

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

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

**中天建設（湖南）集團有限公司**

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

**(Stock Code: 2433)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024**

#### **FINANCIAL HIGHLIGHTS**

- For the six months ended 30 June 2024, the unaudited revenue of the Group was approximately RMB356.5 million, representing a decrease of approximately 47.7% as compared to approximately RMB681.4 million for the corresponding period in 2023.
- The Group's gross profit dropped from approximately RMB79.5 million for the six months ended 30 June 2023 to approximately RMB38.7 million, and the gross profit margin also decreased from approximately 11.7% for the six months ended 30 June 2023 to approximately 10.9% for the six months ended 30 June 2024.
- The loss attributable to owners of the Company for the six months ended 30 June 2024 was approximately RMB21.6 million (six months ended 30 June 2023: profit of RMB18.8 million).
- For the six months ended 30 June 2024, basic losses per share was approximately RMB4.23 cents (six months ended 30 June 2023: earnings per share RMB4.27 cents).
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Zhongtian Construction (Hunan) Group Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together referred to as the “**Group**” or “**we**”) for the six months ended 30 June 2024 (the “**1H2024**”) together with the corresponding comparative figures for the six months ended 30 June 2023 (“**1H2023**”) as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2024*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	5	<b>356,507</b>	681,356
Cost of sales		<b>(317,772)</b>	(601,869)
<b>Gross profit</b>		<b>38,735</b>	79,487
Other income and other gains, net	6	<b>591</b>	516
Administrative and other expenses		<b>(34,936)</b>	(37,228)
Listing expenses		<b>—</b>	(10,998)
Impairment on financial and contract assets, net		<b>(28,492)</b>	(5,771)
Finance costs	7	<b>(2,741)</b>	(4,054)
<b>(Loss)/profit before income tax</b>	8	<b>(26,843)</b>	21,952
Income tax credit/(expense)	9	<b>4,130</b>	(2,963)
<b>(Loss)/profit and total comprehensive income for the period</b>		<b>(22,713)</b>	18,989
<b>(Loss)/profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(21,551)</b>	18,824
Non-controlling interests		<b>(1,162)</b>	165
		<b>(22,713)</b>	18,989
<b>(Loss)/earnings per share attributable to owners of the Company for the period</b>			
Basic and diluted (expressed in RMB cents per share)	11	<b>(4.23)</b>	4.27

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

		<b>30 June 2024</b>	31 December 2023
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>19,268</b>	21,262
Investment properties		<b>9,087</b>	—
Deferred tax assets		<b>11,500</b>	6,843
Intangible assets		<b>40</b>	41
		<hr/>	<hr/>
		<b>39,895</b>	28,146
<b>Current assets</b>			
Inventories		<b>4,358</b>	801
Trade, bills and other receivables	12	<b>611,107</b>	453,522
Contract assets		<b>1,517,563</b>	1,476,028
Amounts due from shareholders		<b>316</b>	—
Restricted bank deposits		<b>10,467</b>	19,061
Cash and cash equivalents		<b>56,422</b>	59,609
		<hr/>	<hr/>
		<b>2,200,233</b>	2,009,021
<b>Current liabilities</b>			
Trade payables	13	<b>857,438</b>	808,587
Bills payables		<b>76,933</b>	15,000
Accruals and other payables		<b>656,639</b>	557,309
Contract liabilities		<b>10,529</b>	9,497
Amount due to a shareholder		<b>100</b>	—
Lease liabilities		<b>349</b>	338
Borrowings	14	<b>108,147</b>	108,362
Income tax payable		<b>17,953</b>	18,121
		<hr/>	<hr/>
		<b>1,728,088</b>	1,517,214
<b>Net current assets</b>		<hr/> <b>472,145</b> <hr/>	<hr/> 491,807 <hr/>
<b>Total assets less current liabilities</b>		<hr/> <b>512,040</b> <hr/>	<hr/> 519,953 <hr/>

		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Lease liabilities		<b>1,302</b>	1,464
Borrowings	14	<b>7,177</b>	6,029
		<b>8,479</b>	7,493
<b>NET ASSETS</b>		<b><u>503,561</u></b>	<u>512,460</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>5,132</b>	4,245
Reserves		<b>488,955</b>	497,579
		<b>494,087</b>	501,824
<b>Non-controlling interests</b>		<b>9,474</b>	10,636
<b>TOTAL EQUITY</b>		<b><u>503,561</u></b>	<u>512,460</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 1. GENERAL INFORMATION

Zhongtian Construction (Hunan) Group Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 27 March 2020. The Company’s registered office is located at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands. The principal place of business of the Company is located in the People’s Republic of China (the “**PRC**”). The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 30 March 2023.

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

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

## 2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2023 (the “**Annual Report 2023**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial information has been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the Annual Report 2023 except for the adoption of new or amended HKFRSs as mentioned in note 3.

In preparing the unaudited condensed consolidated interim financial information, the significant judgment made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the Annual Report 2023.

