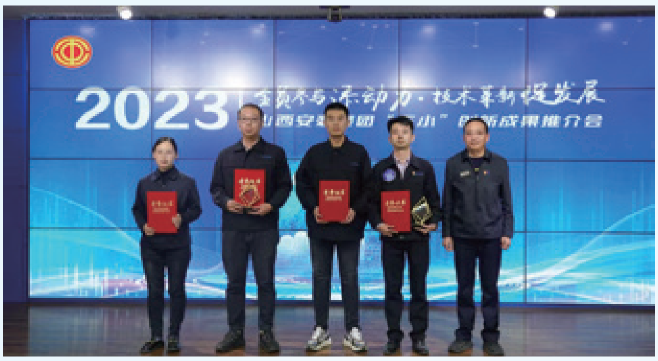
Organizing Various Competitions

Upholding "real knowledge coming from practice", the Company has conceived three types of competition, namely business, labor and innovation. By setting definite and executable phased targets, employees are encouraged to participate in benign competition to promote learning through competition, practise more through learning and enhance utilization through practice, which stimulates employees to improve their personal skills while working hard, further creating a strong working atmosphere of passion and dedication, studying technologies and carrying forward the spirit of craftsman.

In view of the needs of corporate development and according to the annual key and difficult tasks of all units and departments, the Company cooperates with functional departments to carry out various forms of competitions of the same business, to identify talents hierarchically and promote the Company's development. In 2023, the Company conducted a total of 12 business competitions, covering more than 1,400 employees. Meanwhile, in order to give full play to the leading role of model workers in terms of innovation, we continued to strengthen the establishment of innovation studios in 2023. Up to now, we have established two studios, namely "Liang Bo Innovation Studio" (provincial level) and "Cui Jun Innovation Studio" (construction investment level). Among them, the innovation achievement of "Liang Bo Innovation Studio", the "BIM-based Life Cycle Digital

Construction Technology for Fabricated Engine Room", received the National Outstanding Achievement Award in the Construction Industry, and the studio was qualified for the application for the national innovation studio.

In addition, in order to stimulate the mass innovation vitality, the Company organized departments to carry out skill competitions and innovation activities in multiple areas for many times. In 2023, the Company organized and participated in 4 skill competitions, attracting more than 150 technicians to participate, and won several honors, such as the Outstanding Contribution Award and the First Team Prize, in Shanxi Nondestructive Testing Skill Competition. In addition, the Company also organized 2,000 employees to participate in the national digital skill training activities, and obtained 1,576 certificates in total, 106 "five smalls" innovation achievements and 64 outstanding achievements recognized, with an excellent rate of 61%. Among them, 6 applied for awards at the construction investment level, and 3 won the first, second and third prizes in the "Five Smalls" Innovation Competition of the Construction Industry in Shanxi, respectively.



Presentation of Innovation Achievements in the "Five Smalls" Competition

The Theory Examination for "Shan'an Craftsman Cup" Surveyor Skills Competition

The First Pre-Accounting Cost Management Competition of the Same Business

Enhancing the Effectiveness of Staff Training

We have formulated the Training Management System of Shanxi Installation, established an employee training system, and actively carried out training activities for all employees, by providing various forms of training and practice opportunities, and organizing diversified personnel training through multiple channels by various means, to comprehensively improve the skill level, knowledge proficiency and management ability of employees.

We have a training center and have established a medium- and long-term training program for employees in different positions and with different lengths of service, ensuring that the talent training and development are for specific purposes, tailor-made and individualized. In particular, for new employees and those with no more than three years of service, we mainly carry out basic knowledge and safety training in each aspect of positions; for employees of different departments and subsidiaries, we carry out special-topic trainings such as safety and environmental protection, project management, technical quality and financial audit; for middle and senior management, we mainly carry out advanced training such as budget skills improvement and listing compliance; and for overseas employees, we carry out special trainings closely related to local life, such as culture and language, to help them adapt to overseas environment as soon as possible.

Targeted Training for Job Positions of the Company

In addition, we have set up a learning platform in the OA office system to carry out systematic theoretical training for all employees. The courses on the platform cover five major areas, namely, business management, functional support, professional technologies, project management and employee growth, which are designed by different departments of the Company, to facilitate the development of employees in all respects. In 2023, the OA learning platform covered 100% of employees, the total learning hours of employees amounted to 301 hours per annum, and they participated in 37 training sessions, with the total learning hours of courses of all categories amounting to 39,169 hours.

Case: Focusing on the Development of Overseas Employees through Special Overseas Trainings

Shanxi Installation values the actual needs of personnel engaging in overseas projects, and carries out special trainings both online and offline. For online training, employees are arranged to attend risk prevention and risk management practice and other special-topic trainings for overseas projects through online conference platform, and they are encouraged to use online resources such as "WeChat official account" and the "Overseas Managers Learning Platform" to further enhance their professional qualifications and communication skills. As for offline training, language learning activities are conducted at the place where the projects are located to train cross-cultural thinking, language expression and response ability of employees by giving talks at the podium, thus improving their cross-cultural communication ability and helping them enhance professional skills.

Carrying Forward the Spirit of the Long March of the Company

We vigorously promote the Long March culture across the Company. In 2023, we established the Trade Union brand "Xing Rong" Workers' Home, further combining the work of the Trade Union and the spirit of the Long March, and integrating the work of the Trade Union into the frontline, the grassroots and projects, so as to succeed to and carry forward the spirit of the Long March among employees. During the Year, the Company actively carried out publicity activities, by telling employees the stories of the older generation and the history of Shanxi Installation, including the story about the installation in the Great Hall of the People, and the story about Malan Satellite Launching Center, constantly motivating the employees to improve their personal skills while promoting the Company's culture. In the future, the Company will further diversify its forms of storytelling by adopting new communication forms such as performance so as to better retain, inherit and penetrate the spirit of the Long March into the heart of every and each employee of Shanxi Installation.

(3) Deepening the Employee Care Practices

Strictly abiding by the basic welfare policies of the central and local governments, the Company formulates the Social Insurance Management System according to its own situation, and pays basic social insurance, such as pension, medical, unemployment, work-related injury and maternity, and housing provident fund for employees according to the laws. The Company also purchases the group accidental insurance for the production frontline workers of projects to further protect their rights and interests. For retirees, we have formulated the Company Annuity Program and Retirement Management System. In addition to pensions paid out of the pool fund, the Company provides all retired employees with additional benefits, including seniority allowance, coal subsidy, housing subsidy and transportation expense reimbursement. We have also formulated the Employee Attendance and Rest Periods Management System, which strictly enforces labor discipline, and specifies the types, entitlement conditions, number of days of and remuneration packages during rest periods, to further strengthen the centralized management of employee attendance and rest periods.

We care for employees' spare-time life and attach importance to their emotional needs, focusing on addressing three major issues in employee care, namely quality, happiness and ten billion. During the Year, the Company actively carried out cultural activities and sports events for employees to help them develop hobbies and relieve work pressure as well as to procure them to achieve balance between work and life. We also organized fellowship activities for single employees to help solve the issues of their concern. In addition, we organized collective birthday parties, celebrations for employees' children to enter a higher school and other activities to continuously promote mutual understanding among employees and between employees and their families, as well as to cultivate the sense of identity with the Company's culture and enhance team cohesion by deepening emotional connections.

In addition, the Company conducts a survey on talent fit on an annual basis, to fully understand the thinking of employees at different levels of the Group and its subsidiaries based on three indicators, i.e. employee satisfaction, dedication and responsibility, and to continuously improve the employee management practice of the Company, so as to enhance employees' well-being and motivation. Since it is conducted, the Company's talent fit data has increased year on year, and its reputation and corporate image have been improving.

Case: Organizing Frequent Activities to Promote Mental and Physical Health

The Trade Union of the Group cares for the spare-time life of employees. In 2023, the Group vigorously organized various sports, arts and cultural activities, promoting employees to strengthen their physical fitness, improve their artistic quality and enrich their inner world. During the Year, the Trade Union of the Group vigorously carried out table tennis and badminton competitions, attracting a total of 162 employees from 25 units to participate; arranged employees to choreograph and perform three dances, namely "Our Workers Have Strength (《咱們工人有力量》)", "Jasmine Flower (《茉莉花》)" and "Our New Era (《我們的新時代》)", showing their artistic talents; and encouraged employees to participate in question and answer sessions, readings, poetry recitations, museum visits and other activities, with a total of more than 1,200 participants. Through a variety of colorful cultural and sports activities, employees have enriched their lives, developed hobbies and further enhanced their sense of identity with the Company's culture.

Case: Organizing More Fellowship Activities to Solve Marriage Problems of Employees

The Trade Union of the Group focuses on the issues of employees' concern, and always cares for the marriage and love of single employees. In 2023, through online live broadcast and offline meeting, the Group successively carried out fellowship activities for single employees, such as "Meeting in the Industrial Park in April", "Gathering at Wujinshan with Love on 20th May", and "Fluttering and Falling in Love at First Sight", covering front-line personnel of projects, staff of headquarters, university teachers, bank staff, doctors, civil servants and other outstanding talents in various industries, which provided a platform for dating for single employees. Such activities attracted more than 600 employees to participate, in which 16 employees matched successfully, and received general recognition from employees.

Case: Celebration Banquet for Employees' Children Entering Higher Education to Shape the "Family" Culture of the Company

In 2023, the Trade Union of the Group held a celebration themed "Congratulations by Shanxi Installation" for the children of employees who would commence with higher education, and presented them with prizes such as suitcases and books to incentive them to stand on a new starting point and embark on a new journey. Through "Meeting Shanxi Installation and Speaking from the Heart", "Proverbs of Love" and "Flower Wall", the activity facilitated the understanding between the parents and 27 children of employees who have been admitted to universities, further narrowing the distance between the Company, employees and their families, and promoting the harmonious development of the Company.

Staff Employment (as of 31 December 2023)[10]

Number and Percentage of Employees by Gender

	Number (persons)	Percentage (%)
Number of employees	3,722	/
Male	2,750	73.9%
Female	972	26.1%
Number and percentage of employees by age		
Aged 30 below	849	22.8%
Aged 30 to 50 (both inclusive)	2,361	63.4%
Aged 50 above	512	13.8%
Number and percentage of employees by employment category		
Full-time	3,722	100.0%
Part-time	0	0.0%
Number and percentage of employees by rank		
Senior management	8	0.2%
Middle management	248	6.7%
Non-management	3,466	93.1%
Number and percentage of employees by geographical region		
Mainland China	3,675	98.7%
Hong Kong, Macau and Taiwan	0	0.0%
Overseas	47	1.3%

Notes:

10. The statistics for staff employment do not include workers dispatched.

Employee Turnover During the Year (as of 31 December 2023)
Number and Percentage of Employees Leaving During the Year[11]

	Number (persons)	Percentage (%)
Number of employees	202	5.1%
Number and percentage of employees leaving by gender[12]		
Male	163	5.6%
Female	39	3.9%
Number and percentage of employees leaving by age		
Aged 30 below	86	9.2%
Aged 30 to 50 (both inclusive)	109	4.4%
Aged 50 above	7	1.3%
Number and percentage of employees leaving by employment category		
Full-time	202	5.1%
Part-time	0	0.0%
Number and percentage of employees leaving by rank		
Senior management	0	0.0%
Middle management	8	3.1%
Non-management	194	5.3%
Number and percentage of employees leaving by geographical region		
Mainland China	201	5.2%
Hong Kong, Macau and Taiwan	0	0.0%
Overseas	1	2.1%

Total number of employees trained during the Year (persons)	1,045	Total training hours during the Year (hours)	39,169
Senior management members trained (persons)	8	Total training hours completed by senior management (hours)	481
Middle management members trained (persons)	335	Total training hours completed by middle management (hours)	20,182
Non-management employees trained (persons)	702	Total training hours completed by non-management (hours)	18,506
Male employees trained (persons)	915	Total training hours completed by male employees (hours)	35,821
Female employees trained (persons)	130	Total training hours completed by female employees (hours)	3,348
Percentage of senior management members trained (%)	0.8%	Percentage of training hours completed by senior management (%)	1.0%
Percentage of middle management members trained (%)	32.0%	Percentage of training hours completed by middle management (%)	52.0%
Percentage of non-management employees trained (%)	67.2%	Percentage of training hours completed by non-management (%)	47.0%
Percentage of male employees trained (%)	88.0%	Percentage of training hours completed by male employees (%)	91.0%
Percentage of female employees trained (%)	12.0%	Percentage of training hours completed by female employees (%)	9.0%

Average training hours completed per senior management member (hours)[13]	60
Average training hours completed per middle management member (hours)	60
Average training hours completed per non-management employee (hours)	26
Average training hours completed per male employee (hours)[14]	39
Average training hours completed per female employee (hours)	26
Average training hours completed per employee (hours)[15]	37

Notes:

11. Employee turnover rate = Number of employees leaving/Total number of employees.

12. Employee turnover rate in each category = Number of employees leaving in that category/Total number of employees in that category at the end of the period.

13. Average training hours by level = Training hours by level/Number of persons trained by level.

14. Average training hours by gender = Training hours by gender/Number of persons trained by gender.

15. Average training hours completed per employee = Total training hours during the Year/Total number of persons trained in the Year.

8. Compliant Operation to Consolidate Development Foundation

Compliant operation is the foundation of healthy development. We have been consistently monitoring the latest national policies. Pursuant to the Measures for Compliance Management of Provincial Enterprises in Shanxi Province (Trial) recently issued by the State-owned Assets Supervision and Administration Commission of Shanxi Province in 2023, we have actively arranged the construction of compliant management system and conducted 25 legal training sessions to provide theoretical guidance on compliant operation for functional departments, subsidiaries, project companies and platform companies.

(1) Optimizing System Measures to Promote Anti-corruption

Upholding the integrity concept of "being prudent and cautious, and being strict and factual", the Company implements anti-corruption work, and keeps improving system restrictions as well as advocates self-discipline of the employees. Meanwhile, it constantly constructs and improves the anti-corruption system by signing the Project Integrity Undertakings between the management of branches and project managers, engaging project integrity supervisors in the project department, learning from anti-corruption educational films, conducting special-topic training on anti-corruption and other means. In 2023, the Group and its domestic subsidiaries were not involved in legal cases or offences related to corruption or bribery that had a significant impact on the business operation and financial position of the Group.

Establishment of Anti-corruption System

Shanxi Installation advocates fairness and ethics, preventing any unethical business practices, including bribery, fraud, corruption, extortion and money laundering, and strictly abides by relevant laws and regulations including the Supervision Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China. It has formulated internal systems such as the Administrative Measures for Post Corruption Prevention and Control of Shanxi Installation Group and the Accountability System for Dereliction of Duty of Shanxi Installation Group, emphasizing that employees must abide by laws and regulations and meet the requirements of code of conduct, and clarifying the accountability for violations.

To prevent fraud, we have formulated the Administrative Measures for Anti-fraud and Whistleblowing Mechanism, which provides clear codes of conduct for our directors, management and general employees, including but not limited to:

- The management designates a standing anti-fraud unit to organize and implement anti-fraud work within the Company;
- Management is responsible for receiving, investigating, reporting and commenting on the handling of fraud reported, and shall be also subject to supervision;
- An assessment on fraud risk is conducted at the beginning of each year, and measures are implemented to reduce the possibility of fraud, such as approval, verification and division of authorities and responsibilities;
- In-house training in relation to anti-fraud policies, procedures and measures is conducted by issuing and promoting the codes of conduct of employees and the Company's rules and regulations or via local area network;
- Fraud reporting channels are established through telephone hotlines, e-mails and other means.

We actively promoted the prevention and control of corruption risks, focusing on the risks of corruption in respect of decision-making on significant matters, arrangement of major projects, use of substantial funds and other areas that easily cause corruption practices, as well as on the corruption risks that are likely to arise in the important business processes such as bidding, professional project subcontracting and labor subcontracting, procurement and settlement. By implementing hierarchical management and accountability and establishing a dynamic error correction system, corruption risks are prevented in advance and problems are detected at an early stage, so as to take remedies in a timely manner and prevent risks effectively.

We have established a smooth whistleblowing channel through letters and visits to handle the reported issues in a timely manner. Effective whistleblowing channels include telephone, email, mailbox and etc. The Company also encourages employees to report corruption-related violations within the Company, and protects the safety of whistleblowers according to relevant internal regulations. It has formulated a complete mechanism for accepting and internally handling corruption, bribery and other integrity-related issues reported. The Company receives letters or visits from the public, investigates and handles the same after they are referred and accepted, and responds to and gives feedback on the reported information in a timely manner after handling.

Anti-corruption Education

We are committed to the ideological and moral education within the Group, provide induction training to all directors and employees, and regularly update anti-corruption training topics, including but not limited to the laws and regulations and relevant requirements of the Group related to anti-corruption, as well as the code of conduct which all directors and employees are subject to.

We put great emphasis on the anti-corruption education of the management. During the Year, we conducted several anti-corruption training sessions for the management by various means, including watching warning educational films, notification of typical cases, learning typical cases and etc. The Group issued learning materials under the rules and regulations in the Party and national laws, and carried out anti-corruption education and an integrity talk at the Company. Throughout the Year, 1,291 people[1] participated in the integrity education activities, achieving remarkable training effect. By educating people with happenings around them, party members and cadres were effectively urged to understand the situation where corruption risks would arise, enhance discipline awareness and intensify self-discipline.

[1] This includes all integrity education activities held by all branch companies and subsidiaries.

Case: The Group Conducted Integrity Talk and Anti-corruption Education

Shanxi Installation attaches great importance to the integrity development of management team. In June 2023, a collective integrity talk was held for newly appointed middle management members, which was chaired by Du Jiang, a member of the Party Committee and the secretary of the Disciplinary Committee, and invited Wang Limin, the secretary of the Party Committee and the chairman of the Group, to attend and give guidance. In July 2023, led by the leaders of the Group, the secretaries, deputy secretaries and discipline inspection committee members of the headquarters and some grass-roots organizations of the Party went to the provincial anti-corruption education base of the Party to carry out warning education for building a clean state-owned enterprise in all respects. Through integrity talks and warning education, the Group further strengthened the awareness of integrity and self-discipline of leaders, and consolidated their ideological and moral defense line, to create a clean and honest environment, thus promoting the high-quality development of the whole Group.

Integrity Talk and Anti-corruption Education

(2) Safeguarding Information Security and Strengthening Brand Management

Shanxi Installation attaches importance to its corporate image, and makes continuous efforts in data security and privacy protection, brand reputation maintenance and etc., so as to minimize possible risks and help the Company operate smoothly.

Safeguarding Information Security

The Group strictly abides by laws and regulations including the Law of the People's Republic of China on the Protection of Rights and Interests of Consumers and the Personal Information Protection Law of the People's Republic of China, and has formulated the Network Security Management System of Shanxi Installation Group Co., Ltd. to continuously safeguard the information security of customers. We have a rigorous network security system in place, and have established and improved various business management application platforms, with designated departments being responsible for the safe operation of the Company's network and information systems. Each unit of the Company also designates a dedicated person to be in charge of daily network security management, security inspection, emergency response, training and other related work of that unit. In addition, the Company also strictly controls computer equipment. In particular, all computers to be connected to the network must be securely configured, and be confirmed to meet the requirements for safe operation before connecting to the network. Confidential documents may not be connected to the Internet, and external mobile storage devices should be checked by antivirus software before use, so as to ensure the security of information transmission and storage on the network and the legality of information content, and thus to enhance the protection of information security.

Emphasising on Privacy Protection

The Group emphasises on protecting the privacy of itself and its customers, and has the contracts with downstream third parties contain confidentiality clauses, requiring both parties thereto to keep confidential the information to their knowledge due to the performance of contracts. Meanwhile, the Company attaches importance to the supervision over privacy protection, sets up supervision process, and define supervision responsibilities. Once privacy leakage occurs, technicians should immediately protect the data security, and minimize the scope of leakage. After that, they will trace back the leakage from level to level, attribute responsibility to individuals, and investigate the cause thereof, so as to improve the data system and prevent the recurrence of privacy leakage.

Strengthening Brand Management

We attach great importance to brand management, external publicity and public opinion management. Strictly complying with the Advertising Law of the People's Republic of China, Anti-unfair Competition Law of the People's Republic of China and other relevant laws and regulations, we clarify and regulate the required management norms in respect of the Company's external publicity and response to risks of public opinion, as well as check all relevant business documents according to requirements and verify the contents of advertisements, so as to prevent our brand image from being damaged to the greatest extent and strive to maintain the good reputation of the brand.

9. Giving Back to Society and Sharing a Better World

The Company strictly abides by the social code of conduct of "civilization, law-abiding, honesty and friendliness" and actively fulfills its corporate social responsibility. We are concerned about people's livelihood and social progress, and extensively engages in charitable causes; regularly carry out related work to support the sales of agricultural products in response to the requirements of the national strategy for revitalization of rural areas; and continue to support community development, deeply understand and identify the needs of communities, and continuously give back to the society, striving to achieve harmonious development between enterprises and communities. In 2023, the Company donated a total of RMB155,550.5 to public welfare sponsorship, donation and other charitable causes, helping to generate sales revenue of RMB25,000 from agricultural products.

(1) Focusing on Charity and Acting as the Main Force of Public Welfare Undertakings

During the Year, we called on organizations at all levels to actively engage in the "Feng Shang Action", to diversify the Group's public welfare through various activities, enabling employees to experience the funs of activities and practice the spirit of Lei Feng while actively engaging in volunteer projects.

We further carried out poverty alleviation activities, leading the Cultured Youth Collectives to go into poverty alleviation sites several times, and launching the charitable fundraising initiative, "Donation of Old Clothes with Love by Shanxi Installation", with a total donation of RMB55,550.5 for poverty alleviation.

Donation Activity with Love

Combining public welfare with environmental protection, we have successively organized thousands of young volunteers to participate in voluntary tree-planting activity in spring at the Company's project parks, leading young people to contribute to ecological and environmental protection with practical actions, and meanwhile witnessing the progress of the Group's key projects. We concerned the needs of the disabled for self-respect, self-love and fairness, by cooperating with various organizations to encourage hearing-impaired students to participate in voluntary activities, thus to enhance their self-worth in contributing to the society. We actively participated in the "Safety Publicity and Consultation Day" campaign in Shanxi Province, demonstrating our employees' enthusiasm for public welfare and sense of social responsibility. In 2023, out of the Group's young volunteers, there were 257 additional registered users in the "Volunteer Hub" APP, and a total of 94 volunteer activities were carried out, including community services, waste separation and environmental protection, with a total of 3,546.3 volunteer service hours.