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

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

Except as described below, the accounting policies applied are consistent with those of the 2023 financial statements as described therein.

#### **New and amendments to standards and interpretation adopted by the Group**

The following amendments are effective for the period beginning 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of the amendments to standards have a material effect on the reported results or financial position of the Group for both current and prior reporting periods. The Group has not early applied any amendments to standards or interpretations that is not yet effective for the current accounting period.

## 4. SEGMENT INFORMATION

### (a) Operating segment information

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

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

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

The major operating entities of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during 1H2024 and 1H2023.

As at 30 June 2024 and 31 December 2023, all of the non-current assets were located in the PRC.

### (b) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for 1H2024 and 1H2023, is set out below:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A	<b><u>35,883</u></b>	<b><u>N/A*</u></b>

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





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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Hunan	<b>257,348</b>	487,436
Hainan	<b>50,168</b>	172,615
	<b>307,516</b>	660,051
Others	<b>48,991</b>	21,305
	<b>356,507</b>	681,356

## 6. OTHER INCOME AND OTHER GAINS, NET

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income on bank deposits	<b>85</b>	276
Government grants ( <i>Note</i> )	<b>507</b>	205
Gain on disposal of property, plant and equipment	<b>1</b>	—
Others	<b>(2)</b>	35
	<b>591</b>	516

*Note:*

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

## 7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest charge on lease liabilities	39	—
Interest charge on borrowings	2,702	4,054
	<u>2,741</u>	<u>4,054</u>

## 8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging the followings:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories	145,446	268,658
Auditors' remuneration	300	329
Depreciation of owned property, plant and equipment	2,325	1,815
Depreciation of right-of-use assets	155	—
Depreciation of investment properties	50	—
Amortisation of intangible assets	1	2
Gain on disposal of property, plant and equipment	(1)	—
Research costs	9,352	17,987
Short-term leases expenses		
— Office premises	2	214
— Machinery and equipment	19,120	41,491
Staff costs (including directors' emoluments):		
— Salaries and wages	10,927	10,856
— Retirement scheme contributions	3,878	3,173
Listing expenses	—	10,998

## 9. INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>PRC Enterprise Income Tax</b>		
Current period	527	3,832
Deferred tax	<u>(4,657)</u>	<u>(869)</u>
	<b><u>(4,130)</u></b>	<b><u>2,963</u></b>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of the Group is 25% for 1H2024 and 1H2023, except for the following subsidiaries:

A subsidiary of the Company has been certified as new high technology enterprise in the PRC and enjoyed a preferential enterprise income tax rate of 15% for 1H2024 and 1H2023.

Two subsidiaries of the Company were qualified as small enterprise and are eligible for preferential tax rate for 1H2024 and 1H2023.

## 10. DIVIDENDS

No dividends were paid or declared by the Company for 1H2024 and 1H2023.

## 11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company ( <i>RMB'000</i> )	(21,551)	18,824
Weighted average number of shares in issue ( <i>note</i> )	<u>508,917,000</u>	<u>440,697,000</u>
Basic (loss)/earnings per share ( <i>RMB cents</i> )	<u>(4.23)</u>	<u>4.27</u>

*Note:*

The weighted average number of ordinary shares derived from the calculation of the basic loss per share for 1H2024, includes 480,000,000 ordinary shares of the Company in issue as at 1 January 2024, in addition to 96,000,000 ordinary shares of the Company issued under the placing completed in June 2024.

The weighted average number of ordinary shares derived from the calculation of basic earnings per share for 1H2023 is 440,697,000 ordinary shares in issue.

Diluted (loss)/earnings per share presented is the same as the basic earnings per share as the Group has no dilutive potential ordinary share outstanding for 1H2024 (2023: same).

The basic and diluted (loss)/earnings per share for 1H2024 and 1H2023 have been adjusted to reflect the bonus element in the placing of shares of the Company during the period.

## 12. TRADE, BILLS AND OTHER RECEIVABLES

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Trade receivables		
— Third parties	<b>34,894</b>	17,421
— Related parties	<b>332,980</b>	366,606
	<b>367,874</b>	384,027
Bills receivables	<b>2,911</b>	1,700
Impairment provision for		
— Trade receivables	<b>(18,318)</b>	(17,867)
— Bills receivables	<b>(37)</b>	(19)
	<b>(18,355)</b>	(17,886)
Trade and bills receivables, net	<b>352,430</b>	367,841
Deposits and other receivables	<b>197,837</b>	69,642
Prepayments	<b>96,531</b>	26,041
Impairment provision for deposits and other receivables	<b>(35,691)</b>	(10,002)
Other receivables, prepayments and deposits, net	<b>258,677</b>	85,681
	<b>611,107</b>	453,522

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

	<b>30 June 2024</b>	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables, aged		
0–90 days	<b>42,978</b>	85,709
91–180 days	<b>72,230</b>	40,055
181–365 days	<b>81,365</b>	79,264
1–2 years	<b>96,672</b>	107,112
2–3 years	<b>27,522</b>	35,554
Over 3 years	<b>28,789</b>	18,466
	<b><u>349,556</u></b>	<b><u>366,160</u></b>

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

As at 30 June 2024, trade and bills receivables arising from provision of construction services of RMB33.8 million were pledged as securities for the Group's borrowings (31 December 2023: nil).