Photos for Related Activities

Shanxi Installation has carried out the voluntary blood donation activity, "Feng Shang Action", for five consecutive years, and a total of 360 volunteers have successfully donated blood with a total of 138,200ml blood donated. In these activities, Shanxi Installation's employees showed great enthusiasm and unity spirit, and enthusiastically registered and lined up in an orderly manner, which not only contributed to social welfare, but also enhanced the cohesion and the sense of collective honor among employees. In 2023, our blood donation continued, with 64 employees participating in voluntary blood donation, and the total blood donation volume amounted to 25,000ml.

The Company's Employees Participated in Voluntary Blood Donation

(2) Benefiting Agriculture, Rural Areas and Farmers as A Booster for Rural Revitalization

Implementing rural construction is one of the key tasks to comprehensively promote rural revitalization during the 14th Five-Year Plan period. The rural areas must be revitalised in order to rejuvenate the nation. In order to conscientiously implement the "Opinions on the Effective Connection between Consolidation and Expansion of the Achievements of Poverty Alleviation and Rural Revitalization" policy issued by the CPC Central Committee and the State Council, and the requirements of the "Notice on the Selection and Rotation of the First Secretary and Task Force of the Group in Villages", the "Notice on Pooling Targeted Helping Funds for 2023", the "Notice on Carrying out the Key Tasks to Support Consumption during the Two Festivals in 2024" and other documents of SCIG Group, based on the principle of "sending staff as much as possible and the task force rotation system", Shanxi Installation strictly selected the staff stationed in the village, and set up a residential task force in Gengzhuang led by the first secretary, Pei Wenxiang, in April 2023. In line with the ideology of "visiting people, listening to people's opinions and helping people in need", the task force has taken root in Gengzhuang for rural revitalization.

Case: Shanxi Installation's Visits to Households to Understand the Implementation of Policies Related to People's Livelihood

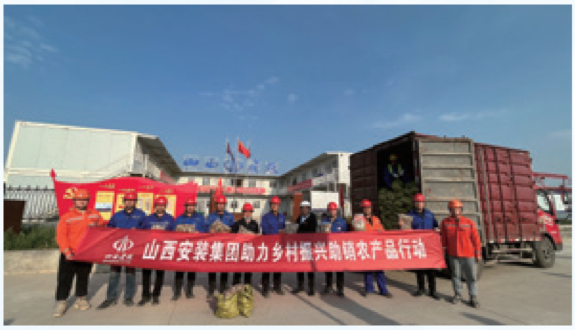
At present, 46 households have been lifted out of poverty, 1 household is in sudden and serious difficulties and 6 households are vulnerable to poverty in Gengzhuang. The residential task force of Shanxi Installation has taken people who are likely to return to poverty, vulnerable to poverty, and have serious difficulties in life caused by illness, disasters, disability, accidents and etc. as the key targets to be monitored and provided with help at all times. It also helps them apply for subsistence allowance, serious poverty allowance and social relief and subsidies, so as to ensure the stable income and expenditure of those people who have returned to poverty.

The Residential Task Force Condoled with the People in Need

In addition, in order to address the issue of unbalanced and insufficient development, Shanxi Installation responded to the call of the Party and the state with practical actions in 2023, by forming a task force and sending three employees to carry out in-depth rural revitalization and targeted poverty alleviation in Gangli Village, Fan Zhi County, and to stimulate endogenous motivation by allocating funds as well as supporting consumption for poverty alleviation, so as to prevent people from returning to poverty. In 2023, the Company allocated RMB100,000 to promote the "Policy on Revitalization of Beautiful Villages" and helped sell agricultural products amounting to RMB25,000. Up to now, the targeted villages for poverty alleviation have been successfully lifted out of poverty.

Case: SCIG Group Helped in Selling Agricultural Products

In 2023, with the strong support of the leaders of Shanxi Installation Group, the residential task force actively helped to sell agricultural products, with a total sales revenue of RMB98,975, facilitating the timely sale of agricultural products such as potatoes, cabbages, radishes and boletes, and thus solving the difficulties of the Gengzhuang farmers in increasing income.



The Action of Shanxi Installation Residential Task Force to Help to Sell Agricultural Products

Case: Implementing Policy to Ensure Safe Drinking Water

A "Well of Happiness" was dug in a mountainous area, giving the villagers an opportunity to increase their income. The "Well of Happiness" project took two years from planning, implementation to water supply. On 18 May 2023, the "Well of Happiness" in Gengzhuang was successfully put into operation, which completely tackled the difficulty of seasonal water shortage for 473 villagers, more than 200 cattle and more than 300 sheep in Gengzhuang.

The Ceremony of Successful Completion of the "Well of Happiness"

APPENDIX

HKEX ESG Reporting Guide Index

Aspect	Issue	Key Performance Indicator	Corresponding Section
ESG Management	Governance Structure	A statement issued by the Board of Directors containing the following: 1. a disclosure of the Board's oversight of ESG issues; 2. the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and 3. how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Board Statement
	Reporting Principles	The reporting principles are the basis for the preparation of the ESG report, defining what is to be reported and how the information is to be presented. The issuer is expected to comply with these reporting principles when preparing the ESG report: (1) Materiality: It is the threshold at which the Board determines that ESG issues become sufficiently important to investors and other stakeholders that they should be reported by the issuer. (2) Quantitative: The relevant historical data of KPIs need to be measurable. An issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate. (3) Balance: The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader. (4) Consistency: The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	About the Report
	Scope of Reporting	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About the Report

Aspect	Issue	Key Performance Indicator	Corresponding Section
Environment	A1 Emissions	General disclosures: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Energy Conservation and Environmental Protection, Empowering Green Development
		A1.1 The types of emissions and respective emission data	Shanxi Installation Environmental Performance Table
		A1.2 Greenhous gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Shanxi Installation Environmental Performance Table
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)	Shanxi Installation Environmental Performance Table
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Shanxi Installation Environmental Performance Table
		A1.5 Description of the emission targets set and the steps taken to achieve such targets.	Energy Conservation and Environmental Protection, Empowering Green Development
		A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of the waste reduction targets set and the steps taken to achieve such targets.	Energy Conservation and Environmental Protection, Empowering Green Development

Aspect	Issue	Key Performance Indicator	Corresponding Section
	A2 Use of Resources	General disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	Energy Conservation and Environmental Protection, Empowering Green Development
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Shanxi Installation Environmental Performance Table
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Shanxi Installation Environmental Performance Table
		A2.3 Description of energy efficiency targets set and the steps taken to achieve such targets.	Energy Conservation and Environmental Protection, Empowering Green Development
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets set and the steps taken to achieve such targets.	Energy Conservation and Environmental Protection, Empowering Green Development
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Not applicable, given that the Company's operations do not involve the production of physical products and that the amount of own packaging materials used in its operations is minimal, this indicator is not applicable to the Company

Aspect	Issue	Key Performance Indicator	Corresponding Section
	A3 The Environment and Natural Resources	General disclosure: Policies on minimising the issuer's significant impact on the environment and natural resources.	Energy Conservation and Environmental Protection, Empowering Green Development
		A3.1 Description of the significant impacts of operations on the environment and natural resources and the actions taken to manage them	Energy Conservation and Environmental Protection, Empowering Green Development
	A4 Climate Change	General disclosure: Policies on identification and mitigation of significant climate-related issues which may impact the issuer.	Energy Conservation and Environmental Protection, Empowering Green Development
		A4.1 Description of the significant climate-related issues that have impacted, and those which may impact the issuer, and the actions taken to manage them.	Energy Conservation and Environmental Protection, Empowering Green Development
Society	B1 Employment	General Disclosure Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring for Employees and Creating a Harmonious Workplace
		B1.1 Total workforce by gender, employment type, age group and geographical region	Caring for Employees and Creating a Harmonious Workplace
		B1.2 Employee turnover rate by gender, age group and geographical region	Caring for Employees and Creating a Harmonious Workplace

Aspect	Issue	Key Performance Indicator	Corresponding Section
	B2 Health and Safety	General disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safe Production to Safeguard the Long-term success of Enterprise
		B2.1 Number and rate of work-related fatalities in each of the past three years (including the reporting year).	Safe Production to Safeguard the Long-term success of Enterprise
		B2.2 Number of lost days due to work injuries	Safe Production to Safeguard the Long-term success of Enterprise
		B2.3 Description of occupational health and safety measures adopted and how they are implemented and monitored.	Safe Production to Safeguard the Long-term success of Enterprise
	B3 Development and training	General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Caring for Employees and Creating a Harmonious Workplace
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Caring for Employees and Creating a Harmonious Workplace
		B3.2 The average training hours completed per employee by employee category and gender.	Caring for Employees and Creating a Harmonious Workplace

Aspect	Issue	Key Performance Indicator	Corresponding Section
	B4 Labour Standards	General disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Caring for Employees and Creating a Harmonious Workplace
		B4.1 Description of measures to review recruitment practices to avoid child and forced labour.	Caring for Employees and Creating a Harmonious Workplace
		B4.2 Description of steps taken to eliminate such practices when discovered	Caring for Employees and Creating a Harmonious Workplace
	B5 Supply Chain Management	General disclosure: Policies on managing environmental and social risks of the supply chain.	Providing Craftsmanship Quality and Creating Excellent Projects; Striving for Excellence, Layout of New Energy Transformation
		B5.1 Number of suppliers by geographical region	Providing Craftsmanship Quality and Creating Excellent Projects
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Providing Craftsmanship Quality and Creating Excellent Projects
		B5,3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Providing Craftsmanship Quality and Creating Excellent Projects
		B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Providing Craftsmanship Quality and Creating Excellent Projects; Striving for Excellence, Layout of New Energy Transformation

Aspect	Issue	Key Performance Indicator	Corresponding Section
	B6 Product Liability	General disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Providing Craftsmanship Quality and Creating Excellent Projects; Compliant Operation to Consolidate Development Foundation
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A, given that the Company's operations do not involve the production of physical products, this indicator is not applicable to the Company
		B6.2 Number of products and service complaints received and how they are dealt with.	Providing Craftsmanship Quality and Creating Excellent Projects
		B6.3 Description of practices relating to the observing and protecting intellectual property rights	Providing Craftsmanship Quality and Creating Excellent Projects
		B6.4 Description of quality assurance process and recall procedures	Providing Craftsmanship Quality and Creating Excellent Projects
		B6.5 Description of consumer data protection and privacy policy, and how they are implemented and monitored	Compliant Operation to Consolidate Development Foundation

Aspect	Issue	Key Performance Indicator	Corresponding Section
	B7 Anti-Corruption	General disclosure: Information on: (1) the policies; and (2) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Compliant Operation to Consolidate Development Foundation
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Compliant Operation to Consolidate Development Foundation
		B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Compliant Operation to Consolidate Development Foundation
		B7.3 Description of anti-corruption training provided to directors and staff.	Compliant Operation to Consolidate Development Foundation
	B8 Community Investment	General disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration of the communities' interests.	Giving Back to Society and Sharing a Better World
		B8.1 Focus areas of contributions (e.g. education, environmental concerns, labour needs, health, culture, sports).	Giving Back to Society and Sharing a Better World
		B8.2 Resources contributed (e.g., money or time) to the focus areas.	Giving Back to Society and Sharing a Better World

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby presents the annual report and the audited financial statements of the Group for the Reporting Period to Shareholders.

Composition of the Board of Directors

As at December 31, 2023, the Board consisted of the following 11 Directors:

Executive Directors

Mr. WANG Limin
Mr. REN Rui
Mr. ZHANG Yan

Non-executive Directors

Mr. XU Guanshi
Mr. ZHANG Hongjie
Mr. MU Jianwei
Mr. FENG Cheng

Independent Non-executive Directors

Mr. WANG Jingming
Dr. WU Qiusheng
Ms. SHIN Chuck Yin
Mr. GUO He

Composition of the Board of Supervisors

During the Reporting Period, the Company has the following three Supervisors:

Mr. SHI Meng
Mr. CAO Haiyang
Ms. ZHANG Caixia

Principal Business of the Group

We are a construction service provider based in Taiyuan, a city in Shanxi Province, China. We primarily engage in the following four business segments: (i) specialized industrial construction, (ii) specialized auxiliary construction, (iii) other construction, and (iv) non-construction business. We offer a wide range of services, from (i) design and consulting, (ii) investment and construction, (iii) building construction, to (iv) operation and maintenance. For further information of the principal business of the Company, please refer to the section "Business Review" of this Annual Report.

Business Review

A review of the Group's business during the year ended December 31, 2023, which includes a discussion of the principal risks and uncertainties faced by the Company, an analysis of the Company's performance using financial key performance indicators, particulars of important events affecting the Company during the year ended December 31, 2023, and an indication of likely future developments in the Company's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Report of the Board of Directors.

Major Customers and Suppliers

In the Reporting Period, the Company's customers consist of local governments, listed companies, large state-owned groups and private enterprises. . In the Reporting Period, revenue from the largest customer accounted for 5.84% of the Company's total revenue. Revenue from the Company's five largest customers accounted for an aggregate of 17.87% of the Company's total revenue.

In the Reporting Period, the Company's suppliers consist of both state-owned and non-state construction raw material and labor cost suppliers. In the Reporting Period, purchases from the Company's largest suppliers accounted for 20.34% of the Company's total purchases. Purchases from the Company's five largest suppliers accounted for an aggregate of 32.81% of the Company's total purchases.

Save for (i) Shanxi CIG, who was our Controlling Shareholder and was one of our five largest customer; and (ii) Shanxi Construction Investment Supplies Trading Co., Ltd. (山西建投物資貿易有限公司), who was an associate of Shanxi CIG and one of our five largest supplier during the Reporting Period, none of the Directors and Supervisors or any of their close associates (as defined under the Hong Kong Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Company's five largest suppliers or the Company's five largest customers.

Final Dividend and Closure of Register of Members

The Board recommends the declaration of a final dividend of RMB0.02682 (inclusive of tax) per 10 Shares (representing an aggregate amount of RMB3.68 million (inclusive of tax) calculated based on the total issued Shares as at the date of this report) 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.

Financial Statements

The financial statements of the Group for the current financial year is set out on pages 155 and 273 of this annual report.

Five-year Financial Summary

A summary of the results and assets and liabilities of the Group for the most recent five years is set out in the section headed "Five-Year Financial Summary" on page 8 of this annual report.

Property, Plant and Equipment

Details of the movements in property and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

Loan and Guarantee Provided to Directors, Supervisors, Senior Management, Controlling Shareholders of the Company and their Respective Connected Persons

Saved as disclosed in notes 28 and 40 to the consolidated financial statements, the Company had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the Controlling Shareholders of the Company or their respective connected persons.

Share Capital

As of December 31, 2023, the total share capital of the Company was RMB1,373,486,000, divided into 1,373,486,000 Shares of RMB1.00 each. Details of movements in the share capital of the Company during the year ended December 31, 2023 are set out in note 38 to the consolidated financial statements.

Purchase, Sale and/or Redemption of Listed Securities of the Company

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.

Debentures in Issue

We did not have any debentures in issue as at December 31, 2023.

Equity-linked Agreements

For the period from the Listing Date up to December 31, 2023, we did not enter into any equity-linked agreement, nor did we have any equity-linked agreement.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

Tax Relief

Tax Relief or Exemption on Dividend Income of Holders of Listed Securities

(1) Individual Investors

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), dividend and bonus income received by overseas resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises shall be subject to the payment of individual income tax according to the item of "interest, dividend and bonus income", which shall be withheld by the withholding agents according to the law. The overseas resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties signed between the countries where they reside and the PRC and the tax arrangements between the Mainland China and Hong Kong (Macau SAR). The relevant dividend tax rate under the relevant tax treaties and tax arrangements is generally 10%. For the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends and bonuses, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for residents from countries under treaties to be entitled to tax rates lower than 10%, in accordance with the Administrative Measures for Non-resident Taxpayers to Enjoy Treatments under Tax Treaties (Announcement of the State Administration of Taxation [2019] No. 35) (《非居民納税人享受協定待遇管理辦法》(國家税務總局公告2019年第35號)), if the individual H shareholders are residents from countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, such individual H shareholders shall voluntarily submit statements to the companies in order to enjoy the agreed treatment, and keep relevant materials for inspection. If the information provided is complete, the companies shall withhold the tax in accordance with the provisions of the PRC tax laws and treaties; (2) for residents of countries which have entered into tax treaties with the PRC stipulating a tax rate of more than 10% but less than 20%, the withholding agents shall withhold the individual income tax at the agreed effective tax rate when distributing dividends and bonuses, and are not obligated to file an application for approval; (3) for residents of countries without tax treaties or under other circumstances, the withholding agents shall withhold the individual income tax at a rate of 20% when distributing dividends and bonuses.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (Guo Shui Han [2006] No. 884) (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》(國税函[2006]884號)) signed on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least 25% of the equity interests in the PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Programme of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (根據《財政部國家税務總局證監會關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)) and the Notice on the Tax Policies Related to the Pilot Programme of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)), for dividends and bonuses received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the H-share companies shall withhold individual income tax at the rate of 20%.

(2) Enterprises

Pursuant to the provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法實施條例》) effective on January 1, 2008, a non-resident enterprise is subject to enterprise income tax at the rate of a 10% on PRC-sourced income, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the dividends and bonds received has no real connection with such establishment or premise. The withholding tax may be reduced or exempted under an applicable double taxation treaty. Any H Shares registered under the names of non-individual Shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organizations and groups are deemed to be held by non-resident enterprise Shareholders. The Company will distribute the final dividend to such non-individual Shareholders after withholding the enterprise income tax at a rate of 10%.

Pursuant to the Notice on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, a PRC resident enterprise, a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

For dividends and bonuses received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, individual income tax shall be levied in accordance with the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (Cai Shui [2014] No. 81) (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)). For dividend and bonus income received by domestic enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the H-share companies shall not withhold income tax on dividends and bonuses, and the tax payable shall be declared and paid by the enterprises themselves.

For the non-resident enterprise Shareholders of the Company, pursuant to the provisions of the Enterprise Income Tax Law of the People's Republic of China amended in 2018 and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China amended in 2019 (hereinafter collectively referred to as the "**EIT Law**") and other relevant laws and regulations, from January 1, 2008, where a PRC domestic enterprise distributes dividends to non-resident enterprise shareholders (i.e. legal person shareholders) for accounting periods beginning on January 1, 2008, the enterprise income tax shall be withheld and paid by the payer as the withholding agent. Therefore, the Company is required to withhold enterprise income tax at the rate of a 10% when it distributes the 2023 final dividend to non-resident enterprise Shareholders of H Shares whose names appear on the register of members of the Company on the record date. In respect of all H Shareholders whose names appear on the H Share register of members as at the record date who are not registered as individuals (including HKSCC Nominees Limited, other corporate nominees or trustees, and other groups or organizations, which are all considered as non-resident enterprise shareholders), the Company shall distribute the 2023 final dividend after deducting 10% income tax.

Shareholders shall pay relevant taxes and/or enjoy tax relief in accordance with the above provisions.

Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 158 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 50 to the consolidated financial statements of this annual report.

Distributable Reserves

As of December 31, 2023, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB13.3 million.

Sufficiency of Public Float

The Company has maintained a sufficient public float during the period from the Listing Date up to December 31, 2023.

Compliance with the CG Code

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 38 of this annual report.

Environment, Policies and Performance

The Company is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Company has established detailed internal rules and policies regarding environmental protection, in particular, the discharge of air, water and solid waste and noise control.

For further details of the Company's environmental policies and performance, please refer to the Environmental, Social and Governance Report of this annual report.

Biographical Details of Directors, Supervisors and Senior Management

Biographical details of the Directors, the Supervisors and the senior management of the Company as at the date of this annual report are set out on pages 27 to 37 in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Pursuant to Rule 13.51(B) of the Hong Kong Listing Rules, there is no other change in the information of Directors, Supervisors or the chief executive of the Company except as disclosed in this annual report.

Directors' and Supervisors' Service Contracts

The Company have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws and regulations; and (ii) observance of the Articles of Association.

Save as the above, none of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries, excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation.

Remuneration of Directors, Supervisors and Senior Management

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration. Remuneration is determined based on the principle of linkage between performance and remuneration, taking into account various aspects such as job responsibilities, comprehensive quality and results of performance appraisal.

Details of the Directors' and Supervisors' emoluments and emoluments of the five highest paid individuals in the Company are set out in notes 10 and 11 to the consolidated financial statements.

During the Reporting Period, no emoluments were paid by the Company to any Directors, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the Directors or Supervisors has waived any emoluments for the year ended December 31, 2023.

Except as disclosed above, no other payments have been made or are payable, during the Reporting Period, by the Company to or on behalf of any of the Directors or Supervisors.

Arrangements for purchase of Shares or Debentures

None of the Company, its holding company or any of its subsidiaries has entered into any arrangement at any time during the Reporting Period, so that the Directors would benefit from the purchase of Shares or debt securities (including debentures) of the Company or any other body corporate.

Contract with Controlling Shareholders

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their respective subsidiaries from the Listing Date and up to the period ended December 31, 2023, and no contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or any of their respective subsidiaries was entered into during the Reporting Period.

Directors' and Supervisors' Interests in Contracts, Agreements or Transactions

No transaction, arrangement and contract of significance to the business of the Company which the Company or any of its subsidiaries was a party, and in which a Director or Supervisor or any entity connected with such a Director or Supervisor had a material interest, whether directly or indirectly, subsisted from the Listing Date and up to December 31, 2023.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or in existence during the Reporting Period.

Continuing disclosure obligations pursuant to the Hong Kong Listing Rules

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

Directors' Interest and Short Position in Shares, Underlying Shares and Debentures

As of December 31, 2023, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company, once the Shares are listed on the Hong Kong Stock Exchange.

Substantial Shareholders' Interests and Short Position

As at December 31, 2023, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number and class of shares*	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Shanxi CIG[1]	Beneficial owner	980,000,000 Domestic Shares (L)	100.00%	72.81%
	Interest in controlled corporation	20,000,000 Domestic Shares (L)		
SSCO	Interest in controlled corporation	1,000,000,000 Domestic Shares (L)	100.00%	72.81%
Shanxi SASAC	Interest in controlled corporation	1,000,000,000 Domestic Shares (L)	100.00%	72.81%
明陽智慧能源集團股份公司	Beneficial owner	72,018,000 H Shares (L)	19.28%	5.24%
JinYi Capital Multi-Strategy Fund SPC Ltd.	Beneficial owner	51,608,000 H Shares (L)	13.82%	3.76%
海南天堃私募股權投資基金管理有限公司[2]	Interest in controlled corporation	65,668,000 H Shares (L)	17.58%	4.78%
金洛（深圳）私募股權投資基金管理有限公司[3]	Interest in controlled corporation	42,872,000 H Shares (L)	11.48%	3.12%
海南天坤神奕私募股權投資基金合夥企業（有限合夥）[2][3]	Beneficial owner	42,872,000 H Shares (L)	11.48%	3.12%
海南天坤仙凝私募股權投資基金合夥企業（有限合夥）[2][3][6]	Beneficial owner	22,796,000 H Shares (L)	6.10%	1.66%
江蘇萬威電氣有限公司[6]	Interest in controlled corporation	22,796,000 H Shares (L)	6.10%	2.27%

Name of Shareholder	Nature of Interest	Number and class of shares*	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
海南景泰精準股權私募基金二期合夥企業(有限合夥)(4)(5)	Beneficial owner	34,779,000 H Shares (L)	9.31%	2.53%
四川華之燁燦電力設計有限公司(5)	Interest in controlled corporation	34,778,000 H Shares (L)	9.31%	2.53%
景泰創業投資私募基金管理(海南)合夥企業(有限合夥)(5)	Interest in controlled corporation	34,778,000 H Shares (L)	9.31%	2.53%
CITIC Securities Company Limited(7)	Interest in controlled corporation	31,236,000 H Shares (L)	8.36%	2.27%
		31,236,000 H Shares (S)	8.36%	2.27%
CITIC Securities International Company Limited(7)	Interest in controlled corporation	31,236,000 H Shares (L) 31,236,000 H Shares (S)	8.36%	2.27%
CSI Global Markets Holdings Limited(7)	Interest in controlled corporation	31,236,000 H Shares (L) 31,236,000 H Shares (S)	8.36%	2.27%
CITIC Securities International Capital Management Limited(7)	Beneficial owner	31,236,000 H Shares (L) 31,236,000 H Shares (S)	8.36%	2.27%
GaoTeng Overseas Private Fund Management (Hainan) Ltd.(8)	Beneficial owner	21,252,000 H Shares (L)	5.69%	1.66%
西安山工國際建築工程有限公司(7)	Interest in controlled corporation	21,252,000 H Shares (L)	5.69%	1.66%
GaoTeng Global Asset Management Limited(8)	Interest in controlled corporation	21,252,000 H Shares (L)	5.69%	1.66%

Notes:

(1) Shanxi CIG directly holds 980,000,000 Domestic Shares and holds 20,000,000 Domestic Shares through 上海榮大投資管理有限公司, its wholly-owned subsidiary.

(2) 海南天堃私募股權投資基金管理有限公司 is the general partner of 海南天坤神奕私募股權投資基金合夥企業(有限合夥) and 海南天坤仙凝私募股權投資基金合夥企業(有限合夥). By virtue of the SFO, 海南天堃私募股權投資基金管理有限公司 is deemed to be interested in the shares held by 海南天坤神奕私募股權投資基金合夥企業(有限合夥) and 海南天坤仙凝私募股權投資基金合夥企業(有限合夥).

(3) 金洛(深圳)私募股權投資基金管理有限公司 holds 76.66% of the shares in 海南天坤神奕私募股權投資基金合夥企業(有限合夥). By virtue of the SFO, 金洛(深圳)私募股權投資基金管理有限公司 is deemed to be interested in the shares held by 海南天坤神奕私募股權投資基金合夥企業(有限合夥).

(4) 四川華之燁燦電力設計有限公司 holds 99.99% of the shares in 海南景泰精準股權私募基金二期合夥企業(有限合夥). By virtue of the SFO, 四川華之燁燦電力設計有限公司 is deemed to be interested in the shares held by海南景泰精準股權私募基金二期合夥企業(有限合夥).

(5) 景泰創業投資私募基金管理(海南)合夥企業(有限合夥) is the general partner of 海南景泰精準股權私募基金二期合夥企業(有限合夥). By virtue of the SFO, 景泰創業投資私募基金管理(海南)合夥企業(有限合夥) is deemed to be interested in the shares held 海南景泰精準股權私募基金二期合夥企業(有限合夥).

(6) 江蘇萬威電氣有限公司 holds 99.98% of the shares in 海南天坤仙凝私募股權投資基金合夥企業(有限合夥). By virtue of the SFO, 江蘇萬威電氣有限公司 is deemed to be interested in the shares held by 海南天坤仙凝私募股權投資基金合夥企業(有限合夥).

(7) CITIC Securities Company Limited holds 100% of the shares in CITIC Securities International Company Limited, CITIC Securities International Company Limited holds 100% of the shares in CSI Global Markets Holdings Limited and CSI Global Markets Holdings Limited holds 100% of the shares in CITIC Securities International Capital Management Limited. By virtue of the SFO, CITIC Securities Company Limited, CITIC Securities International Company Limited and CSI Global Markets Holdings Limited are deemed to be interested in the shares held by CITIC Securities International Capital Management Limited.

(8) 西安山工國際建築工程有限公司 holds 100% of the shares in GaoTeng Global Asset Management Limited, and GaoTeng Global Asset Management Limited holds 100% of the shares in GaoTeng Overseas Private Fund Management (Hainan) Ltd. By virtue of the SFO, GaoTeng Global Asset Management Limited is deemed to be interested in the shares held by GaoTeng Overseas Private Fund Management (Hainan) Ltd.

Permitted Indemnity Provision

For the period from the Listing Date up to December 31, 2023, the Company has arranged appropriate insurance coverage on Directors', Supervisors' and senior management's liabilities in respect of any legal actions taken against Directors, Supervisors and senior management arising out of corporate activities.

Retirement Benefits Scheme

The employees of the Company's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The Group is obliged to make specified contributions to the retirement benefit scheme.

Details of the pension obligations of the Company are set out in notes 4.24, 9 and 31 of the consolidated financial statements in this annual report.

During the Reporting Period, no forfeited contributions had been used by the Company to reduce the existing level of contributions.

Connected Transactions

The Company has conducted the following continuing connected transactions which are required to be disclosed in the annual report under the Hong Kong Listing Rules during the year ended December 31, 2023.

Property Management Framework Agreement

Description

For the year ended December 31, 2023, the Company entered into continuing connected transactions with Xie'an Property. Xie'an Property is a non-wholly-owned subsidiary of Shanxi CIG, the controlling shareholder of the Company, and an associate of Shanxi CIG and hence a connected person of the Company. Accordingly, the transactions between the Company and Xie'an Properties constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

On November 3, 2023, the Company entered into a property management framework agreement (the "**Property Management Framework Agreement**") with Xie'an Property commencing from the Listing Date and ending on December 31, 2025, pursuant to which, Xie'an Property will provide property management services (including property management, facilities and equipment maintenance, food and beverage services, gardening services and cleaning services) to the Group.

Annual Cap

The annual cap of service fee for the year ended December 31, 2023 is RMB12.0 million.

Historical Transaction Amount during the Reporting Period

For the year ended December 31, 2023, the Group paid approximately RMB8.9 million to Xie'an Property as service fee.

Reasons for Transaction

Our Directors are of the view that as Xie'an Property has been serving the Group for years, it is beneficial to the Group to continue to engage Xie'an Property in terms of price, efficiency, quality and reliability in the provision of such services.

Sales Framework Agreement

Description

For the year ended December 31, 2023, the Company entered into continuing connected transactions with Shanxi CIG. Shanxi CIG is the controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the transactions between the Company and Shanxi CIG constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

On November 3, 2023, the Company entered into a sales framework agreement with Shanxi CIG (the "**Sales Framework Agreement**"), pursuant to which SCIG Group will purchase certain construction materials, including but not limiting to, ready mixed concrete and precasted concrete parts from the Group commencing from the Listing Date and ending on December 31, 2025.

Annual Cap

The annual cap for the total purchases from the Group by SCIG Group under the Sales Framework Agreement for the year ended December 31, 2023 is RMB160.0 million.

Historical Transaction Amount during the Reporting Period

The total amount received by the Group from SCIG Group in relation to sales of construction materials for the year ended December 31, 2023 was RMB70.5 million.

Reasons for Transaction

The main products we have been selling to SCIG Group are concrete related products. As the production facility of Shan'an Lide, a subsidiary of the Group, commenced trial production in April 2021, Shan'an Lide commenced to sell ready mixed concretes and pre-casted concrete products to SCIG Group who has stable needs for concrete products for its construction business. Our Directors consider that sales to SCIG Group would allow us to be benefited from the revenue generated from the sales of concrete related products. Other than the concrete products produced by Shan'an Lide, the Group has also supplied moulds and fence panels and other construction materials to SCIG Group occasionally in the past.

Financial Services Framework Agreement

Description

On November 3, 2023, the Company entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with Shanxi CIG (for itself and on behalf of its subsidiaries), pursuant to which relevant members of SCIG Group will provide comprehensive credit facility services, settlement services, finance lease services and other financial services (collectively, the "**Financial Services**") to the Group under the Financial Services Framework Agreement commencing from the Listing Date and ending on December 31, 2025.

Reasons for the transaction

We have been obtaining financial services from certain members of SCIG Group in the ordinary and usual course of our business in the past. Having considered that (i) the interest rates on loans and facilities offered by relevant members of SCIG Group to the Group will be no less favorable than those offered by independent commercial banks and financial institutions in the PRC for similar amount and period; (ii) the financial service providers in SCIG Group have obtained necessary licenses (if required) in connection with the provision of the Financial Services to the Group; and (iii) the financial service providers in SCIG Group have better understanding of operations of the Group, so that they can develop practical financing solutions that closely align with our funding needs to provide credit facilities and loans to the Group in efficient manner, our Directors consider that the financial services contemplated under the Financial Services Framework Agreement will be able to meet the daily operation needs of the Group.

Historical amount during the Reporting Period

The transaction amount for the year ended December 31, 2023 was as follows:

	For financial year ended December 31, 2023 (RMB million)
Maximum daily balance of comprehensive credit facility services	453.7
Fees for settlement services, finance lease services and other financial services	2.9

Annual cap

The annual cap under the Financial Services Framework Agreement is as follows:

	Annual Cap (RMB million) For financial year ended December 31, 2023
Maximum daily balance of comprehensive credit facility services	500.0
Fees for settlement services, financial lease services and other financial services	7.0

Bilateral Construction Services Framework Agreement

Description

On November 3, 2023, the Company entered into a bilateral construction services framework agreement (the "**Bilateral Construction Services Framework Agreement**") with Shanxi CIG, pursuant to which the Group may engage members of SCIG Group to provide construction services while SCIG Group may engage members of the Group to provide construction services (including industrial equipment installation) as and when required commencing from the Listing Date and ending on December 31, 2025.

Reasons for the transaction

We have been providing construction services to SCIG Group in the ordinary and usual course of our business in the past. The services provided by the Group to SCIG Group involved specialized industrial construction works, specialized auxiliary construction works and other construction works. Our Directors consider that the provision of construction services to SCIG Group would benefit the Group for the reasons that (i) the Group, as a member of SCIG Group, has established a stable business relationship with SCIG Group and understand the business operations, construction requirements, quality control and other requirements of SCIG Group, which enable smooth cooperation and reducing operational costs; (ii) by providing construction services to SCIG Group's engineering projects, the Group has the opportunity to expand its portfolio of construction of large-scale projects; (iii) we are the only subsidiary of Shanxi CIG which possesses both Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction and Municipal Public Engineering Construction; (iv) given the close proximity, we are able to provide construction services to SCIG Group when SCIG Group does not have enough capacity to carry out the works; and (v) the price and terms of providing construction services to SCIG Group are no less favorable to us than those offered by us to Independent Third Parties. As for the SCIG Group, it can leverage on the Group's experience and expertise to increase construction efficiency as the Group may have more experiences and expertise than SCIG Group in certain construction fields. We have also subcontracted construction works to SCIG Group in the ordinary and usual course of our business in the past.

We have subcontracted certain works such as geotechnical survey, design, and testing; foundation construction; construction quality inspection and testing; water conservancy well drilling and construction project supervision, etc. to SCIG Group. Our Directors consider that the subcontracting of construction work to SCIG Group would benefit the Group for the reasons that (i) there is a stable business relationship between SCIG Group and the Group; (ii) SCIG Group is familiar with the Group's specifications, standards and requirements and therefore the Group has confidence in the quality of the subcontracting services provided by SCIG Group; (iii) SCIG Group has the relevant licenses, qualifications, expertise and experiences for a wide range of works and thus the Group can ensure that the relevant works and requirements undertaken from our customers can be conducted in a satisfactory manner; (iv) SCIG Group also has sufficient resources so that we will be able to subcontract excessive work loads to it when we do not have sufficient capacity to conduct the works ourselves to optimise our resources; and (v) and the price and terms of providing construction services to us by SCIG Group are no less favorable than those offered to us by Independent Third Parties. We undertake that upon Listing, we will only subcontract construction works to SCIG Group through open tender procedures.

Historical amounts

The total amount paid by the Group to SCIG Group for the construction services provided to the Group for the year ended December 31, 2023 was RMB40.0 million.

The total amount received by the Group from SCIG Group for the construction services provided to SCIG Group for the year ended December 31, 2023 was RMB549.0 million.

Annual Cap

The annual cap for the construction services based on contract value under the Bilateral Construction Services Framework Agreement for the year ended December 31, 2023 is as follows:

	Annual Cap (RMB million) For financial year ended December 31, 2023
Contract value construction services to be provided by SCIG Group to the Group	40.0
Contract value construction services to be provided by the Group to SCIG Group	750.0

Raw Materials Procurement Framework Agreement

Description

On November 3, 2023, the Company entered into a raw materials procurement framework agreement with Shanxi CIG (the "**Raw Materials Procurement Framework Agreement**"), pursuant to which the Group will purchase certain raw materials, including but not limiting to, steel, and precasted and prefabricated parts from Shanxi CIG commencing from the Listing Date and ending on December 31, 2025.

Reasons for the transaction

We have been purchasing certain raw materials from SCIG Group in the ordinary and usual course of our business in the past. Our Directors consider that purchasing from SCIG Group would allow us to be benefited from the lower price and more favorable terms offered by the suppliers of relevant raw materials to SCIG Group due to the bulk quantities it purchases. Even though SCIG Group would charge handling fees on top of the original prices of relevant raw materials, the overall prices could still be lower than those we obtained for similar quantities and delivery terms in the market.

Historical amounts

The total amount paid by the Group to SCIG Group in relation to purchases of raw materials for the year ended December 31, 2023 was approximately RMB999.2 million.

Annual cap

The annual cap for the purchase from SCIG Group under the Raw Materials Procurement Framework Agreement for the year ended December 31, 2023 is RMB1,000.0 million.

Save as disclosed above, during the year ended December 31, 2023, the Group had not entered into any connected transactions which are required to be disclosed in this report pursuant to the Hong Kong Listing Rules.

Review by and Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that such transactions were: (i) carried out in the ordinary and usual course of business of the Group; (ii) made on normal or better commercial terms (as defined in the Hong Kong Listing Rules); and (iii) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of the Shareholders as a whole.

External auditor's report on the Group's continuing connected transactions

The Board confirms that the letter issued by the Company's auditor in respect of the disclosed continuing connected transactions in this annual report has covered each of the matters set out in Rule 14A.56 of the Listing Rules and the letter has stated that nothing has come to the auditor's attention that causes the auditor to believe that such disclosed continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) ave exceeded the annual caps as set by the Company.

Related Party Transaction

Details of the related party transactions of the Group for the Reporting Period are set out in note 46 to the consolidated financial statements of the annual report.

The related party transactions disclosed in notes 46(b) and (c) were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules.

Non-competition Undertaking

To ensure that competition does not develop between us and other business activities and/or interests of Shanxi CIG, our Controlling Shareholder, Shanxi CIG (the "**Covenantor**") (for itself and each member of its group, excluding members of the Group) has entered into a Non-competition Agreement in favor of the Company (for itself and as trustee for the benefit of each of its subsidiaries from time to time) on November 3, 2023, pursuant to which the Covenantor has, among other things, irrevocably and unconditionally undertaken with the Company that at any time during the relevant period, it shall not, and shall procure that its close associates (other than members of the Group) not to, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the restricted regions (as defined hereinafter) which are the same as, similar to or in competition or likely to be in competition with the restricted businesses (as defined hereinafter) carried on or contemplated to be carried on by any member of the Group from time to time. Details of the Non-compete Undertakings are set out in the section headed "Relationship with our Controlling Shareholder" in the Prospectus.

Shanxi CIG confirmed that they have complied with the non-compete undertakings during the Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the Non-compete Undertakings have been fully complied with.

Directors' Interests in a Competing Business and Conflict of Interests

For the year ended December 31, 2023, none of the Directors or their respective close associates (as defined in the Hong Kong Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Company, other than being a Director of the Company and/or its subsidiaries.

Use of Proceeds

The total net proceeds from the issue of new H Shares by the Company in its listing on the Hong Kong Stock Exchange amounted to approximately HK$738.5 million, after deducting the underwriting commission and other 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
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

	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 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	

Litigations and/or Legal Proceedings

Save as disclosed in this annual report, for the period from the Listing Date up to December 31, 2023, the Company was not involved in any material legal proceeding which had material adverse effect on the Group.

Compliance with Laws and Regulations

For the period from the Listing Date up to December 31, 2023, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

Key Relationships with the Group's Stakeholders

The Group recognizes that various stakeholders including employees, customers, suppliers and others are key to the Group's success. An account of the Company's key relationships with its investor, employees, customers and suppliers and others that have a significant impact on the Company is set out in the ESG report.

Donations

During the Reporting Period, the Group made donations amounting to RMB155,000 in total. The Company donated RMB100,000 to Gangli Village in Fanchi County for targeted poverty alleviation and donated a total of RMB55,000 by participating in various charity donation activities.

Audit Committee

The Audit Committee has reviewed, together with the management and auditor of the Company, the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2023. The Audit Committee has reviewed the Group's financial controls, risk management and internal control systems.

Auditors

There has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Grant Thornton Hong Kong Limited, Certified Public Accountants.

On behalf of the Board
Wang Limin
Chairman of the Board

Shanxi, the PRC, 27 March 2024

REPORT OF THE BOARD OF SUPERVISORS

Report of the Board of Supervisors

In 2023, the Board of Supervisors, adhered to the principle of being responsible for all Shareholders of the Company, fulfilled its duties conferred by the Articles of Association conscientiously, rigorously, diligently and effectively, strictly in accordance with the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors and other relevant regulations. It upheld the working principles of legal compliance, scientificity and effectiveness, and comprehensively promoted standardized daily operations. The Board of Supervisors carried out various in-depth supervision based on actual conditions and continuously strengthened its own organization, making positive contributions to effectively safeguarding the legitimate rights and interests of Shareholders and promoting stable operation and high-quality development of the Company. The work of the Board of Supervisors for the year 2023 is reported as follows:

1. Operation of the Board of Supervisors and Supervisory Performance in 2023

(i) Convening of meetings in 2023

On 26 April 2023, the third meeting of the first session of the Board of Supervisors of the Company was held. Three members were required to attend and three members attended. The meeting considered and approved the "Proposal in relation to the Amendment of the 'Rules of Procedure of the Board of Supervisors (Draft)' applicable to the overseas public offering of H-shares and the listing of such shares"

The attendance, deliberations and procedures of the aforesaid meeting of the Board of Supervisors were in compliance with the relevant provisions of the Rules of Procedure of the Board of Supervisors.

(ii) Supervision of the Board of Directors and management in the performance of their duties

In 2023, members of the Board of Supervisors attended 2 general meetings and 13 Board meetings in accordance with the regulations. By attending the above important meetings, effective supervision was carried out over the procedures and topics of the meetings.

(iii) Supervision of the Company's financial work

In 2023, the Board of Supervisors carefully reviewed the financial reports issued by the accounting firm, and together with the operation and management situation as understood from the daily supervision, the members of the Board of Supervisors reviewed the decision-making and implementation of the Company's major financial matters, and the status of the Company's major financial indicators and operation targets, and put forward their opinions and suggestions for improvement by way of attending the Board meetings.

(iv) Supervision of the Company's risk management and internal control

In 2023, the Board of Supervisors continued to strengthen its supervision of the soundness and effectiveness of the Company's risk management and internal control system, reviewed the Company's annual risk and internal control report, and expressed its opinion on the report.

2. Supervisors' Performance of Duties in 2023

The members of the first session of the Board of Supervisors of the Company were ZHANG Caixia, an employee representative supervisor, and SHI Meng and CAO Haiyang, both non-employee representative supervisors.

All members of the Board of Supervisors strictly complied with the provisions of the Company Law, the Hong Kong Listing Rules, the Articles of Association and the Rules of Procedure of the Board of Supervisors in their work in 2023, and performed their duties as Supervisors in accordance with the law and in a diligent and efficient manner:

(1) attended the meetings of the Board of Supervisors on time in accordance with the regulations, earnestly participated in the consideration and voting on the resolutions, actively expressed opinions and promoted the Board of Supervisors to effectively perform their supervisory functions;

(2) attended the general meeting of Shareholders in accordance with the law;

(3) actively attended the Board of Directors' meetings, earnestly studied issues and actively made suggestions and recommendations in the performance of the supervisory duties in respect of business management decisions;

(4) actively participated in the construction of the Board of Supervisors and continuously improved their professional abilities to perform duties through training and study; and

(5) maintained good communication and collaboration with the Board, management and other members of the Board of Supervisors, served the overall development of the Company, effectively safeguarded the legitimate rights and interests of Shareholders and stakeholders, and made positive contributions to the sustainable and healthy development of the Company.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

To the members of Shanxi Installation Group Co., Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Shanxi Installation Group Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 155 to 273, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Revenue from construction contracts</td></tr>
<tr><td colspan="2">Refer to notes 4.19, 5 and 7.1 to the consolidated financial statements.</td></tr>
<tr><td>The revenue from construction contracts was amounted to RMB9,863,712,000, which represented 88.5% of total revenue for the year ended December 31, 2023.

The Group recognizes construction revenue under construction contracts by reference to the progress of satisfying the performance obligation based on input method. This is measured based on the costs incurred up to the end of the reporting period and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgeted costs and the extent of the costs incurred.

The directors of the Company estimate the total expected costs to completion for each contract at the inception of the contract, revise the estimations of contract costs through periodic review on the budgets and make reference to past experience and work of contractors and surveyors.

We identified the recognition of revenue from construction contracts based on the percentage of completion as a key audit matter because of the significance of revenue and there is a high degree of management judgement in estimating the total expected costs to complete the contract.</td><td>Our procedures in relation to the revenue from construction contracts included:

— Obtaining an understanding of and evaluating the design and implementation of key internal controls on budget preparation of the total expected costs to completion and revenue recognition of construction contracts;

— Scrutinizing the key clauses of construction contracts with customers on a sample basis, and assessing whether the key clauses had been appropriately reflected in the estimation of total budgeted costs;

— Challenging the Group's estimation of the total expected costs to complete the contract, on a sample basis, by considering the Group's historical records of actual costs and variable consideration;

— Assessing whether costs incurred were accounted for in the appropriate period and comparing costs incurred during the current period to measurement documentation with purchase invoices and/or other relevant underlying documentation on a sample basis;

— Performing a re-calculation of revenue recognized for individual contracts, on a sample basis, based on the estimated transaction price, total budgeted costs and costs incurred to date; and

— Assessing the reasonableness of related disclosure in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Key Audit Matters (continued)

Key Audit Matters	How the matter was addressed in our audit
Recoverability of trade receivables, receivables under service concession arrangements and contract assets	
Refer to notes 4.12, 5, 20 and 27 to the consolidated financial statements.	
As at December 31, 2023, the Group had trade receivables, receivables under service concession arrangements and contract assets amounting to RMB6,442,836,000, RMB2,751,880,000 and RMB7,072,770,000, net of expected credit losses ("**ECL**") allowance of RMB380,570,000, RMB33,370,000 and RMB85,768,000, respectively. To measure the ECL, the Group maintains an ECL allowance on trade receivables, receivables under service concession arrangements and contract assets subjects to ECL based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the provision matrix, based on its historical credit loss experience and existing market conditions as well as forward-looking estimates at the end of each of reporting period. We identified the ECL for trade receivables, receivables under service concession arrangements and contract assets as a key audit matter because of the significant balances at the end of the reporting period and because the recognition of ECL is inherently subjective and requires the exercise of significant management judgement.	Our procedures to assess the ECL for trade receivables, receivables under service concession arrangements and contract assets, included: — Obtaining an understanding of key internal controls over the ECL assessment; — Engaging our internal specialists to assist us to evaluate the methodologies, inputs and assumptions used by the Group in calculating the ECL, by reference to external available economic data; — Obtaining an ageing analysis and test the accuracy of the trade receivables at the reporting date to the underlying invoices on a sample basis; — Challenging the management's assessment of the recoverability of long outstanding and overdue trade receivables, receivables under service concession arrangements and contract assets; and — Assessing the adequacy of the Group's disclosures in the consolidated financial statements regarding the estimation uncertainty involved in determining the ECL allowance with reference to the requirements of the prevailing accounting standards.

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">IFRIC 12 — Service Concession Arrangements ("IFRIC 12") and Revenue Recognition</td></tr>
<tr><td colspan="2">Refer to notes 4.20, 5 and 25 to the consolidated financial statements.</td></tr>
<tr><td>The Group enters into service concession arrangements with government authorities in the People's Republic of China for its construction of infrastructure, photovoltaic, water treatment and drainage, and heat supply services and etc.

The Group recognizes the consideration for the construction as contract assets for service concession arrangements within the scope of IFRIC 12.

The Group applies IFRIC 12 in its recognition of revenue from service concession arrangements, which includes revenue relating to construction services, operation income and finance income.

As the related amounts are material and the application of IFRIC 12 requires significant management judgement, we identified this as a key audit matter.</td><td>Our procedures to assess the application of IFRIC 12 included:

— Evaluating the Group's process in assessing the applicability of IFRIC 12 and also reviewed the associated agreements to assess whether these agreements are appropriately identified as service concession arrangements to be within the scope of IFRIC 12;

— Assessing the appropriateness of the Group's revenue recognition on revenue from service concession arrangements;

— Performing a re-calculation of operation income and finance income based on the terms stated in associated agreements;

— Assessing the appropriateness of discount rates applied in the amortization of operation income and finance income; and

— Assessing the adequacy of disclosure related to service concession arrangements in the consolidated financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

March 27, 2024

Kan Kai Ching
Practising Certificate Number: P07816

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	7	**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	7	**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	8	**(336,632)**	(397,208)
Provision for expected credit losses on financial assets, net		**(77,654)**	(59,979)
Share of profit of associates		**4,382**	5,521
Profit before tax	9	**225,124**	212,782
Income tax expense	12	**(19,566)**	(12,346)
Profit for the year		**205,558**	200,436
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)	14	**0.15**	0.15

The notes on pages 159 to 273 are an integral part of these consolidated financial statements.

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	15	**1,248,371**	972,349
Investment properties	16	**186,806**	186,120
Right-of-use assets	17	**294,189**	170,662
Intangible assets	18	**55,064**	1,219
Goodwill	19	**15,000**	15,000
Contract assets	20	**1,696,683**	1,163,796
Receivables under service concession arrangements	20	**2,462,246**	2,405,701
Investments in associates	21	**195,104**	183,327
Other non-current assets	22	**2,277**	7,571
Deferred tax assets	23	**163,788**	100,064
Financial assets measured at fair value through other comprehensive income	24	**142,526**	138,813
		6,462,054	5,344,622
Current assets			
Inventories	26	**167,733**	146,240
Contract assets	20	**5,376,087**	5,168,704
Receivables under service concession arrangements	20	**289,634**	330,658
Trade receivables and bills receivable	27	**6,699,792**	6,371,366
Prepayments, deposits and other receivables	28	**1,890,585**	1,956,437
Restricted bank deposits	29	**546,383**	748,105
Cash and cash equivalents	29	**2,090,163**	1,380,892
		17,060,377	16,102,402
Current liabilities			
Trade payables and bills payable	30	**10,394,160**	9,170,618
Contract liabilities	20	**1,382,429**	2,166,314
Employee benefits payable	31	**80,204**	81,096
Other payables and accruals	32	**1,929,094**	1,865,853
Short-term borrowings	33	**2,443,118**	2,201,325
Tax payable	34	**28,952**	32,704
Current portion of non-current liabilities	35	**751,292**	514,901
		17,009,249	16,032,811
Net current assets		**51,128**	69,591

	Notes	2023 RMB'000	2022 RMB'000
Total assets less current liabilities		**6,513,182**	5,414,213
Non-current liabilities			
Long-term payable	32	**—**	300,000
Long-term borrowings	33	**3,072,086**	2,687,191
Lease liabilities	37	**157,408**	66,300
Deferred income	36	**18,688**	23,000
Employee benefits payable	31	**28,790**	30,790
Deferred tax liabilities	23	**110,406**	74,012
		3,387,378	3,181,293
Net assets		**3,125,804**	2,232,920
EQUITY			
Share capital	38	**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	39	**515,662**	423,604
Total equity		**3,125,804**	2,232,920

Approved and authorised for issue by the board of directors (the "**Board**") on March 27, 2024.

REN Rui
Director

ZHANG Yan
Director

The notes on pages 159 to 273 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2023

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

	Attributable to the equity holders of the Company									
	Share capital RMB'000	**Capital reserve* RMB'000**	**Other reserves* RMB'000**	**Translation reserve* RMB'000**	**Special reserve* RMB'000**	**Statutory surplus reserve* RMB'000**	**Retained earnings* RMB'000**	**Sub-total RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
At January 1, 2023	**1,000,000**	**309,313**	**78,281**	**1,446**	**–**	**8,697**	**411,579**	**1,809,316**	**423,604**	**2,232,920**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**154,942**	**154,942**	**50,616**	**205,558**
Other comprehensive income for the year	**–**	**–**	**2,875**	**(353)**	**–**	**–**	**–**	**2,522**	**–**	**2,522**
Total comprehensive income for the year	**–**	**–**	**2,875**	**(353)**	**–**	**–**	**154,942**	**157,464**	**50,616**	**208,080**
Transactions with owners										
Appropriation of statutory surplus reserve	**–**	**–**	**–**	**–**	**–**	**1,364**	**(1,364)**	**–**	**–**	**–**
Dividends declared (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**(71,678)**	**(71,678)**	**–**	**(71,678)**
Issuance of ordinary shares by initial public offering (Note 38)	**373,486**	**341,554**	**–**	**–**	**–**	**–**	**–**	**715,040**	**–**	**715,040**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**41,442**	**41,442**
Provision of special reserve	**–**	**–**	**–**	**–**	**197,314**	**–**	**(197,314)**	**–**	**–**	**–**
Utilization of special reserve	**–**	**–**	**–**	**–**	**(196,563)**	**–**	**196,563**	**–**	**–**	**–**
	373,486	**341,554**	**–**	**–**	**751**	**1,364**	**(73,793)**	**643,362**	**41,442**	**684,804**
At December 31, 2023	**1,373,486**	**650,867**	**81,156**	**1,093**	**751**	**10,061**	**492,728**	**2,610,142**	**515,662**	**3,125,804**

* The reserves accounts comprise the Group's reserves of RMB1,236,656,000 (2022: RMB809,316,000) in the consolidated statement of financial position.

The notes on pages 159 to 273 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Profit before tax		**225,124**	212,782
Adjustments for:			
Finance costs	8	**336,632**	397,208
Share of profit of associates		**(4,382)**	(5,521)
Interest income	7	**(25,926)**	(14,101)
Dividend income from financial assets measured at fair value through other comprehensive income	7	**(188)**	—
Change in fair value of investment properties	16	**(686)**	(2,441)
Depreciation of property, plant and equipment	9	**108,805**	87,281
Depreciation of right-of-use assets	9	**16,496**	9,305
Amortization of intangible assets	9	**1,395**	728
Provision for expected credit losses on contract assets, net	9	**9,286**	42,986
Provision for expected credit losses on receivables under service concession arrangements, net	9	**707**	15,373
Provision for expected credit losses on trade receivable and bills receivable, net	9	**77,963**	48,685
(Reversal of)/Provision for expected credit losses on deposits and other receivables, net	9	**(309)**	11,294
Provision for contract delayed payment	9	**—**	10,427
Gain on disposal of property, plant and equipment, net	9	**(3,611)**	(4,170)
Operating cash flows before working capital changes		**741,306**	809,836
Increase in inventories		**(21,494)**	(4,618)
Increase in contract assets		**(749,556)**	(1,444,965)
Increase in receivables service concession arrangements		**(16,228)**	(338,361)
(Decrease)/increase in contract liabilities		**(783,885)**	758,920
Increase in trade receivables and bills receivable		**(406,389)**	(870,478)
Decrease in prepayments, deposits and other receivables		**66,161**	19,986
Increase in trade payables and bills payable		**1,581,226**	1,576,115
Decrease in other payables and accruals		**(46,008)**	(29,125)
(Decrease)/increase in deferred income		**(2,875)**	23,000
Decrease/(increase) in restricted bank deposits		**201,722**	(419,122)
Cash generated from operations		**563,980**	81,188
Income tax paid		**(52,422)**	(35,944)
Net cash generated from operating activities		**511,558**	45,244

Consolidated Statements of Cash Flows

For the year ended December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Interest received		25,625	12,586
Dividends received from financial assets measured at FVOCI		86	—
Purchase of property, plant and equipment		(389,141)	(81,463)
Purchase of right-of-use assets		(21,506)	—
Purchase of intangible assets		(125)	(57)
Capitalized expenditures for purchase of service concession arrangements		(357,684)	(254,749)
Increase in investment in associates		(8,304)	(131,669)
Proceeds from disposal of property, plant and equipment		285	56
Proceeds from disposal of subsidiaries, net of cash disposed of		—	10,000
Net cash used in investing activities		(750,764)	(445,296)
Cash flows from financing activities			
Interest paid		(342,568)	(389,027)
Proceeds from interest-bearing bank borrowings and other borrowings	43	3,001,805	2,648,323
Repayment of interest-bearing bank borrowings and other borrowings	43	(2,507,638)	(1,601,624)
Dividends paid to equity holders of the Company		—	(28,767)
Proceeds from borrowings from related parties	43	507,793	518,360
Repayment of borrowings from related parties	43	(450,787)	(433,997)
Repayment of lease liabilities	43	(16,610)	(8,425)
Capital injection from non-controlling interests		41,442	35,522
Proceeds from issuance of shares by initial public offering, net of share issuance expenses		715,040	—
Net cash generated from financing activities		948,477	740,365
Net increase in cash and cash equivalents		709,271	340,313
Cash and cash equivalents at the beginning of year		1,380,892	1,040,579
Cash and cash equivalents at the end of year	29	2,090,163	1,380,892

1. Company Information

Shanxi Installation Group Co., Ltd. (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 Company and its subsidiaries (together, 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) ("**SSCO**"), 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 are presented in Renminbi ("**RMB**"), which is the same as the currency of the primary economic environment in which the Company and its subsidiaries operate (i.e. the functional currency of the Company and its subsidiaries) and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

1. Company Information (continued)

The Company has direct and indirect interests in the following subsidiaries (all of which are state-owned limited liability companies). Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place and date of establishment/ incorporation and place of business	Share capital	Equity attributable to the Company Direct	Indirect	Principal activities
		RMB'000	%	%	
Shanxi Shan'an Bluesky Energy Conservation Technology Co., Ltd. ("**Shan'an Bluesky**") (山西山安藍天節能科技股份有限公司)	PRC/Mainland China June 2015	101,782	56.77	N/A	Investment, development and operation of clean heating projects
Shanxi Zhuo'an Materials Trading Company Limited (山西卓安物資貿易有限公司)	PRC/Mainland China May 2015	3,100	100.00	N/A	Construction materials trading and leasing
Shanxi Shan'an Maode Distributed Energy Technology Company (山西山安茂德分佈式能源科技有限公司)	PRC/Mainland China July 2016	300,000	100.00	N/A	New energy project investment, development and operation
Shanxi Ningyang Energy Company Limited (山西寧揚能源有限公司)	PRC/Mainland China May 2013	30,000	51.00	N/A	Liquefied nature gas ("**LNG**") production and sales
Shanxi Shan'an Lide Environmental Technology Company Limited (山西山安立德環保科技有限公司)	PRC/Mainland China December 2015	100,000	84.38	N/A	Investment, development and operation of solid disposal projects
Shanghai Shan'an Construction Engineering Company Limited (上海山安建設工程有限公司)	PRC/Mainland China April 2017	100,000	100.00	N/A	Mechanical and electrical installation works construction
Shanxi Shan'an Lida Environmental Technology Company Limited (山西山安立達環保科技有限公司)	PRC/Mainland China May 2018	50,000	40.00	18.75	Ecological and Environmental Protection and Restoration
Son Tay Viet Nam Construction Company Limited	Vietnam/Vietnam August 2020	1,000	100.00	N/A	Construction and operation of new energy power generation projects
Shanxi Shan'an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限公司)	PRC/Mainland China July 2016	100,000	100.00	N/A	Investment, development and operation of water environment control projects
Lingchuan Shan'an Construction Development Company Limited (陵川山安建設發展有限公司)	PRC/Mainland China January 2018	54,712	90.00	N/A	Investment, construction and operation of municipal road projects
Guangdong Shan'an Construction Engineering Company Limited (廣東山安建設工程有限公司)	PRC/Mainland China May 2018	100,000	100.00	N/A	Mechanical and electrical installation works construction
Xiangyuan Shan'an Road and Bridge Construction Development Company Limited (襄垣縣山安路橋建設發展有限公司)	PRC/Mainland China December 2020	29,942	80.00	N/A	Investment, construction and operation of road and bridge projects
Linfen Shan'an Waterwork Development Company Limited (臨汾市山安水務發展有限公司)	PRC/Mainland China March 2021	20,805	85.67	9.52	Investment, construction and operation of sewage treatment projects

1. Company Information (continued)

Name of subsidiary	Place and date of establishment/ incorporation and place of business	Share capital	Equity attributable to the Company Direct	Indirect	Principal activities
		RMB'000	%	%	
Australian Shan An Construction Engineering Pty Limited	Australia/Australia March 2018	2,784	100.00	N/A	Construction and operation of new energy power generation projects
Xinjiang Shan'an Waterwork Management Company Limited (新絳縣山安水利管理有限公司)	PRC/Mainland China September 2018	50,000	60.00	30.00	Investment, construction and operation of river and lake treatment projects
Shanxi Shan'an Maode Electricity Supply Company Limited (山西山安茂德售電有限公司)	PRC/Mainland China July 2017	20,000	100.00	N/A	Electricity distribution and sales business
Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited (昔陽山安綜合管廊建設發展有限公司)	PRC/Mainland China January 2019	136,660	90.00	N/A	Investment, construction and operation of underground comprehensive pipe gallery facility projects
Qinshui Shan'an Culture and Sport Construction Development Company Limited (沁水山安文體建設發展有限公司)	PRC/Mainland China January 2019	67,463	94.99	N/A	Investment, construction and operation of municipal facility projects
Jiexiu Shan'an Waterwork Construction Development Company Limited (介休山安水利建設發展有限公司)	PRC/Mainland China March 2019	117,620	75.28	5.00	Investment, construction and operation of water environment control projects
Huguan Shan'an Two Roads Three Streets Construction Development Company Limited (壺關縣山安兩路三街建設發展有限公司)	PRC/Mainland China June 2018	60,928	90.00	N/A	Investment, construction and operation of municipal road projects
Shanxi Shan'an Yunneng Environmental Technology Company Limited (山西山安運能環保科技有限公司)	PRC/Mainland China March 2019	50,000	41.00	14.25	Comprehensive utilization of solid waste
Changzhi Shan'an Construction Development Company Limited (長治市山安建設發展有限公司)	PRC/Mainland China July 2018	40,000	90.00	N/A	Investment, construction and operation of industrial park projects
Gaoping City Shan'an Five Roads One River Construction Development Company Limited (高平市山安五路一河建設發展有限公司)	PRC/Mainland China December 2017	41,880	95.00	N/A	Investment, construction and operation of municipal road projects
Sichuan Shan'an Construction Engineering Company Limited (四川山安建設工程有限公司)	PRC/Mainland China September 2021	100,000	100.00	N/A	Water environment control works construction
Yangquan Shan'an Construction Development Company Limited (陽泉山安建設發展有限公司)	PRC/Mainland China September 2021	130,000	80.00	N/A	Investment, construction and operation of civil engineering projects
Qinshui Shan'an Construction Development Company Limited (沁水山安建設發展有限公司)	PRC/Mainland China May 2022	170,863	80.00	N/A	Investment, construction and operation of commercial services projects

1. Company Information (continued)

Name of subsidiary	Place and date of establishment/ incorporation and place of business	Share capital	Equity attributable to the Company Direct	Equity attributable to the Company Indirect	Principal activities
		RMB'000	%	%	
Jinzhong Shan'an Lide Solid Waste Utilization Technology Company Limited (晉中山安立德固廢利用科技有限公司)	PRC/Mainland China November 2022	30,000	49.00	3.75	Handling of urban construction waste and cargo logistic
Hubei Shan'an Construction Engineering Company Limited (湖北山安建設工程有限公司)	PRC/Mainland China September 2022	100,000	100.00	N/A	Construction, engineering design, quality inspection, installation and repair of special equipment
Shaanxi Shan'an Construction Engineering Company Limited (陝西山安建設工程有限公司)	PRC/Mainland China March 2023	100,000	100.00	N/A	Construction management services, subcontracting and construction labor subcontracting
Chongqing Shan'an Construction Engineering Company Limited (重慶山安建設工程有限公司)	PRC/Mainland China August 2023	100,000	100.00	N/A	Construction, engineering design, quality inspection, installation and repair of special equipment
Yushe County Shan'an Xinyuan Company Limited (榆社縣山安新源有限公司)	PRC/Mainland China September 2023	1,000	100.00	N/A	Electricity, heating, gas and water production and supply
Liaoning Yingkou Shan'an New Energy Company Limited (遼寧營口山安新能源有限公司)	PRC/Mainland China October 2023	10,000	100.00	N/A	Operation of new energy power generation, power transmission and power supply projects
Shan'an Runxing New Energy (Luliang) Co., Limited (山安潤興新能源(呂梁)有限公司)	PRC/Mainland China November 2023	10,000	51.00	N/A	Operation of new energy power generation, power transmission and power supply projects

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

2. Basis of Presentation and Preparation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") approved by the International Accounting Standards Board ("**IASB**"), which comprise all applicable individual IFRSs, International Accounting Standards and interpretations. 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 ("**FVOCI**") and financial guarantee contracts which are stated at fair value.

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

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

i. after assessing the Group's current and forecasted cash positions, the Group expects to generate sufficient cash flows for the next twelve months from the end of the reporting period;

ii. the Group has obtained confirmation from Shanxi CIG that Shanxi CIG will continue to provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period; and

iii. the Group has significant undrawn borrowing facilities, subject to certain conditions, of not less than approximately RMB6.6 billion and may refinance and/or restructure certain short-term borrowings into long-term borrowings and will also consider alternative sources of financing, where applicable.

Accordingly, these consolidated financial statements have been prepared on a going concern basis.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

3. New and Amended IFRSs (continued)

Issued but not yet effective IFRSs

At the date of authorization of these consolidated financial statements, the Group has not applied the following 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. Summary of Material Accounting Policies

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to December 31, each year. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

4. Summary of Material Accounting Policies (continued)

4.1 Basis of consolidation (continued)

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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

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

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

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

4. Summary of Material Accounting Policies (continued)

4.2 Business combinations

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

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

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognized in profit or loss.

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

4.3 Associates

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

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

4. Summary of Material Accounting Policies (continued)

4.3 Associates (continued)

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

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's other long-term interests that in substance form part of the Group's net investment in the associate, after applying the expected credit loss ("**ECL**") model to such other long-term interests where applicable.

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

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

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

4. Summary of Material Accounting Policies (continued)

4.4 Foreign currency translation

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

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

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

4.5 Property, plant and equipment

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

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

4. Summary of Material Accounting Policies (continued)

4.5 Property, plant and equipment (continued)

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

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

Accounting policy for depreciation of right-of-use assets is set out in note 4.16 below.

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

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

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

4.6 Investment properties

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

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

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

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

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

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

4. Summary of Material Accounting Policies (continued)

4.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of interest in associates is set out in note 4.3.

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

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

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

4.8 Intangible assets (other than goodwill)

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

Items	Number of years
Patent rights	10 years
Software	2 years
Operating right	30 years

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

4. Summary of Material Accounting Policies (continued)

4.9 Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur.

4.10 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

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

4. Summary of Material Accounting Policies (continued)

4.10 Financial instruments (continued)

Financial assets (continued)

Classification and initial measurement of financial assets (continued)

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

— financial assets at amortized cost;

— financial assets at FVTPL; or

— financial assets at FVOCI.

The classification is determined by both:

— the Group's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

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

4. Summary of Material Accounting Policies (continued)

4.10 Financial instruments (continued)

Financial assets (continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortized cost

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

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at FVOCI — recycling

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

4. Summary of Material Accounting Policies (continued)

4.10 Financial instruments (continued)

Financial assets (continued)

Subsequent measurement of financial assets (continued)

Debt investments (continued)

Equity instruments

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

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

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

Financial liabilities

Classification and measurement of financial liabilities

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

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

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

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

Accounting policies of lease liabilities are set out in note 4.16 below.

4. Summary of Material Accounting Policies (continued)

4.11 Borrowings

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

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

Trade payables and bills payable, employee benefits payable (other than defined benefits plan obligation), other payables, interest-bearing bank borrowings and other borrowings

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

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

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

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

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

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

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

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

4. Summary of Material Accounting Policies (continued)

4.12 Impairment of financial assets, receivables under service concession arrangements and contract assets (continued)

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

Trade receivables, receivables under service concession arrangements and contract assets

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

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

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

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

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

4. Summary of Material Accounting Policies (continued)

4.12 Impairment of financial assets, receivables under service concession arrangements and contract assets (continued)

Other financial assets measured at amortized cost and debt investments at FVOCI (continued)

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

— an actual or expected significant deterioration in the operating results of the debtor.

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

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

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, receivables under service concession arrangements, contract assets and other financial assets measured at amortized cost and FVOCI are set out in note 49.

4. Summary of Material Accounting Policies (continued)

4.13 Inventories

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

4.14 Cash and cash equivalents and restricted bank deposits

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

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

4.15 Contract assets and contract liabilities

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

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

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

4. Summary of Material Accounting Policies (continued)

4.16 Leases

Definition of a lease and the Group as a lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Measurement and recognition of leases as a lessee

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

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

Land use rights (which meet the definition of a right-of-use asset) represent prepayments for leasing land located in the PRC for periods arranging from 5–50 years. Land use rights are recognized as an expense and measured at a straight-line basis over the term of the leasehold/right-to-use.

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

4. Summary of Material Accounting Policies (continued)

4.16 Leases (continued)

Measurement and recognition of leases as a lessee (continued)

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

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

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

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

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

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

4. Summary of Material Accounting Policies (continued)

4.16 Leases (continued)

The Group as a lessor

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

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

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The Group sub-leases some of its properties and the sub-lease contracts are classified as operating leases.

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

4.17 Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

4.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued at the reporting date.

Any transaction costs associated with the issue of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4. Summary of Material Accounting Policies (continued)

4.19 Revenue recognition

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

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognizing revenue when/as performance obligations are satisfied

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

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

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

Urban heating technical service and design fee service are recognised when services are rendered.

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

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

In addition to the fixed fee, some contracts include bonus payments which the Group can earn by early completion. At inception of each contract, the Group begins by estimating the amount of the bonus to be received using the "best estimate" approach. This amount is then included in the Group's estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment, the Group considers its historical record of performance on similar contracts, whether the Group has access to the labor and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

4. Summary of Material Accounting Policies (continued)

4.19 Revenue recognition (continued)

Construction contract (continued)

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

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

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognized in accordance with IAS 37.

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

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

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

Existence of significant financing component

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

4. Summary of Material Accounting Policies (continued)

4.19 Revenue recognition (continued)

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

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

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

Rental income
Accounting policies for rental income are set out in note 4.16.

4.20 Accounting treatment for service concession projects

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

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

4. Summary of Material Accounting Policies (continued)

4.20 Accounting treatment for service concession projects (continued)

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

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

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

Accounting treatment associated with the construction of the service concession projects

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

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

4. Summary of Material Accounting Policies (continued)

4.20 Accounting treatment for service concession projects (continued)

Accounting treatment associated with the construction of the service concession projects (continued)

All the Group's service concession projects had guaranteed minimum revenue as construction revenue which was pre-determined by the agreement of service concession projects. For service concession projects with a guaranteed future revenue stream, the Group treat the construction revenue as contract assets under service concession projects on the consolidated statement of financial position during the construction of the service concession projects. The amount of the contract assets is determined as the present value of such guaranteed minimum payment that the Group are entitled to receive, using a discount rate, which is determined with reference to the market interest rate and credit risk exposure to the relevant customer. When the operation of the project commences, receivables under service concession arrangements would reclassify from contract assets to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction rendered and/or the consideration paid and payable by the Group for the right to manage operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified requirements. When the Group receive service fees during the operation of the project, the Group allocate the service fees as follows: (i) portion to settle the balance of the relevant trade receivables of the service concession projects (i.e. the receivables under service concession arrangements transferred to trade receivables when the right to receive payment becomes unconditional); (ii) amortized interest income on the receivables under service concession arrangements (the amortization on interest income on the receivables under services concession arrangements is determined using effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts to the receivables under services concession arrangements as at construction completion date over the expected life of the service concession projects); and (iii) the remainder to be recognized as operating fee income of service concession projects by considering the performance obligation of the rendered operation service according to the terms of service concession projects. The total service concession receivables and the contract assets for the service concession projects will be completely settled at the end of the concession period.

4. Summary of Material Accounting Policies (continued)

4.20 Accounting treatment for service concession projects (continued)

Accounting treatment associated with operation of the service concession projects

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

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

Expected credit losses of contract assets, receivables under services concession arrangements and trade receivables under service concession projects is recognized in accordance with the accounting policies set out in note 4.12.

4.21 Other contract costs

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

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

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

4. Summary of Material Accounting Policies (continued)

4.21 Other contract costs (continued)

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

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

4.22 Government grants

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

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

The following assets are subject to impairment testing:

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

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

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

4. Summary of Material Accounting Policies (continued)

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

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

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

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

4.24 Employee benefits

Retirement benefits (defined contribution plan)

Retirement benefits to employees are provided through defined contribution plans.

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

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

4. Summary of Material Accounting Policies (continued)

4.24 Employee benefits (continued)

Retirement benefits (defined contribution plan) (continued)

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

(i) Service costs include current service cost, past service cost, as well as gains and losses on and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;

(ii) Net interest expense or income net of liabilities or assets (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling);

(iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

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

The defined benefit plans provided by the Group are set out in note 31.

Termination benefits

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

Housing benefits

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

Short-term employee benefits

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

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

4. Summary of Material Accounting Policies (continued)

4.25 Borrowing costs

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

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

4.26 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

4. Summary of Material Accounting Policies (continued)

4.26 Accounting for income taxes (continued)

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in IAS 12 to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

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

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

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

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

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

4. Summary of Material Accounting Policies (continued)

4.26 Accounting for income taxes (continued)

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

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

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

(a) the Group has the legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. Summary of Material Accounting Policies (continued)

4.27 Segment reporting

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

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

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

Non-construction segment — this segment is mainly engaged in non-construction business, which mainly includes contractual energy management income, sales of LNG, interest income of service concession arrangements projects, trading income and operating fee income of service concession arrangements projects and other services.

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

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

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

4. Summary of Material Accounting Policies (continued)

4.28 Related parties

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

(a) the party is a person or a close member of that person's family and if that person:

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

(ii) has significant influence over the Group; or

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

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group;

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

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

4. Summary of Material Accounting Policies (continued)

4.29 Safety production expenses

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

5. Significant Accounting Judgements and Estimates

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

Estimation uncertainty

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

Deferred tax assets

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

The carrying amount of deferred tax assets as at December 31, 2023 amounted to RMB163,788,000 (2022: RMB100,064,000).

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

The Group maintains an allowance on trade receivables, receivables under service concession arrangements and contract assets subjects to ECL based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

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

The Group recognized the net of provision for ECL of trade receivable, receivables under service concession arrangements and contract assets of RMB78,498,000, RMB707,000 and RMB9,286,000 (2022: RMB47,460,000, RMB15,373,000 and RMB42,986,000) during year ended December 31, 2023, respectively.

5. Significant Accounting Judgements and Estimates (Continued)

Estimation on the fair value of investment properties

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

The carrying amount of investment properties as at December 31, 2023 amounted to RMB186,806,000 (2022: RMB186,120,000).

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

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

Significant influence over Shanxi Jinjian Shan'an Equity Investment Partnership (Limited Partnership) ("Jinjian Shan'an")

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

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

The Group holds 26.4% of the equity interest and voting rights in Changzi Jinjian as at December 31, 2023 and is entitled to appoint one of Changzi Jinjian's board of directors out of a total of five. The management has assessed the Group's involvement in Changzi Jinjian and concluded that it has significant influence over Changzi Jinjian. Changzi Jinjian is classified as an associate of the Group as at December 31, 2023, details of which are set out in note 21.

5. Significant Accounting Judgements and Estimates (continued)

Critical accounting judgements

Revenue recognition for construction contracts

As explained in Note 4.19, the Group recognizes construction revenue under construction contracts by reference to the progress of satisfying the performance obligation based on input method. This is measured based on the costs incurred up to the end of the reporting period and budgeted costs which depict the Group's performance towards satisfying the performance obligation. Significant estimates and judgements are required in determining the accuracy of the budgets and the extent of the costs incurred. In making the above estimation, the Group conducts periodic review on the budgets and make reference to past experience and work of contractors and surveyors.

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

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

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

— the grantors control or regulate the services the Group must provide with the infrastructure, to whom the Group must provide such services, and at prices agreed with the grantors;

— the grantors of the infrastructure controls, through ownership, any significant residual interest in the infrastructure at the end of the service concession agreement; and

— the grantors restrict the Group's practical ability to sell or pledge the infrastructure that give the Group continuing right of use throughout the period of the arrangements.

6. Operating Segment Information

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

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

Non construction segment — principally derives its revenue from other non-construction business, which mainly includes revenue from urban heating technical services income, sales of LNG, interest income from 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.

6. Operating Segment Information (continued)

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
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, net	(2,559)	(1,052)	(3,611)
Provision of 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

6. Operating Segment Information (continued)

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	75,158	131,554	206,712
Reconciliation:			
Elimination of intersegment results			6,070
Profit before tax			212,782
Segment assets	17,275,884	8,634,003	25,909,887
Reconciliation:			
Elimination of intersegment receivables			(4,462,863)
Total assets			21,447,024
Segment liabilities	15,823,939	6,760,570	22,584,509
Reconciliation:			
Elimination of intersegment payables			(3,370,405)
Total liabilities			19,214,104
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, net	(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.

6. Operating Segment Information (continued)

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.

7. Revenue and Other Income and Gains, Net

7.1 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 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 FVOCI	188	—
Gain on disposal of property, plant and equipment, net	3,611	4,170
	42,503	20,766

7. Revenue and Other Income and Gains, Net (continued)

7.2 Classification of revenue from contracts with customers under IFRS 15

	2023 RMB'000	2022 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.

7.3 Revenue by geographical segment

	2023 RMB'000	2022 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.

7.4 Remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the year ended December 31, 2023.

	2023 RMB'000	2022 RMB'000
Within one year	11,022,317	14,689,314
After one year but within five years	26,789,491	21,664,213
After five years	684,680	2,044,178
	38,496,488	38,397,705

8. Finance Costs

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interests on bank loans and other borrowings	348,496	394,134
Interest on lease liabilities	5,755	3,733
Finance charge on factoring	—	9,534
Actuarial interest adjustment	910	158
	355,161	407,559
Less: Capitalized interests	(18,529)	(10,351)
	336,632	397,208

The borrowing costs have been capitalized at rates arranging from 4.20%–7.40% (2022: 6.15%) per annum at the year ended December 31, 2023.

9. Profit before Tax

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

	2023 RMB'000	2022 RMB'000
Cost of services rendered for service concession arrangements	464,405	221,450
Cost of goods and services rendered, including:	9,107,479	10,781,326
— cost of inventories recognized as an expense	338,315	545,207
Depreciation of property, plant and equipment (Note 15)	108,805	87,281
Depreciation of right-of-use assets (Note 17)	16,496	9,305
Amortization of intangible assets (Note 18)	1,395	728
Research and development costs	443,205	678,720
Provision for ECL on contract assets, net (Note 20)	9,286	42,986
Provision for ECL on receivables under service concession arrangements, net (Note 20)	707	15,373
Provision for ECL on trade receivables and bills receivable, net (Note 27)	77,963	48,685
(Reversal of provision)/Provision for ECL on deposits and other receivables, net (Note 28)	(309)	11,294
Provision for contract delayed payment	—	10,427
Auditors' remuneration	7,820	6,215
Gain on disposal of property, plant and equipment, net	(3,611)	(4,170)
Short-term lease charges	9,413	12,524
Employee benefits expenses (including remuneration of directors and supervisors)		
— Wages, salaries and allowances	425,480	381,074
— Social insurance	115,221	99,319
— Welfare and other expenses	72,313	62,503
	613,014	542,896

10. Remuneration of the Directors and the Members of the board of Supervisors

Directors' emoluments, disclosed pursuant to the Hong Kong Listing Rules, section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Year ended December 31, 2023

	Fees RMB'000	Salary, allowances and other benefits RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive Directors:					
Mr. WANG Limin (the chairman)[1]	—	329	328	89	746
Mr. REN Rui[1]	—	337	350	89	776
Mr. ZHANG Yan[1]	—	303	207	89	599
	—	969	885	267	2,121
Non-executive Directors:					
Mr. XU Guanshi[2, 6]	—	—	—	—	—
Mr. ZHANG Hongjie[2, 6]	—	—	—	—	—
Mr. MU Jianwei[3, 6]	—	—	—	—	—
Mr. FENG Cheng[2, 6]	—	—	—	—	—
	—	—	—	—	—
Independent Non-executive Directors:					
Mr. WANG Jingming[4]	20	—	—	—	20
Dr. WU Qiusheng[4]	20	—	—	—	20
Ms. SHIN Chuck Yin[4]	20	—	—	—	20
Mr. GUO He[4]	20	—	—	—	20
	80	—	—	—	80
Members of the Board of Supervisors					
Mr. SHI Meng	—	207	130	89	426
Ms. ZHANG Caixia	—	180	148	79	407
Mr. CAO Haiyang[7]	—	—	—	—	—
	—	387	278	168	833
	80	1,356	1,163	435	3,034

10. Remuneration of the Directors and the Members of the board of Supervisors (continued)

	Year ended December 31, 2022				
	Fees RMB'000	Salary, allowances and other benefits RMB'000	Performance related bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Board members					
Mr. WANG Limin[1]	—	304	1,448	81	1,833
Mr. ZHANG Yan[1]	—	253	1,328	81	1,662
Mr. REN Rui[1]	—	283	1,294	81	1,658
Mr. FENG Cheng[2, 6]	—	—	—	—	—
Mr. ZHANG Hongjie[2, 6]	—	—	—	—	—
Mr. YANG Xiaoqing[5]	—	—	—	—	—
Mr. MU Jianwei[3, 6]	—	—	—	—	—
Mr. XU Guanshi[2, 6]	—	—	—	—	—
	—	840	4,070	243	5,153
Members of the Board of Supervisors					
Mr. CAO Haiyang[7]	—	43	57	14	114
Ms. ZHANG Caixia	—	130	114	40	284
Mr. SHI Meng	—	163	158	79	400
	—	336	329	133	798
	—	1,176	4,399	376	5,951

Notes:

1 Mr. WANG Limin, Mr. REN Rui and Mr. ZHANG Yan have redesigned as executive Director in March 2022.

2 Mr. XU Guanshi, Mr. ZHANG Hongjie and Mr. FENG Cheng have redesigned as the non-executive Director in March 2022.

3 Mr. MU Jianwei appointed as a Director of the Company in March 2022 and re-designed as the non-executive Director in March 2022.

4 Mr. WANG Jingming, Dr. Wu Qiusheng, Ms. SHIN Chuck Yin and Mr. GUO He appointed as the Independent Non-executive Director during the year ended December 31, 2022 taking effect on November 1, 2023.

5 Mr. YANG Xiaoqing resigned as a Director of the Company in March 2022. Before March 2022, Mr. YANG Xiaoqing, was appointed by Shanxi CIG, where he shall perform his duties. The remuneration of the Director was paid by Shanxi CIG.

6 During the years ended December 31, 2023 and 2022, Mr. ZHANG Hongjie, Mr. XU Guanshi, Mr. FENG Cheng and Mr. MU Jianwei were appointed by Shanxi CIG, where they shall perform their duties. The remuneration of such Directors was paid by Shanxi CIG.

7 In March 2022, Mr. CAO Haiyang was also appointed by Shanxi CIG, where he shall perform his duties. His remuneration was paid by Shanxi CIG since March 2022.

10. Remuneration of the Directors and the Members of the board of Supervisors (continued)

During the year ended December 31, 2023, the Company did not have chief executive officer (2022: Nil).

There was no arrangement under which the directors and supervisors waived or agreed to waive any remuneration during the years ended December 31, 2023 and 2022.

11. Five Highest Paid Employees

The five highest paid individuals of the Group during the year, including 2 directors (2022: 3 directors), details of their emoluments are set out in Note 10. The highest paid employees who are not the directors of the Company was 3 individuals (2022: 2 individuals) during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Salary, allowances and other benefits	**940**	543
Performance related bonuses	**900**	1,844
Pension scheme contributions	**266**	162
	2,106	2,549

The above employees' emoluments were within the following bands:

	2023	2022
HK$nil – HK$1,000,000	**3**	—
HK$1,000,001 – HK$1,500,000	**—**	1
HK$1,500,001 – HK$2,000,000	**—**	1

12. 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 provided on the statutory rate of 25% on the taxable profits of the subsidiaries of the Group as determined in accordance with the Enterprise Income Tax Law of the PRC ("**EIT**").

Income Tax Preference and Approvals

(I) The Company has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in November 2018, which are eligible to pay EIT at a preferential rate of 15% from November 21, 2018 to December 7, 2024.

(II) Shan'an Bluesky, a subsidiary of the Company, has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.

12. Income Tax Expense (continued)

Income Tax Preference and Approvals (continued)

(III) Gaoping Xinshi Yangtian Solar Power Company Limited (高平市鑫時陽田光伏發電有限公司), a subsidiary of the Company, has complied with the requirements under Notice of the MOF and the SAT regarding the Implementation of the Catalogue of Preferential Enterprise Income Taxes for Public Infrastructure Projects (《財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》) (Cai Shui [2008] No. 46), which stipulated that enterprises that engaged in public infrastructure projects approved on January 1, 2008 and satisfied the relevant conditions and technical standards and the relevant national investment management regulations in the catalogue, from the tax year in which the first production and operation income is obtained, the proceeds from investment in those qualified enterprises are exempted from EIT from the first year to the third year of profitability, and from the fourth year to the sixth year, halved. As the photovoltaic power generation projects fall under the preferential matters that "the proceeds from the investment and operation of key public infrastructure projects supported by the state shall be reduced or exempted from EIT on a regular basis" and has initiated the relevant filings, it enjoys such preferential tax treatment valid from January 1, 2017 to December 31, 2022. Gaoping Xinshi Yangtian Solar Power Company Limited has obtained the Certificates of High and New-Technology Enterprise jointly issued by Science and Technology Department of Shanxi Province, Shanxi Provincial Department of Finance (山西省財政廳) and Shanxi Provincial Taxation Bureau, State Administration of Taxation in December 2021, which is eligible to pay EIT at a preferential rate of 15% for a term of three years from December 7, 2021 to December 6, 2024.

(IV) Shanxi Shan'an Biquan Haimian City Technology Company Limited (山西山安碧泉海綿城市科技有限公司), 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, which are eligible to pay EIT at a preferential rate of 15% for a term of three years from December 8, 2023 to December 7, 2026.

12. Income Tax Expense (continued)

Income Tax Preference and Approvals (continued)

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

A reconciliation of the income tax expense applicable to profit before tax using the income tax rate applicable in Mainland China to the income tax expense at the Group's effective income tax rate during the years ended December 31, 2023 and 2022 is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	**225,124**	212,782
Income tax charge at the statutory income tax rate	**45,346**	34,758
Tax effect of share of results of associates	**(686)**	(828)
Tax effect of non-deductible expense	**35,767**	42,134
Tax effect of tax losses not recognized	**7,884**	19,538
Tax effect of additional research and development expenditure	**(68,745)**	(83,256)
Income tax expense	**19,566**	12,346

13. Dividends

	2023 RMB'000	2022 RMB'000
Approved		
2022 final dividend — RMB0.07168 per ordinary share (2022: 2021 final dividend — 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.

14. 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 for the year ended December 31, 2023, comprising (i) 1,000,000,000 ordinary shares as at the date of the prospectus of the Company dated November 10, 2023; 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 RMB'000	2022 RMB'000
Earnings:		
Profit attributable to equity holders of the Company for the purpose of calculating basic earnings per share	154,942	150,882

	2023 '000	2022 '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

15. Property, Plant and Equipment

	Buildings and structure RMB'000	Construction machinery RMB'000	Transportation and production equipment RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
As at January 1, 2022						
Cost	377,044	40,343	698,465	55,950	81,571	1,253,373
Accumulated depreciation	(69,985)	(28,134)	(306,402)	(25,752)	—	(430,273)
Net book amount	307,059	12,209	392,063	30,198	81,571	823,100
For the year ended December 31, 2022						
Net book amount at the beginning of the year	307,059	12,209	392,063	30,198	81,571	823,100
Additions	17,144	2,673	4,206	6,529	216,563	247,115
Disposals	(6,783)	—	(2,415)	(1,387)	—	(10,585)
Transfers	—	—	3,852	89	(3,941)	—
Depreciation	(24,098)	(1,657)	(53,121)	(8,405)	—	(87,281)
Net book amount at the end of the year	293,322	13,225	344,585	27,024	294,193	972,349
As at December 31, 2022 and January 1, 2023						
Cost	387,405	43,016	704,108	61,181	294,193	1,489,903
Accumulated depreciation	(94,083)	(29,791)	(359,523)	(34,157)	—	(517,554)
Net book amount	293,322	13,225	344,585	27,024	294,193	972,349
For the year ended December 31, 2023						
Net book amount at the beginning of the year	**293,322**	**13,225**	**344,585**	**27,024**	**294,193**	**972,349**
Additions	**23,729**	**272**	**4,803**	**3,071**	**356,278**	**388,153**
Disposals	**–**	**(26)**	**(1,344)**	**(1,956)**	**–**	**(3,326)**
Transfers	**204,343**	**–**	**32,682**	**215**	**(237,240)**	**–**
Depreciation	**(47,915)**	**(2,305)**	**(50,546)**	**(8,039)**	**–**	**(108,805)**
Net book amount at the end of the year	**473,479**	**11,166**	**330,180**	**20,315**	**413,231**	**1,248,371**
As at December 31, 2023						
Cost	**615,477**	**43,262**	**740,249**	**62,511**	**413,231**	**1,874,730**
Accumulated depreciation	**(141,998)**	**(32,096)**	**(410,069)**	**(42,196)**	**–**	**(626,359)**
Net book amount	**473,479**	**11,166**	**330,180**	**20,315**	**413,231**	**1,248,371**

As of December 31, 2023, the Group have not pledged property, plant and equipment to secure bank borrowings and other borrowings granted to the Group (2022: Nil).

16. Investment Properties

	2023 RMB'000	2022 RMB'000
Carrying amount at the beginning of the year	**186,120**	183,679
Fair value gain for the year, net	**686**	2,441
Carrying amount at the end of the year	**186,806**	186,120

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

Investment properties are leased in the manner specified in the operating leases, details of which are summarized in note 44 to the consolidated financial statements.

Fair value hierarchy

As of December 31, 2023 and 2022, the fair value of all of the Group's investment properties were categorized as level 3 fair value hierarchy. During the years ended December 31, 2023 and 2022, there have been no transfers into or out of Level 3.

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

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

	Fair value measurement using significant unobservable input (level 3)	
	2023 RMB'000	2022 RMB'000
Recurring fair value measurement:		
Office properties	**185,916**	185,218
Residential properties	**890**	902
	186,806	186,120

16. Investment Properties (continued)

Fair value hierarchy (continued)

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

	Value techniques	Significant unobservable inputs	Range or weighted average 2023 RMB'000/m^2	Range or weighted average 2022 RMB'000/m^2	Relationship between unobservable inputs and fair value
Office properties — Taiyuan	Market comparison approach	Price adjustment	**10**	10	The higher the price adjustment, the higher the fair value.
Office properties — Datong	Market comparison approach	Price adjustment	**9**	9	The higher the price adjustment, the higher the fair value.
Residential properties — Jinzhong	Market comparison approach	Price adjustment	**9**	9	The higher the price adjustment, the higher the fair value.

The market comparison approach making reference to recent selling prices of comparable properties per square meter with price adjustment, the adjustment are made by comparing the quality, location, views, floors and remaining useful lives of the properties of comparable properties and subject properties. There were no changes in valuation techniques during the years ended December 31, 2023 and 2022.

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

17. Right-of-use Assets

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

	Land use rights RMB'000	Leased properties and equipment RMB'000	Total RMB'000
As at January 1, 2022			
Cost	110,524	80,213	190,737
Accumulated depreciation	(5,157)	(11,806)	(16,963)
Net book amount	105,367	68,407	173,774
For the year ended December 31, 2022			
Net book amount at the beginning of the year	105,367	68,407	173,774
Additions	2,460	3,733	6,193
Depreciation	(2,423)	(6,882)	(9,305)
Net book amount at the end of the year	105,404	65,258	170,662
As at December 31, 2022 and January 1, 2023			
Cost	112,984	83,946	196,930
Accumulated depreciation	(7,580)	(18,688)	(26,268)
Net book amount	105,404	65,258	170,662
For the year ended December 31, 2023			
Net book amount at the beginning of the year	**105,404**	**65,258**	**170,662**
Additions	**56,246**	**83,777**	**140,023**
Depreciation	**(5,066)**	**(11,430)**	**(16,496)**
Net book amount at the end of the year	**156,584**	**137,605**	**294,189**
As at December 31, 2023			
Cost	**169,230**	**167,723**	**336,953**
Accumulated depreciation	**(12,646)**	**(30,118)**	**(42,764)**
Net book amount	**156,584**	**137,605**	**294,189**

17. Right-of-use Assets (continued)

As at December 31, 2023, the Group has entered into 39 (2022: 24) lease agreements for the purpose of, inter alia, 2 (2022: 1) centralized heating facilities for a lease term of 15–29 years, 19 (2022: 10) pieces of land for lease terms of 5–50 years, 17 (2022: 13) office buildings for lease teams of 1–5 years and 1 (2022: 0) set of machinery for lease terms of 6 years (the contract for leasing a set of machinery contains an option to purchase the set of machinery at the end of the lease term). Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants. Details of the carrying amount of right-of-use assets are as follows:

	2023 **RMB'000**	2022 RMB'000
Land use rights	**156,584**	105,404
Office buildings	**17,736**	12,144
Centralized heating facilities	**83,494**	53,114
Machinery	**36,375**	—
	294,189	170,662

18. Intangible Assets

	Patent rights RMB'000	**Software** RMB'000	**Operating right** RMB'000	**Total** RMB'000
Cost				
As at January 1, 2022	407	2,732	—	3,139
Additions	2	509	—	511
As at December 31, 2022 and January 1, 2023	**409**	**3,241**	**–**	**3,650**
Additions	**227**	**13**	**55,000**	**55,240**
As at December 31, 2023	**636**	**3,254**	**55,000**	**58,890**
Accumulated amortization				
As at January 1, 2022	73	1,630	—	1,703
Amortization	39	689	—	728
As at December 31, 2022 and January 1, 2023	**112**	**2,319**	**–**	**2,431**
Amortization	**87**	**544**	**764**	**1,395**
As at December 31, 2023	**199**	**2,863**	**764**	**3,826**
Net book value				
As at December 31, 2023	**437**	**391**	**54,236**	**55,064**
As at December 31, 2022	297	922	—	1,219

19. Goodwill

	2023 RMB'000	2022 RMB'000
Goodwill	**15,000**	15,000

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

The Company conducted impairment assessment of goodwill at the end of each of financial year by engaging independent professional valuers to evaluate the recoverable amount of the entire shareholders' equity interest of Shanxi Ningyang, and issued the asset evaluation reports. The value in use calculation is used for valuation of the recoverable amount. The assessment is based on the estimated cash flow forecast in the next 5 years based on the financial budget approved by the management. The terminal growth rate of the cash flow forecast adopted in the following years is 0% (2022: 0%) for prudence sake. The pre-tax discount rate adopted as at December 31, 2023 was 11.43% (2022: 11.23%). The management prepared the above financial budgets based on past performance and its expectations for market development. The present value of future cash flows reflects the risk relative to the segment concerned.

Based on the results of the impairment assessment of goodwill, the recoverable amounts of CGU of approximately RMB274,943,000 (2022: RMB376,330,000) is greater than its carrying amounts of approximately RMB238,814,000 (2022: RMB251,174,000) as at December 31, 2023. Based on the results of the impairment testing of goodwill, in the opinion of the management of the Group, no impairment provision is considered necessary for the Group's goodwill as at December 31, 2023. Management believes that any reasonably possible changes to the key assumptions applied would not lead to impairment of goodwill as at December 31, 2023.

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

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

	2023 RMB'000	2022 RMB'000
Five-year period growth rate increased by 2%	**38,379**	56,221
Five-year period growth rate decreased by 2%	**(35,734)**	(52,469)
Pre-tax discount rate decreased by 0.5%	**11,766**	16,771
Pre-tax discount rate increased by 0.5%	**(10,753)**	(15,354)

20. Contract Assets, Receivables under Service Concession Arrangements and Contract Liabilities

(a) 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 of 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 of 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). Please refer to Note 25 for the details of the Group's arrangements under the service concession projects.

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

As at December 31, 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.

20. Contract Assets, Receivables under Service Concession Arrangements and Contract Liabilities (continued)

(b) Contract liabilities

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

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
At the beginning of the year	**2,166,314**	1,407,394
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the year	**(3,483,765)**	(1,768,519)
Increase of receipts in advance from customers	**2,699,880**	2,527,439
At the end of the year	**1,382,429**	2,166,314

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

As of December 31, 2023, the gross amount due to customers for contract work is expected to be settled within one year.

For the year ended December 31, 2023, the significant decrease in contract liabilities was mainly due to more completed construction works have been certified by customer at the end of the year.

21. Investment in Associates

Details of associates are as follows:

Name of associates	Particulars of issued the shares held	Place of registration and place of business	Registered capital	Paid-up capital		Percentage of ownership interest attributable to the Group and the Company		Principal activities
				2023	2022	**2023**	2022	
			RMB'000	**RMB'000**	RMB'000			
Shanxi Jianfa Comprehensive Energy Development Co., Ltd. (山西建發綜合能源開發有限公司)	Ordinary share	PRC/Mainland China	100,000	**38,840**	38,840	**40.01%**	40.01%	Development and utilization of renewable energy
Changzhi Caihui Shanan Energy Technology Co., Ltd. (長治市財匯山安能源科技有限公司)	Ordinary share	PRC/Mainland China	20,000	**20,000**	20,000	**40%**	40%	Industrial installation engineering technical consultation
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)	Ordinary share	PRC/Mainland China	90,000	**90,000**	90,000	**20%**	20%	Steel structure construction
Shanxi Construction Investment International Investment Co., Ltd. (山西建投國際投資有限公司)	Ordinary share	PRC/Mainland China	100,000	**97,000**	97,000	**30%**	30%	Foreign investment and foreign project contracting
Shanxi Yu'an Hengchuang Construction Engineering Company Limited ("**Yu'an Hengchuang**") (山西譽安恒創建築工程有限公司)	Ordinary share	PRC/Mainland China	11,000	**11,000**	11,000	**20%**	20%	Leasing, maintenance of construction equipment and general machinery and equipment and construction labor subcontracting
Shanxi Jiantou Cloud Data Technology Co., Ltd. (山西建投雲數智科技有限公司)	Ordinary share	PRC/Mainland China	20,000	**20,000**	20,000	**20%**	20%	Software and information technology services

21. Investment in Associates (continued)

Name of associates	Particulars of issued the shares held	Place of registration and place of business	Registered capital	Paid-up capital		Percentage of ownership interest attributable to the Group and the Company		Principal activities
				2023	2022	**2023**	2022	
			RMB'000	**RMB'000**	RMB'000			
Shanxi Jiantou Linfen Construction Industry Co., Ltd. (山西建投臨汾建築產業有限公司)	Ordinary share	PRC/Mainland China	300,000	**90,000**	90,000	**10%**	10%	Sales of non- metallic mineral products
Jinjian Shan'an (山西晉建山安股權投資合夥企業（有限合夥）)[1]	Ordinary share	PRC/Mainland China	200,000	**120,000**	120,000	**74%**	74%	Private equity investment fund management and venture capital fund management services
Taiyuan Xie'an Property Service Co., Ltd. (太原諧安物業服務有限公司)	Ordinary share	PRC/Mainland China	3,000	**3,000**	3,000	**49%**	49%	Catering service and property management
Changzi Jinjian (長子晉建防洪排澇項目管理有限公司)[2]	Ordinary share	PRC/Mainland China	104,845	**31,453**	—	**26.4%**	—	Construction project management on flood control and drainage

Notes:

(1) During the year ended December 31, 2022, the Group established Jinjian Shan'an with the independent third parties. The Group injected RMB89,000,000 in Jinjian Shan'an to obtain 74% of the equity interest of Jinjian Shan'an and the directors considered the Group only possesses significant influence cover Jinjian Shan'an, details of which are set out in Note 5.

(2) During the year ended December 31, 2023, the Group established Changzi Jinjian with other three investors, of which the two investors are controlled by Shanxi CIG and one investor is the Independent third party. The Group injected RMB8,304,000 in Changzi Jinjian to obtain 26.4% of the equity interest of Changzi Jinjian and the directors considered the Group possesses significant influence cover Changzi Jinjian, details of which are set out in Note 5.

	2023	2022
	RMB'000	RMB'000
Share of net assets at the beginning of the year	**183,327**	46,137
Additions	**8,304**	131,669
Total comprehensive income for the year, net of dividend declared	**3,473**	5,521
Share of net assets at the end of the year	**195,104**	183,327

21. Investment in Associates (continued)

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

	Jinjian Shan'an	
	2023	2022
	RMB'000	RMB'000
Current assets	**120,100**	120,065
Non-current assets	**—**	—
Current liabilities	**(31)**	—
Non-current liabilities	**—**	—
Net assets	**120,069**	120,065
Group's share of net assets	**88,851**	88,848
Other reconciliation items	**200**	200
Carrying amount of Group's interests	**89,051**	89,048
Year ended December, 31:		
Revenue	**909**	422
Profit and total comprehensive income for the year	**5**	65
Dividends received	**—**	—

	Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
Current assets	**860**	13,445
Non-current assets	**183,585**	123,481
Current liabilities	**(80,405)**	(21,121)
Non-current liabilities	**(27,325)**	(34,338)
Net assets	**76,715**	81,467
Group's share of net assets	**15,343**	16,293
Other reconciliation items	**(163)**	(163)
Carrying amount of Group's interests	**15,180**	16,130
Year ended December, 31:		
Revenue	**301**	147
(Loss)/profit and total comprehensive (loss)/income for the year	**(4,754)**	12,713
Dividends received	**—**	—

21. Investment in Associates (continued)

	Shanxi Construction Investment International Investment Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
Current assets	**16,920**	10,855
Non-current assets	**85,622**	85,748
Current liabilities	**(5,533)**	(283)
Non-current liabilities	**—**	—
Net assets	**97,009**	96,320
Group's share of net assets	**29,103**	28,895
Other reconciliation items	**395**	395
Carrying amount of Group's interests	**29,498**	29,290
Year ended December, 31:		
Revenue	**13,838**	3,600
Profit and total comprehensive income for the year	**695**	41
Dividends received	**—**	—

	Shanxi Jianfa Comprehensive Energy Development Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
Current assets	**49,384**	78,121
Non-current assets	**133,561**	123,209
Current liabilities	**(49,088)**	(58,436)
Non-current liabilities	**(90,613)**	(104,000)
Net assets	**43,244**	38,894
Group's share of net assets	**17,297**	15,557
Other reconciliation items	**4**	4
Carrying amount of Group's interests	**17,301**	15,561
Year ended December, 31:		
Revenue	**39,013**	4,675
Profit and total comprehensive income for the year	**4,350**	10
Dividends received	**—**	—

21. Investment in Associates (continued)

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

	2023 RMB'000	2022 RMB'000
Share of profit	**3,376**	2,913
Share of total comprehensive income	**3,376**	2,913

22. Other Non-Current Assets

	2023 RMB'000	2022 RMB'000
Prepaid employees housing subsidies	**2,277**	7,571

23. Deferred Income Tax

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**163,788**	100,064
Deferred tax liabilities	**(110,406)**	(74,012)
	53,382	26,052

	Provisions and accruals RMB'000	Change in fair value of investment properties RMB'000	Fair value changes of equity investments at FVOCI RMB'000	Deferred tax from service concession projects RMB'000	Elimination of unrealized profits RMB'000	Remeasurement of defined benefit plan RMB'000	Deferred tax asset related to the lease liabilities RMB'000	Total RMB'000
Deferred tax assets/(liabilities) as at December 31, 2021 and January 1, 2022	53,138	(14,686)	(156)	(61,276)	10,817	—	—	(12,163)
Credited to/(recognized in) profit or loss	21,315	(368)	—	16,997	2,278	—	—	40,222
(Recognized in)/credited to other comprehensive income	—	—	(2,417)	—	—	410	—	(2,007)
Deferred tax assets/(liabilities) as at December 31, 2022 and January 1, 2023	**74,453**	**(15,054)**	**(2,573)**	**(44,279)**	**13,095**	**410**	**—**	**26,052**
Credited to/(recognized in) profit or loss	**16,593**	**(103)**	**—**	**11,105**	**(187)**	**—**	**430**	**27,838**
Recognized in other comprehensive income	**—**	**—**	**(557)**	**—**	**—**	**49**	**—**	**(508)**
Deferred tax assets/(liabilities) as at December 31, 2023	**91,046**	**(15,157)**	**(3,130)**	**(33,174)**	**12,908**	**459**	**430**	**53,382**

23. Deferred Income Tax (continued)

As at December 31, 2023, certain subsidiaries of the Group had tax losses of RMB32,710,000 (2022: RMB10,030,000) in Mainland China, respectively, which will expire in 1–5 years and can be used to offset its future taxable profits. Certain amounts of unused tax losses for the year ended December 31, 2023 are subject to approval from the tax bureau in Mainland China. Deferred tax assets are not recognized for these losses as no taxable profits are considered as available against relevant tax losses. Deferred tax assets are recognized to the extent that all deferred tax assets can be realized through the recovery of previously paid tax and/or future taxable income.

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

24. Financial Assets Measured at FVOCI

	2023 **RMB'000**	2022 RMB'000
Unlisted equity investments:		
Shanxi Shuitou Biyuan Water Treatment Company Limited (山西水投碧源水處理有限公司)	**1,037**	935
Shanxi Jiantou Decoration Industry Co., Ltd. (山西建投裝飾產業有限公司)	**9,143**	6,473
Shanxi Jiantou South East Jin Construction Industry Co., Ltd. (山西建投晉東南建築產業有限公司)	**82,177**	81,552
Shanxi Jiantou Construction Industry Co., Ltd. Company Limited (山西建投建築產業有限公司)	**50,169**	49,853
	142,526	138,813

The above unlisted equity investments are designated as financial assets at FVOCI (non-recycling) as these investments are held for long-term strategic purposes. Please refer to Note 48 for the details of changes in fair value.

25. Service Concession Projects

The Group has entered into a number of service concession project agreements with certain government authorities in Mainland China for its construction of infrastructure, photovoltaic, water treatment and drainage, and heat supply services. These service concession project agreements generally involve the Group as an operator to construct infrastructure, photovoltaic, water treatment and drainage, heat supply and other facilities for these agreements on a construction, operation and transfer basis. The Group will receive remuneration for services within the agreed period of the service concession projects at the price stipulated through the pricing mechanism. The Group is generally entitled to use all property, plant and equipment, however, as grantors, the relevant government authorities will control and monitor the scope of services that the Group must provide and retain the beneficial rights to the remaining interest in the facilities at the end of the service concession projects period. These service concession project agreements are subject to the contracts and supplemental agreements (where applicable) entered into between the Group and the relevant government authorities in Mainland China, including the pricing adjustment mechanism for the services rendered by the Group, performance standards, and specific obligations to restore the facility to a prescribed level of availability at the end of the service concession period, and arrangements for arbitrating disputes.

No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
1	Gaoping City Shan'an Five Roads One River Construction Development Company Limited (高平市山安五路一河建設發展有限公司)	Gaoping City, Shanxi Province, China	Gaoping Housing and Urban-rural Development Administration (高平市住房和城鄉建設管理局)	Community facilities	16 years
2	Lingchuan Shan'an Construction Development Company Limited (陵川山安建設發展有限公司)	Lingchuan County, Shanxi Province, China	Housing and Urban-rural Development Administration of Lingchuan County (陵川縣住房和城鄉建設管理局)	Community facilities	16 years
3	Huguan Shan'an Two Roads Three Streets Construction Development Company Limited (壺關縣山安兩路三街建設發展有限公司)	Huguan County, Shanxi Province, China	Housing and Urban-rural Development Administration of Huguan County (壺關縣住房和城鄉建設管理局)	Community facilities	17 years

25. Service Concession Projects (continued)

No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
4	Changzhi Shan'an Construction Development Company Limited (長治市山安建設發展有限公司)	Changzhi City, Shanxi Province, China	People's Government of Huangnian Town, Suburb of Changzhi City (長治市郊區黃碾鎮人民政府)	Photovoltaic	12 years
5	Xinjiang Shan'an Waterwork Management Company Limited (新絳縣山安水利管理有限公司)	Xinjiang County, Shanxi Province, China	Housing and Urban-rural Development Administration of Xinjiang County (新絳縣住房和城鄉建設管理局)	Water treatment	20 years
6	Jiexiu Shan'an Waterwork Construction Development Company Limited (介休山安水利建設發展有限公司)	Jiexiu City, Shanxi Province, China	Jiexiu Waterwork Bureau (介休市水務局)	Water treatment	20 years
7	Qinshui Shan'an Culture and Sport Construction Development Company Limited (沁水山安文體建設發展有限公司)	Qinshui County, Shanxi Province, China	Housing and Urban-rural Development Administration of Qinshui County (沁水縣住房和城鄉建設管理局)	Community facilities	20 years
8	Xiyang Shan'an Comprehensive Pipeline Construction Development Company Limited (昔陽山安綜合管廊建設發展有限公司)	Xiyang County, Shanxi Province, China	Xiyang County Economic and Commercial Grain Bureau (昔陽縣經濟和商務糧食局)	Underground pipe project	20 years
9	Liulin Shan'an Bluesky Heating Company Limited (柳林山安藍天熱力有限公司)	Liulin County, Shanxi Province, China	Liulin County Housing and Urban-Rural Development Administration (柳林縣住房和城鄉建設管理局)	Heating engineering	30 years

25. Service Concession Projects (continued)

No.	Name of Operating Company	Address	Grantor	Type of service concession arrangement	Concession Term (included construction and operating concession period)
10	Xiangyuan Shan'an Road and Bridge Construction Development Company Limited (襄垣縣山安路橋建設發展有限公司)	Xiangyuan County, Shanxi Province, China	Xiangyuan County Transportation Bureau (襄垣縣交通運輸局)	Bridge construction	12 years
11	Linfen Shan'an Waterwork Development Company Limited (臨汾市山安水務發展有限公司)	Linfen, Shanxi Province, China	Linfen Municipal Government Engineering Construction Service Center (臨汾市政府工程建設服務中心)	Sewage treatment	21 years
12	Yangquan Shan'an Construction Development Company Limited (陽泉山安建設發展有限公司)	Yangquan County, Shanxi Province, China	Yangquan Suburban District Bureau of Commerce (陽泉市郊區商務局)	Facilities in industrial area	30 years
13	Qinshui Shan'an Construction Development Limited (沁水山安建設發展有限公司)	Changzhi County, Shanxi Province, China	Housing and Urban-rural Development Administration of Qinshui County (沁水縣住房和城鄉建設管理局)	Community facilities and transportation hub	22 years
14	Yuanping Shan'an Biquan Waterwork Development Limited (原平市山安碧泉水務發展有限公司)	Yuanping, Shanxi Province, China	Housing and Urban-rural Development Administration of Yuanping (原平市住房和城鄉建設管理局)	Sewage treatment	26 years
15	Wenshui Shan'an Biquan Waterwork Development Limited (文水縣山安碧泉水務發展有限公司)	Wenshui County, Shanxi Province, China	Housing and Urban-rural Development Administration of Wenshui County (文水縣住房和城鄉建設管理局)	Sewage treatment	15 years

The above table sets out the Group's service concession projects which, in the opinion of the Board, primarily affected the results for the years ended December 31, 2023 and 2022 or constituted a significant portion of the Group's net assets. The Board is of the view that the provision of details of all other service concession projects would result in excessive length of the detailed information.

25. Service Concession Projects (continued)

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

As further explained in the accounting policy for "accounting treatment for service concession projects" as described in note 4.20 to the consolidated financial statements, the consideration paid by the Group for service concession projects is recorded as financial assets (trade receivables under service concession projects, contract assets and receivable under service concession arrangements on service concession projects). The following is a summary of the components of the financial assets relating to the Group's service concession projects (trade receivables under the service concession projects):

The Group estimates that the trade receivables under the service concession projects is calculated based on the present value of the estimated annual minimum service fee for the service concession period, multiplied by the effective interest rate ranging from 5.95% to 10.88% (2022: 5.95% to 10.88%) (which was determined with reference to the market interest rate and the grantor's credit risk).

	2023 RMB'000	2022 RMB'000
Trade receivables of service concession projects construction income	3,063	33,971
Trade receivables of service concession projects operating fee income	115,135	54,614
Interest receivables of service concession projects	38,232	6,158
Trade receivables under service concession projects (Note 27)	156,430	94,743

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

25. Service Concession Projects (continued)

As of December 31, 2023 and 2022, the non-current portion of contract assets and receivables under service concession arrangements, net of ECL provision impairment, is as follows:

	2023 RMB'000	2022 RMB'000
Unbilled portion:		
Non-current portion	3,601,759	3,007,302
Expected credit losses	(43,153)	(35,216)
Non-current portion, net (Note 20)	3,558,606	2,972,086

26. Inventories

	2023 RMB'000	2022 RMB'000
Raw materials	144,912	137,128
Finished goods	22,821	9,112
Total	167,733	146,240

27. 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 RMB'000	2022 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 of 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.

27. Trade Receivables and Bills Receivable (continued)

As of December 31, 2023, the trade receivables under service concession projects was amounted to approximately RMB156,430,000 (2022: RMB94,743,000). Please refer to Note 25 for the details of the receivables under the service concession arrangements projects.

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 RMB'000	2022 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 RMB'000	2022 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.

27. Trade Receivables and Bills Receivable (continued)

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).

28. Prepayments, Deposits and Other Receivables

	2023 RMB'000	2022 RMB'000
Deposits and other receivables		
— Reserves	10,655	6,443
— Security deposits	84,024	159,073
— Deposits	13,968	27,555
— Loans to associates*	8,933	54,684
— Loans to former associates*	34,439	50,439
— Amount due from related parties	501,041	566,129
— Dividend receivables	1,012	—
— Other receivables	172,173	198,327
	826,245	1,062,650
Expected credit losses	(37,187)	(37,496)
Deposits and other receivables, net	789,058	1,025,154
Other contract costs	20,502	20,084
Prepayments	551,664	500,176
Prepayments to associates	4,202	22,300
Prepayments to related parties	2,301	31,096
Tax recoverable	—	38
Value-added tax receivables	522,858	357,589
	1,890,585	1,956,437

28. Prepayments, Deposits and Other Receivables (continued)

As at December 31, 2023, among the prepayment, deposits and other receivables, the loans to an associate is unsecured, interest rate carried at 8% per annum and repayable within one year, while other prepayment, deposits and other receivables are interest free, unsecured and with no fixed repayment terms or repayable within one year.

As at December 31, 2022, among the prepayment, deposits and other receivables, the interest rates for certain loans to associates and amount due from related parties are 10%–16% per annum, while other prepayment, deposits and other receivables is unsecured and interest free. All prepayments, deposits and other receivables no fixed repayment terms or repayable within one year.

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

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

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

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

Regarding to the loans to associates as at December 31, 2023 and 2022, the management also has assessed the credit risk on associates by considering the financial statements of the associates, which has shown they have strong financial position as at December 31, 2023 and 2022. In addition, the balances of loans to associates of RMB8,933,000, which is wholly-owned subsidiary of Shanxi CIG as at December 31, 2023, of which Shanxi CIG has undertaken the balances of loans to associates as at December 31, 2023 to compensate to the Group in full for any failure of repayment. In view of the strong financial position of Shanxi SIG, no provision for ECL allowance on the balances of loans to associates of RMB8,933,000 is required as at December 31, 2023.

Other contract costs capitalized as at December 31, 2023 and 2022 relate to the costs to fulfil contracts with customers at the reporting date. Other contract costs are recognized as part of "cost of sales" in the consolidated profit or loss for the financial year, in which revenue from the related sales or services is recognized. There was no impairment in relation to the costs capitalized during the years. All other contract costs are expected to be recovered or recognized as expenses within one year.

28. Prepayments, Deposits and Other Receivables (continued)

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

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at January 1, 2022	5,628	17,714	2,860	26,202
Transferred to Stage 2	(3,228)	3,228	—	—
Transferred to Stage 3	—	(15,217)	15,217	—
Provision during the year	494	10,800	—	11,294
As at December 31, 2022 and January 1, 2023	**2,894**	**16,525**	**18,077**	**37,496**
Transferred to Stage 2	**(2,408)**	**2,408**	**—**	**—**
Transferred to Stage 3	**—**	**(10,352)**	**10,352**	**—**
Provision/(reversal of provision) during the year	**413**	**(722)**	**—**	**(309)**
As at December 31, 2023	**899**	**7,859**	**28,429**	**37,187**

As at December 31, 2023, among the impairment provision for other receivables above, the impairment provision made for other receivables individually was approximately RMB28,429,000 (2022: RMB30,461,000), and the total book values before provision were approximately RMB49,015,000 (2022: RMB54,077,000).

29. Cash and Cash Equivalents and Restricted Bank Deposits

	2023 RMB'000	2022 RMB'000
Cash and bank deposits	**2,090,163**	1,380,892
Restricted bank deposits	**546,383**	748,105
	2,636,546	2,128,997
Less: Restricted bank deposits as collateral for bill payable	**(545,783)**	(747,505)
Restricted bank deposits as collateral for other borrowings	**(600)**	(600)
Cash and cash equivalents	**2,090,163**	1,380,892

As at December 31, 2023, the Group's cash and bank balances denominated in RMB amounted to approximately RMB2,636,546,000 (2022: RMB2,128,997,000). The RMB is not freely convertible into other currencies. However, under the current foreign exchange rules and regulations in Mainland China, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

29. Cash and Cash Equivalents and Restricted Bank Deposits (continued)

Bank deposits and restricted bank deposits earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are deposited for periods ranging from one day to three months based on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. As at December 31, 2023, the restricted bank deposits (denominated in RMB) were charged at an interest rate of 0.02% to 2.75% (2022: 1.70%), based on prevailing market interest rates and were pledged to a bank for securing bills payable (Note 30) and other borrowings (Note 33) granted to the Group. Bank deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

30. Trade Payables and Bills Payable

Trade payables are non-interest bearing and are generally settled within an agreed period. The ageing analysis of the trade payables and bills payable recorded based on invoice date or issuance date is as follows:

	2023 **RMB'000**	2022 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

31. Employee Benefits Payable

	2023 **RMB'000**	2022 RMB'000
Salaries, bonuses, allowances and subsidies	**60,994**	61,420
Employee benefits expenses	**1,242**	1,272
Social insurance expenses	**2,607**	2,618
Housing provident fund	**3,717**	4,098
Termination benefits	**260**	410
Post-employment benefits due within one year-liabilities in defined benefit plan	**3,100**	3,550
Others	**8,284**	7,728
	80,204	81,096

31. Employee Benefits Payable (continued)

Present value of the defined benefit plan obligation:

	2023 RMB'000	2022 RMB'000
Item (note)		
I. Transfer from Shanxi CIG/At the beginning of the year	32,460	30,650
II. Defined benefit cost recognized in profit or loss:		
Net interests	860	145
III. Defined benefit cost recognized in other comprehensive income:		
Actuarial losses	330	2,732
IV. Other changes:		
Paid benefits	(3,160)	(1,067)
V. Closing balance:	30,490	32,460
Less: Post-employment benefits due within one year-liabilities in defined benefit plan	(3,100)	(3,550)
VI. Post-employment benefits due after one year liabilities in defined benefit plan	27,390	28,910
Termination benefits	1,660	2,290
Less: Current portion	(260)	(410)
Non-current liability in termination benefits	1,400	1,880
Total	28,790	30,790

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

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

31. Employee Benefits Payable (continued)

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

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

Item	2023 (%)	2022 (%)
Discount rate	2.50	2.75–3.00

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

	(Decrease)/Increase in liabilities recognized in defined benefit plan	
Item	2023 RMB'000	2022 RMB'000
Discount rate increase by 0.25%	(640)	(660)
Discount rate decreases by 0.25%	660	680

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

32. Other Payables and Accruals

	2023 RMB'000	2022 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 (Note 35)	**(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., a related party, who is controlled by Shanxi CIG, at an interest rate of 9.7% per annum for a period from May 30, 2019 to April 11, 2024, without collateral, for the development and construction of the park.

33. Interest-Bearing Bank Borrowings and Other Borrowings

	2023			2022		
	Actual interest rate (%)	**Maturity**	**RMB'000**	Actual interest rate (%)	Maturity	RMB'000
Current liabilities						
Bank borrowings — unguaranteed	**1.70–4.25**	**2024**	**2,041,465**	1.45–5.35	2023	1,740,290
Bank borrowings — guaranteed			**—**	4.35–5.22	2023	130,000
Other borrowings — unguaranteed	**8.80**	**2024**	**368,573**	4.50–8.80	2023	305,117
Other borrowings — secured	**8.25**	**2024**	**33,080**	5.22–8.70	2023	25,918
			2,443,118			2,201,325
Current portion of long-term borrowings (Note 35)						
Bank borrowings — guaranteed	**3.65–6.15**	**2024**	**44,364**	3.85–6.15	2023	28,782
Bank borrowings — secured	**3.90–5.43**	**2024**	**166,600**	4.05–5.88	2023	155,379
Other borrowings — secured	**4.70–10.79**	**2024**	**225,618**	6.90–10.79	2023	326,239
			436,582			510,400
Non-current liabilities						
Bank borrowings — unguaranteed	**4.65**	**2025**	**200,000**	4.65–4.70	2025	200,000
Bank borrowings — guaranteed	**3.65–6.15**	**2028**	**143,514**	3.85–6.15	2028	161,541
Bank borrowings — secured	**3.90–5.43**	**2044**	**2,584,838**	4.05–5.88	2044	2,048,694
Other borrowings — secured	**4.70–10.00**	**2026**	**143,734**	6.90–10.79	2026	276,956
			3,072,086			2,687,191
			5,951,786			5,398,916

33. Interest-Bearing Bank Borrowings and Other Borrowings (continued)

During the years ended December 31, 2023 and 2022, the Group did not violate any financial covenants under the agreements of bank borrowings and other borrowings.

	2023 RMB'000	2022 RMB'000
Analyzed as:		
Bank borrowings:		
Within one year	2,252,429	2,054,451
Second year	453,872	201,048
Third to fifth year	750,120	800,242
After the fifth year	1,724,360	1,408,945
	5,180,781	4,464,686
Other borrowings:		
Within one year	627,270	657,274
Second year	78,775	167,045
Third to fifth year	64,960	109,911
	771,005	934,230
	5,951,786	5,398,916

As at December 31, 2023, no (2022: RMB130,000,000) interest-bearing bank borrowings of the Group was guaranteed by the Shanxi CIG.

As at December 31, 2023, the interest-bearing other borrowings which were amounted to RMB453,736,000 (2022: RMB500,508,000), which were provided by the related parties, who are controlled by the Shanxi CIG. As at December 31, 2023, the interest-bearing other borrowings was amounted to RMB206,215,000 (2022: RMB100,000,000), which was provided by the related party, who is controlled by SSCO.

As at December 31, 2023, certain trade and bills receivable with net carrying amount of RMB1,113,665,000 (2022: RMB828,866,000) had been pledged for bank borrowings and other borrowings granted to the Group, details of which were set out in note 41.

As at December 31, 2023, certain equipment and components controlled by customers with net carrying amount of RMB656,365,000 (2022: RMB620,805,000) had been pledged for bank borrowings granted to the Group.

As at December 31, 2023, certain contract assets and receivables under service concession arrangements of service concession projects with net carrying amounts of RMB962,696,000 (2022: RMB18,894,000) and RMB1,989,180,000 (2022: RMB2,266,484,000), respectively had been pledged for bank borrowings granted to the Group, details of which were set out in note 41.

34. Tax Payable

	2023 RMB'000	2022 RMB'000
Corporate income tax	**28,952**	32,704

35. Current Portion of Non-Current Liabilities

	2023 RMB'000	2022 RMB'000
Current portion of long-term borrowings (Note 33)	**436,582**	510,400
Current portion of deferred income (Note 36)	**2,875**	—
Current portion of long-term payables (Note 32)	**300,000**	—
Current portion of lease liabilities (Note 37)	**11,835**	4,501
Total	**751,292**	514,901

36. Deferred Income

	2023 RMB'000	2022 RMB'000
Government grants		
Subsidies for construction projects (note)	**21,563**	23,000
Less: current portion of deferred income (Note 35)	**(2,875)**	—
	18,688	23,000

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

37. Lease Liabilities

	2023 **RMB'000**	2022 RMB'000
Total minimum lease payments		
Due within one year	**18,705**	7,920
Due within second to fifth year	**88,858**	25,509
Due after fifth years	**135,001**	86,629
	242,564	120,058
Future finance charges on lease liabilities	**(73,321)**	(49,257)
Present value of lease liabilities	**169,243**	70,801

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

	2023 **RMB'000**	2022 RMB'000
Present value of minimum lease payments		
Due within one year	**11,835**	4,501
Due within second to fifth year	**62,091**	10,909
Due after fifth years	**95,317**	55,391
	169,243	70,801
Less: Portion due within one year included under current liabilities (Note 35)	**(11,835)**	(4,501)
Portion due after one year included under non-current liabilities	**157,408**	66,300

As at December 31, 2023, lease liabilities of and RMB169,243,000 (2022: RMB70,801,000) were secured by underlying assets. The details in relation to these leases are set out in note 17. Total cash outflow from the leases amounted to RMB26,023,000 (2022: RMB20,949,000).

38. Share Capital

	2023 RMB'000	2022 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 RMB'000	2022 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.

39. Reserve

During the years ended December 31, 2023 and 2022, the amounts of the Group's reserves and the changes therein are presented in the consolidated statement of changes in equity.

Capital reserve

Capital reserve comprises share premium and the impact of the conversion to a joint stock limited company and other capital reserve. The amounts of the Company's capital reserve and the movements therein are presented in the consolidated statements of changes in equity.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from translating the financial statements of foreign operations. The reserve is treated in accordance with the accounting policy in note 4.4.

39. Reserve (continued)

Special reserve

The Group has appropriated a certain amount of retained earnings to a special reserve fund for the year ended December 31, 2023 for safety production expense purposes under the rules issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilized and transferred back to retained earnings until such special reserve was fully utilized.

Statutory surplus reserve

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

Other reserves

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

39. Reserve (continued)

Non-controlling interests

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

	Shan'an Bluesky		Shanxi Ningyang Energy Company Limited	
	2023 **RMB'000**	2022 RMB'000	**2023** **RMB'000**	2022 RMB'000
Proportion of ownership interests and voting rights held by the NCI	**43.23%**	43.23%	**49.00%**	49.00%
Current assets	**717,516**	609,375	**11,986**	12,805
Non-current assets	**906,577**	492,865	**209,402**	221,763
Current liabilities	**(228,519)**	(145,200)	**(162,428)**	(160,657)
Non-current liabilities	**(619,582)**	(308,723)	**(3,500)**	(10,500)
Net assets	**775,992**	648,317	**55,460**	63,411
Carrying amount of NCI	**320,141**	272,553	**27,611**	31,521
Revenue	**478,176**	406,456	**263,310**	308,896
Total expenses	**(365,501)**	(303,419)	**(271,261)**	(290,096)
Profit/(loss) for the year	**112,675**	103,037	**(7,951)**	18,800
Total comprehensive income/(loss) for the year	**112,675**	103,037	**(7,951)**	18,800
Profit/(loss) attributable to NCI	**47,588**	43,465	**(3,896)**	9,165
Total comprehensive income/(loss) attributable to NCI	**47,588**	43,465	**(3,896)**	9,165
Net cash flows generated from operating activities	**53,367**	175,678	**9,685**	36,618
Net cash flows used in investing activities	**(349,617)**	(187)	**(1,687)**	(1,227)
Net cash flows generated from/(used in) financing activities	**264,912**	(5,634)	**(7,569)**	(35,909)
Net (decrease)/increase in cash and cash equivalents	**(31,338)**	169,857	**429**	(518)

39. Reserve (continued)

Non-controlling interests (continued)

	Qinshui Shan'an Construction Development Company Limited		Xinjiang Shan'an Waterwork Management Company Limited	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Proportion of ownership interests and voting rights held by the NCI	**20.00%**	20.00%	**10.00%**	10.00%
Current assets	**91,500**	34,066	**80,458**	43,752
Non-current assets	**574,297**	245,322	**473,611**	457,704
Current liabilities	**(141,534)**	(196,447)	**(86,163)**	(121,174)
Non-current liabilities	**(364,333)**	—	**(362,951)**	(359,675)
Net assets	**159,930**	82,941	**104,955**	20,607
Carrying amount of NCI	**31,993**	16,316	**42,383**	9,584
Revenue	**—**	—	**41,547**	1,691
Total expenses	**(8,792)**	(2,141)	**(20,771)**	(20,154)
(Loss)/profit for the year	**(8,792)**	(2,141)	**20,776**	(18,463)
Total comprehensive (loss)/income for the year	**(8,792)**	(2,141)	**20,776**	(18,463)
Loss/(profit) attributable to NCI	**(1,758)**	(421)	**7,371**	(6,551)
Total comprehensive (loss)/income attributable to NCI	**(1,758)**	(421)	**7,371**	(6,551)
Net cash flows (used in)/generated from operating activities	**(392,186)**	(72,407)	**22,457**	43,789
Net cash flows (used in)/generated from investing activities	**(253)**	65	**—**	(94,440)
Net cash flows generated from/(used in) financing activities	**442,103**	85,082	**(18,287)**	44,260
Net increase/(decrease) in cash and cash equivalents	**49,664**	12,740	**4,170**	(6,391)

39. Reserve (continued)

Non-controlling interests (continued)

	Jiexiu Shan'an Waterwork Construction Development Company Limited	
	2023	2022
	RMB'000	RMB'000
Proportion of ownership interests and voting rights held by the NCI	**19.72%**	19.72%
Current assets	**39,326**	55,002
Non-current assets	**392,804**	381,082
Current liabilities	**(75,387)**	(81,360)
Non-current liabilities	**(268,464)**	(294,515)
Net assets	**88,279**	60,209
Carrying amount of NCI	**21,875**	14,891
Revenue	**26,407**	3,645
Total expenses	**(12,465)**	(15,595)
Profit/(loss) for the year	**13,942**	(11,950)
Total comprehensive income/(loss) for the year	**13,942**	(11,950)
Profit/(loss) attributable to NCI	**3,452**	(2,954)
Total comprehensive income/(loss) attributable to NCI	**3,452**	(2,954)
Net cash flows generated from operating activities	**30,060**	14,469
Net cash flows used in investing activities	**(8)**	(32,081)
Net cash flows (used in)/generated from financing activities	**(30,029)**	7,124
Net increase/(decrease) in cash and cash equivalents	**23**	(10,488)

40. Financial Guarantee Contract

As of December 31, 2023, the financial guarantee provided by the Group and the Company to subsidiaries and related parties amounted to approximately RMB3,749,749,000 (2022: RMB3,237,487,000). Amongst which, as of December 31, 2023 and 2022, the Group and the Company provided financial guarantees to the related parties as a joint guarantor with other shareholders of the project company in proportion to the equity interest in the project company for the bank loans procured for the financing of a construction project. As of December 31, 2023, the outstanding balance of the relevant financial guarantees amounted to RMB10,814,000 (2022: RMB60,550,000).

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

	2023 RMB'000	2022 RMB'000
Guarantees provided to the bank in respect of the following borrowings:		
Subsidiaries	2,510,397	2,374,619
Related parties	10,814	60,550
	2,521,211	2,435,169

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

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

	2023 RMB'000	2022 RMB'000
Guarantees provided to the bank in respect of the following borrowings:		
Subsidiaries	1,227,040	802,318
Related parties	1,498	—
	1,228,538	802,318

41. Pledged Assets

As at December 31, 2023 and 2022, the Group's certain assets have been pledged to secure bank borrowings and other borrowings granted to the Group. The gross book value of the pledged assets of the Group as at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Trade receivables and bills receivable (note 27)	1,113,665	828,866
Contract assets (note 33)	962,696	18,894
Receivables under service concession arrangements (note 33)	1,989,180	2,266,484
Restricted bank deposits (note 29)	546,383	748,105
	4,611,924	3,862,349

42. Contingent Liabilities

Litigation related to the construction of public infrastructure

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

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

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

On November 15, 2023, the People's Court rejected the lawsuit of Plaintiff A. Plaintiff A filed an appeal to the Inner Mongolia Autonomous Region High People's Court (the "**High People's Court**") on November 30, 2023. On February 27, 2024, Plaintiff A failed to pay the appeal fee within the specified time limit, and the High People's Court automatically withdrew the appeal in accordance with the PRC Civil Procedure Law. Hence, the ruling is final and the Case would not have any material adverse effect on the Group.

43. Notes to the Consolidated Statements of Cash Flows

	Interest-bearing bank loans and other borrowings RMB'000	Borrowings from related parties (included in other borrowings and other payable) RMB'000	Lease liabilities RMB'000
At January 1, 2022	3,743,531	820,644	71,929
Cash flows:			
— repayment	(1,601,624)	(433,997)	—
— proceeds	2,648,323	518,360	—
— repayment on capital element of lease liabilities	—	—	(4,692)
— repayment on interest element of lease liabilities	—	—	(3,733)
Non-cash transactions:			
— entering into new leases	—	—	3,564
— interest expense	3,679	—	3,733
At December 31, 2022 and January 1, 2023	**4,793,909**	**905,007**	**70,801**
Cash flows:			
— repayment	**(2,507,638)**	**(450,787)**	**—**
— proceeds	**3,001,805**	**507,793**	**—**
— repayment on capital element of lease liabilities	**—**	**—**	**(10,855)**
— repayment on interest element of lease liabilities	**—**	**—**	**(5,755)**
Non-cash transactions:			
— entering into new leases	**—**	**—**	**109,297**
— interest expense	**1,697**	**—**	**5,755**
At December 31, 2023	**5,289,773**	**962,013**	**169,243**

44. Operating Lease Arrangement

As a lessor

The Group rented investment properties in accordance with the operating lease arrangement (note 16), for a term of 1 to 5 years as agreed. Tenants are generally required to pay deposits according to the terms of the leases and rents will be adjusted regularly based on the prevailing market conditions.

As at December 31, 2023 and 2022, the Group's total future aggregate minimum lease receipts under non-cancellable operating lease is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	7,849	7,284
In the second to the fifth year	949	2,402
	8,798	9,686

As a lessee

As at December 31, 2023 and 2022, the Group's lease commitment for short term leases is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	2,629	1,701

45. Capital Commitments

The Group has the following capital commitments as at December 31, 2023 and 2022:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided		
Property, plant and equipment	173,240	30,200
Subscribed capital contribution of associates	123,835	104,460
	297,075	134,660

46. Related Party Transactions

(a) During the year ended December 31, 2023 and 2022, the Group had the following material transactions with related parties, which are not disclosed elsewhere in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Associates		
Sales transactions:		
Specialized industrial construction	18,895	97,963
Specialized auxiliary construction	1,182	—
Other construction	2,719	23,521
Non-construction	1,359	12,170
	24,155	133,654
Procurement transactions:		
Payment of labor forces	298,376	529,655
Payment for construction	678	—
Payment for equipment	—	356
Lease payment	1,713	8,144
Service fees	9,326	7,652
	310,093	545,807
Other transaction:		
Interest income	1,536	107
Affiliates under common control by Shanxi CIG*		
Sales transactions:		
Specialized industrial construction	310,056	125,063
Specialized auxiliary construction	106,824	211,622
Other construction	132,164	239,889
Non-construction	82,300	162,968
	631,344	739,542

46. Related Party Transactions (continued)

(a) During the year ended December 31, 2023 and 2022, the Group had the following material transactions with related parties, which are not disclosed elsewhere in the consolidated financial statements: (continued)

	2023 RMB'000	2022 RMB'000
Affiliates under common control by Shanxi CIG*		
Procurement transactions:		
Payment for materials	999,221	1,131,356
Payment of labor forces	838	1,932
Payment for construction	39,973	79,771
Lease payments	7,421	4,962
Payment for equipment	—	1,433
Service fees	4,769	1,028
	1,052,222	1,220,482
Other transactions:		
Interest income	—	1,767
Finance charge on factoring (Note 8)	—	9,534
Interest expense	54,974	96,178
Affiliates under common control by SSCO (excluding Shanxi CIG)		
Sales transactions:		
Specialized industrial construction	333,328	353,577
Specialized auxiliary construction	9,912	9,303
Other construction	55,628	50,237
Non-construction	283,430	274,648
	682,298	687,765
Procurement transactions:		
Payment for materials	260,255	537,867
Payment of labor forces	2,773	141
Payment for construction	6,595	6,154
Payment for equipment	195	20,478
Service fees	60	525
	269,878	565,165
Other transaction:		
Interest expense	8,869	7,360

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

46. Related Party Transactions (continued)

(b) Outstanding balances with related parties:

	2023 RMB'000	2022 RMB'000
Trade receivables and bills receivable:		
Associates		
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	55,935	37,749
Taiyuan Xie'an Property Service Co., Ltd.	—	271
Yu'an Hengchuang	10,252	9,946
Shanxi Jianfa Comprehensive Energy Development Co., Ltd.	1,734	8,786
	67,921	56,752
Related parties		
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	363,999	614,119
Affiliates under common control by SSCO (excluding Shanxi CIG)	514,352	471,043
	878,351	1,085,162
Total	946,272	1,141,914
Trade payables:		
Associates		
Taiyuan Xie'an Property Service Co., Ltd.	2,132	1,252
Shanxi Jiantou Cloud Data Technology Co., Ltd.	300	—
Yu'an Hengchuang	218,794	281,854
	221,226	283,106
Related parties		
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	937,100	516,193
Affiliates under common control by SSCO (excluding Shanxi CIG)	201,126	184,600
	1,138,226	700,793
	1,359,452	983,899

46. Related Party Transactions (continued)

(b) Outstanding balances with related parties: (continued)

	2023 RMB'000	2022 RMB'000
Prepayments, deposits and other receivables:		
Trade in nature		
Associates		
Taiyuan Xie'an Property Service Co., Ltd.	—	195
Yu'an Hengchuang	10,074	45,575
	10,074	45,770
Related parties		
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	106,706	25,798
Affiliates under common control by SSCO (excluding Shanxi CIG)	2,170	33,493
	108,876	59,291
	118,950	105,061
Dividend receivables:		
Associate		
Shanxi Jiantou Cloud Data Technology Co., Ltd.	909	—
Related party		
Affiliate under common control by Shanxi CIG	103	—
	1,012	—
Non-trade in nature		
Associates		
Shanxi Construction Investment International Investment Co., Ltd.	3,061	23,532
Shanxi Transformation Comprehensive Reform Demonstration Zone Shan'an Xiaohe Construction Industry Co., Ltd.	—	7,682
	3,061	31,214
Former associates		
Jincheng Danhe Huada Real Estate Development Co., Ltd.	16,971	29,971
Jincheng Danhe Huasheng Real Estate Development Co., Ltd.	17,468	20,468
	34,439	50,439
Related parties		
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	392,654	537,934
Affiliates under common control by SSCO (excluding Shanxi CIG)	1,812	—
	394,466	537,934
	431,966	619,587
Total	551,928	724,648

46. Related Party Transactions (continued)

(b) Outstanding balances with related parties: (continued)

	2023 RMB'000	2022 RMB'000
Advances from customers:		
Associates		
Shanxi Jianfa Comprehensive Energy Development Co., Ltd.	206	168
Shanxi Jiantou Cloud Data Technology Co., Ltd.	—	101
	206	269
Related parties		
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	229,268	113,131
Affiliates under common control by SSCO (excluding Shanxi CIG)	25,150	42,849
	254,418	155,980
Total	254,624	156,249
Other payables:		
Trade in nature		
Associates		
Taiyuan Xie'an Property Service Co., Ltd.	11,776	11,258
Yu'an Hengchuang	7,182	5,086
	18,958	16,344
Related parties		
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	20,831	3,215
Affiliates under common control by SSCO (excluding Shanxi CIG)	1,210	6,739
	22,041	9,954
	40,999	26,298
Non-trade in nature		
Associates		
Yu'an Hengchuang	—	1,900
Jinjian Shan'an	120,000	120,000
Changzhi Caihui Shan'an Energy Technology Co., Ltd.	80	—
	120,080	121,900
Related parties		
Affiliates under common control by Shanxi CIG (not include associates which are also affiliates under control by Shanxi CIG)	652,687	457,677
Affiliates under common control by SSCO (excluding Shanxi CIG)	—	2
	652,687	457,679
	772,767	579,579
Total	813,766	605,877

46. Related Party Transactions (continued)

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

	2023 RMB'000	2022 RMB'000
Salary, allowances and other benefits	**5,677**	11,550
Pension scheme contributions	**963**	899
	6,640	12,449

(d) Undertaking from Shanxi CIG

During the years ended December 31, 2023 and 2022, some of the employees was not willing to contribute to the housing provident fund and the Group have not contribute social insurance and housing provident fund for those employees. Shanxi CIG, undertakes to make up for any outstanding contributions as well as fines or penalties incurred therefrom in accordance with the amount approved by the competent authorities and to compensate the Group in full for any economic losses caused by such matters.

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

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

47. Financial Instruments by Category

The carrying amounts of each financial instrument as at the end of each of the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets measured at FVOCI:		
Unlisted equity investments	**142,526**	138,813
Bills receivable	**256,956**	296,247
Financial assets measured at amortized cost:		
Trade receivables	**6,442,836**	6,075,119
Financial assets included in deposits and other receivables	**789,058**	1,025,154
Restricted bank deposits	**546,383**	748,105
Cash and cash equivalents	**2,090,163**	1,380,892
	10,267,922	9,664,330

	2023 RMB'000	2022 RMB'000
Financial liabilities		
Financial liabilities measured at amortized cost:		
Trade payables and bills payable	**10,394,160**	9,170,618
Other payables (including long-term payable)	**1,283,647**	1,187,562
Interest-bearing bank borrowings and other borrowings	**5,951,786**	5,398,916
Lease liabilities	**169,243**	70,801
	17,798,836	15,827,897

48. Fair Value Measurements of Financial Instruments

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

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

Financial assets measured at FVOCI

Certain financial assets of the Group are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable data under Level 3 of the fair value hierarchy, the Group engages the third party qualified valuers to perform the valuation. The finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The finance department reports findings to the directors of the Company at the end of each reporting period to explain the cause of fluctuations in the fair value.

	2023 **RMB'000**	2022 RMB'000
Carrying amount at the beginning of the year	**138,813**	122,692
Fair value gain for the year, net	**3,713**	16,121
Carrying amount at the end of the year	**142,526**	138,813

48. Fair Value Measurements of Financial Instruments

Financial assets measured at FVOCI (continued)

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

	Fair value hierarchy	Fair value 2023 RMB'000	Fair value 2022 RMB'000	Valuation techniques	Significant inputs	2023	2022	Relationship of unobservable input(s)
Financial assets measured at FVOCI								
Unlisted equity investments	Level 3	**142,526**	138,813	Market comparison method	Discount for lack of marketability	**26.93% to 28.81%**	26.93% to 28.81%	The higher the discount rate, the lower the fair value
					Price-to-book ratio ("**P/B ratio**")	**1.47 to 1.61**	1.45 to 1.61	The higher the P/B ratio, the higher the fair value
Bills receivable	Level 2	**256,956**	296,247	Based on discounted cash flow that capture the present value of future expected cash flows derived from underlying assets		**N/A**	N/A	The higher the discount rate, the lower the fair value

There was no transfer between level 1, 2 and 3 and no transfer into or out of level 2 and 3 during the years ended December 31, 2023 and 2022.

The unlisted equity investments are measured at fair value and classified as Level 3 fair value measurement. The fair value is estimated by multiplying P/B ratio of the identified comparable companies by the book value of the unlisted equity investments, respectively with adjusting to discount rate for lack of marketability.

Should the discount rate increase or decrease by 5%, the fair value of the unlisted equity investments would be decreased or increased by approximately RMB7,126,000 (2022: RMB6,941,000) as at December 31, 2023.

Bills receivable at FVOCI is measured at fair value as at December 31, 2023 and 2022. In the opinion of the Directors, the fair value of bills receivable is close to its carrying amounts given all bills receivable will mature within one year.

The fair values of non-current portion of contract assets and non-current portion of interesting-bearing bank borrowings and other borrowings are calculated by discounting the expected future cash flows with interest rate used being applied to the financial instruments with similar maturity, credit risk and remaining maturity. As at December 31, 2023 and 2022, the non-performance risk for the non-current portion of interesting-bearing bank borrowings and other borrowings of the Group was considered to be insignificant.

49. Financial Risk Management Objectives and Policies

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

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

Interest rate risk

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

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

	Actual interest rate range	**Increase/ (decrease) in basic points**	**(Decrease)/ increase in profit after tax** RMB'000
As at December 31, 2023			
Bank borrowings and other borrowings bearing variable interest rate	**1.70%–10.79%**	**100**	**(44,639)**
		(100)	**44,639**
As at December 31, 2022			
Bank borrowings and other borrowings bearing variable interest rate	1.45%–10.79%	100	(40,492)
		(100)	40,492

49. Financial Risk Management Objectives and Policies (continued)

Credit risk

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

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

As at December 31, 2023 and 2022, the maximum exposure to credit risk by the Group for each item under the consolidated financial statements is the carrying amount as disclosed in the Note 47.

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

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

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

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

Historical loss rate

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

49. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

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

Historical loss rate (continued)

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

(a) significant financial difficulty of the customer;

(b) a breach of contract, such as a default or past due event;

(c) it is becoming probable that the customer will enter into bankruptcy or other financial reorganization; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

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

Forward looking adjustment

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

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

49. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

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

Forward looking adjustment (continued)

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

As at December 31, 2023, among the ECL allowance for trade receivables as below, the ECL allowance for trade receivables individually was approximately RMB106,078,000 (2022: RMB93,396,000), and the total book values before ECL allowance was approximately RMB106,078,000 (2022: RMB93,396,000).

Based on the above, ECL allowance for trade receivables and bills receivable, receivables under service concession arrangements and contract assets as at the end of each reporting period has been determined as below:

	2023 RMB'000	2022 RMB'000
Expected credit losses rate:		
— trade receivables (note)	5.58%	4.74%
— bills receivable	1.00%	1.04%
— receivables under service concession arrangements	1.20%	1.18%
— contract assets	1.20%	1.19%
Gross carrying amount:		
— trade receivables	6,823,406	6,377,191
— bills receivable	259,541	299,367
— receivables under service concession arrangements	2,785,250	2,769,022
— contract assets	7,158,538	6,408,982
Expected credit losses:		
— trade receivables	380,570	302,072
— bills receivable	2,585	3,120
— receivables under service concession arrangements	33,370	32,663
— contract assets	85,768	76,482

49. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

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

Forward looking adjustment (continued)

Note: The following table is an aging analysis of the net carrying amount of the trade receivables (based on invoice date) together with the expected credit loss rate at the end of each reporting period:

	2023		2022	
	Trade receivables RMB'000	Expected credit loss rate	Trade receivables RMB'000	Expected credit loss rate
Within 1 year	4,212,648	1.20%	4,380,473	1.20%
1 to 2 years	1,508,741	3.68%	1,032,153	3.96%
2 to 3 years	454,044	7.66%	396,423	7.17%
3 to 4 years	165,895	13.15%	209,197	15.17%
4 to 5 years*	101,508	26.45%	56,873	40.30%
Over 5 years	—	100.00%	—	100.00%
Total	6,442,836	5.58%	6,075,119	4.74%

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

Other financial assets measured at amortized cost

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

49. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

Other financial assets measured at amortized cost (continued)

Besides, as at December 31, 2023, it is expected that deposits and other receivables from debtors amounts to RMB789,058,000 (2022: RMB1,025,154,000) in aggregate. As disclosed in note 28, except for the deposits and other receivables fall within the Stage 2 and Stage 3, the management of the Group considers there is no significant increase in credit risk on deposits and other receivables since initial recognition as the risk of default is low after taking into account the factors in note 4.12. Therefore, expected credit losses determination is based on 12-months expected credit losses for deposits and other receivables under Stage 1. The expected credit losses ratio for deposits and other receivables is 4.50% (2022: 3.53%) as at December 31, 2023.

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

Liquidity risk

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

The maturity profile of the Group's financial liabilities, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Book value RMB'000
As at December 31, 2023					
Trade payables and bills payable	10,394,160	—	—	10,394,160	10,394,160
Other payables and accruals (including long-term payable)	1,291,699	—	—	1,291,699	1,283,647
Interest-bearing bank borrowings and other borrowings	3,858,447	2,332,994	1,806,108	7,997,549	5,951,786
Lease liabilities	18,705	88,858	135,001	242,564	169,243
	15,563,011	2,421,852	1,941,109	19,925,972	17,798,836
Financial guarantee issued maximum amount (note)	12,312	—	—	12,312	—

49. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

	Within 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Book value RMB'000
As at December 31, 2022					
Trade payables and bills payable	9,170,618	—	—	9,170,618	9,170,618
Other payables and accruals (including long-term payable)	916,662	308,245	—	1,224,907	1,187,562
Interest-bearing bank borrowings and other borrowings	2,959,585	1,727,845	1,483,218	6,170,648	5,398,916
Lease liabilities	7,920	105,139	6,999	120,058	70,801
	13,054,785	2,141,229	1,490,217	16,686,231	15,827,897
Financial guarantee issued maximum amount (note)	60,550	—	—	60,550	—

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

Capital management

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

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any external capital requirements. During the year ended December 31, 2023, there are no changes in capital management objectives, policies or procedures.

The Group monitors capital using a gearing ratio, which is the sums of interest-bearing borrowings divided by total equity. Total equity includes the equity attributable to equity holders of the Company and NCIs stated in the consolidated statements of financial position.

49. Financial Risk Management Objectives and Policies (continued)

Capital management (continued)

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

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Interest-bearing bank and other borrowings (Note 33)	**5,951,786**	5,398,916
Total equity	**3,125,804**	2,232,920
Gearing ratio	**1.90**	2.42

50. Statement of Financial Position of the Company

	2023	2022
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**189,104**	208,907
Investment properties	**186,805**	186,120
Right-of-use assets	**110,777**	71,271
Intangible assets	**445**	992
Contract assets	**615,273**	600,474
Investments in subsidiaries	**1,217,374**	1,032,784
Investments in associates	**195,104**	183,327
Other non-current assets	**2,277**	7,571
Deferred tax assets	**76,845**	57,774
Financial assets measured at FVOCI	**142,526**	138,813
	2,736,530	2,488,033
Current assets		
Inventories	**148,925**	122,817
Contract assets	**5,304,288**	4,921,954
Receivables under service concession arrangements	**77,096**	131,229
Trade receivables and bills receivable	**6,052,777**	5,773,682
Prepayments, deposits and other receivables	**2,268,589**	2,150,567
Restricted bank deposits	**542,518**	747,505
Cash and cash equivalents	**1,538,309**	776,081
	15,932,502	14,623,835

50. Statement of Financial Position of the Company (continued)

	2023 RMB'000	2022 RMB'000
Current liabilities		
Trade payables and bills payable	**10,206,292**	9,417,093
Contract liabilities	**1,403,931**	2,055,348
Employee benefits payable	**74,918**	77,378
Other payables and accruals	**1,878,676**	1,869,318
Short-term borrowings	**2,073,466**	1,145,935
Current portion of non-current liabilities	**513,103**	312,910
	16,150,386	14,877,982
Net current liabilities	**(217,884)**	(254,147)
Total assets less current liabilities	**2,518,646**	2,233,886
Non-current liabilities		
Long-term payable	**—**	300,000
Long-term borrowings	**331,734**	444,956
Lease liabilities	**34,867**	2,319
Employee benefits payable	**28,790**	30,790
Deferred tax liabilities	**25,182**	17,627
	420,573	795,692
Net assets	**2,098,073**	1,438,194
Equity		
Share capital	**1,373,486**	1,000,000
Reserves (note)	**724,587**	438,194
Total equity	**2,098,073**	1,438,194

Approved and authorised for issue by the board of directors on March 27, 2024.

REN Rui
Director

ZHANG Yan
Director

50. Statement of Financial Position of the Company (continued)

Note:

The movement of the Company's reserves are as follows:

	Share capital RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at January 1, 2022	1,000,000	278,503	66,899	83	1,171	33,660	1,380,316
Profit for the year	—	—	—	—	—	75,264	75,264
Other comprehensive income for the year	—	—	11,381	—	—	—	11,381
Total comprehensive income for the year	—	—	11,381	—	—	75,264	86,645
Appropriation to statutory surplus reserve	—	—	—	—	7,526	(7,526)	—
Dividends declared	—	—	—	—	—	(28,767)	(28,767)
Provision of special reserve	—	—	—	181,995	—	(181,995)	—
Utilization of special reserve	—	—	—	(182,078)	—	182,078	—
	—	—	—	(83)	7,526	(36,210)	(28,767)
As at December 31, 2022 and January 1, 2023	**1,000,000**	**278,503**	**78,280**	**—**	**8,697**	**72,714**	**1,438,194**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**13,641**	**13,641**
Other comprehensive income for the year	**—**	**—**	**2,876**	**—**	**—**	**—**	**2,876**
Total comprehensive income for the year	**—**	**—**	**2,876**	**—**	**—**	**13,641**	**16,517**
Appropriation to statutory surplus reserve	**—**	**—**	**—**	**—**	**1,364**	**(1,364)**	**—**
Dividends declared	**—**	**—**	**—**	**—**	**—**	**(71,678)**	**(71,678)**
Issuance of ordinary shares by initial public offering	**373,486**	**341,554**	**—**	**—**	**—**	**—**	**715,040**
Provision of special reserve	**—**	**—**	**—**	**190,541**	**—**	**(190,541)**	**—**
Utilization of special reserve	**—**	**—**	**—**	**(190,541)**	**—**	**190,541**	**—**
	373,486	**341,554**	**—**	**—**	**1,364**	**(73,042)**	**643,362**
As at December 31, 2023	**1,373,486**	**620,057**	**81,156**	**—**	**10,061**	**13,313**	**2,098,073**

DEFINITIONS

"Articles of Association"	the articles of association of the Company, as amended from time to time, which became effective on the Listing Date
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	our board of Directors
"Board Committees"	the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee
"Board of Supervisors"	the board of Supervisors of the Company
"Central SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"CG Code"	Corporate Governance Code as contained in Appendix C1 to the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China
"Company", "our Company", "Shanxi Installation" or "we"	Shanxi Installation Group Co., Ltd. (山西省安裝集團股份有限公司) (formerly known as Shanxi Industrial Equipment Installation Company* (山西省工業設備安裝公司), Shanxi Industrial Equipment Installation Co., Ltd.* (山西省工業設備安裝有限公司) and Shanxi Industrial Equipment Installation Group Co., Ltd.* (山西省工業設備安裝集團有限公司)), a company established under the laws of the PRC on November 20, 1989 whose H shares are listed on the Hong Kong Stock Exchange
"Company Law"	the Company Law of the PRC
"Controlling Shareholders"	Has the meaning given to it under the Hong Kong Listing Rules
"Director(s)"	the director(s) of the Company
"EPC" or "EPC Projects"	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
"Group"	the Company and its subsidiaries
"H Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which is/are listed on the Hong Kong Stock Exchange and overseas listed foreign share(s) traded in Hong Kong dollars

"HK$"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company
"Latest Practicable Date"	April 22, 2024, being the latest practicable date prior to the publication of this annual report for the purpose of ascertaining certain information contained herein
"Listing Date"	the day of listing of the H Shares on the Main Board of the Hong Kong Stock Exchange, November 22, 2023
"LNG"	Liquified natural gas
"Macau"	the Macao Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
"NEEQ"	National Equities Exchange and Quotations
"Nomination Committee"	The nomination committee of the Board
"Non-competition Agreement"	the non-competition agreement dated November 3, 2023 and entered into by Shanxi CIG (for itself and each member of its group, excluding members of the Group) in favor of the Company (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time)
"PPP"	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
"Prospectus"	the prospectus issued by the Company dated November 10, 2023
"Remuneration and Appraisal Committee"	The remuneration and appraisal committee of the Board

"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"SCIG Group"	Shanxi CIG and its subsidiaries, for the purpose of this annual report, except the Group
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shan'an Bluesky"	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 company incorporated in the PRC, whose shares are listed on the NEEQ, and a subsidiary of the Company
"Shan'an Lide"	Shanxi Shan'an Lide Environmental Technology Company Limited* (山西山安立德環保科技有限公司) (formerly known as "Shanxi Shan'an Lide Energy Reservation Technology Company Limited (山西山安立德節能科技有限公司)), a company incorporated in the PRC and a 75% owned subsidiary of the Company.
"Shanxi CIG"	Shanxi Construction Investment Group Co., Ltd.* (山西建設投資集團有限公司), a state-owned company established under the laws of the PRC and our Controlling Shareholder
"Shanxi SASAC"	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)
"Share(s)"	comprising Domestic Shares and H Shares
"Shareholder(s)"	shareholder(s) of the Company, including holder(s) of Domestic Shares and holder(s) of H Shares
"SSCO"	Shanxi State-Owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司)
"Supervisor"	the supervisor of the Company
"Xie'an Property"	Taiyuan Xie'an Property Service Company Limited* (太原諧安物業服務有限公司), a limited liability company incorporated in the PRC and owned as to 51% by SCIG City Operation Group Company Limited* (山西建投城市營運集團有限公司), a wholly-owned subsidiary of Shanxi CIG and owned as to 49% by the Group.
"%"	percentage

山西安装

山西建投
SHANXI CIG