### 13. TRADE PAYABLES

	<b>30 June 2024</b>	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables		
— Third parties	<b>834,933</b>	759,239
— Related parties	<b>22,505</b>	49,348
	<b><u>857,438</u></b>	<b><u>808,587</u></b>

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
0–90 days	<b>92,746</b>	180,297
91–180 days	<b>77,542</b>	105,303
181–365 days	<b>218,541</b>	96,191
1–2 years	<b>353,294</b>	318,410
Over 2 years	<b>115,315</b>	108,386
	<b><u>857,438</u></b>	<b><u>808,587</u></b>

#### 14. BORROWINGS

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
<b>Current</b>		
— Bank borrowings, secured/guaranteed	<b>51,535</b>	50,055
— Bank borrowings, unsecured	<b>55,644</b>	57,162
— Other borrowings, secured	<b>968</b>	1,145
	<b><u>108,147</u></b>	<u>108,362</u>
<b>Non-current</b>		
— Bank borrowings, secured	<b>7,177</b>	5,634
— Other borrowings, secured	<b>—</b>	395
	<b><u>7,177</u></b>	<u>6,029</u>
	<b><u>115,324</u></b>	<b><u>114,391</u></b>

Bank borrowings were repayable as follows:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 1 year	107,179	107,217
1–2 years	4,387	2,834
2–5 years	2,790	2,800
	<b><u>114,356</u></b>	<b><u>112,851</u></b>

Other borrowings were repayable as follows:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 1 year	968	1,145
1–2 years	—	395
	<b><u>968</u></b>	<b><u>1,540</u></b>

The borrowings were secured by the following assets:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Property, plant and equipment	16,774	8,966
Trade and bills receivables ( <i>note 12</i> )	33,750	—
Bank deposit	3,000	5,000
Intangible assets	40	41
	<b><u>40</u></b>	<b><u>41</u></b>

*Note:*

As at 30 June 2024, the Group's aggregate available unutilised banking facilities amounted to approximately RMB10.8 million (2023: approximately RMB90 million).

As at 30 June 2024, the Group could not fulfil certain financial covenants as set out in the loan facility agreements by the banks on the bank borrowings in the total amount of RMB79 million, which were classified as current liabilities of the Group. Subsequent to the reporting period, the Group had obtained waivers from the banks for the breach of the financial covenants (the "Waivers"). The Group did not receive any demand notice for repayment of any bank loans as a result of the aforementioned breach of financial covenants. In the opinion of the directors, based on the Waivers obtained, the Group is no longer in breach of any covenants or cross-default provisions under the Group's loan facility agreements.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND FUTURE OUTLOOK**

The Group is a general contracting construction group in Hunan Province with over 45 years of operating history and is principally engaged in the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consist of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting.

During 1H2024, the PRC construction market was significantly and adversely affected by the continued decline in the property market and the economic downturn in China, which impacted investments in real estate and municipal works in both the private and public sectors. Our overall revenue from civil building construction, municipal works construction, and prefabricated steel structure construction was significantly affected during the period as a result. The adverse business environment in our upstream market and the tightened budgets of our customers put pressure on our business operations, unavoidably affecting our cash flow and operating results. We have, however, adapted to the changing business environment and prioritised our resources on sectors that are less affected by the market downturn. Our other specialised contracting works saw a 180.9% increase in revenue and reached approximately RMB42.1 million for 1H2024 as compared to 1H2023.

Looking ahead, the PRC construction industry will continue to face significant challenges in 2024. Industry players will strive to compete for the limited number of new projects and maintain their liquidity to weather through the market decline and economic downturn. In the face of the unprecedented challenges brought by the market environment, the Company is committed to navigating these exceptional market conditions with resilience by constantly reviewing and adjusting its customer mix, project portfolio and cost structure and carefully managing its cash flow to ensure the long-term stability and development of our Company.

## FINANCIAL REVIEW

### Revenue

Our Group's revenue plummeted by approximately 47.7% from approximately RMB681.4 million for 1H2023 to approximately RMB356.5 million for 1H2024, due to the shrinkage in overall investments in construction projects in both the private and the public sectors.

### *Construction contracts*

For 1H2024, our revenue generated from construction contracts plummeted by approximately RMB323.3 million or 47.7% from approximately RMB678.2 million in 1H2023 to approximately RMB354.9 million in 1H2024. In 1H2024, our customers were very prudent in launching new projects. The sharp fall in revenue was mainly due to the decrease in revenue generated from civil building construction, municipal works construction, foundation works and prefabricated steel structure construction works, which decreased by approximately RMB130.0 million, RMB155.2 million, RMB3.4 million and RMB61.8 million respectively while partially net-off by the increment in revenue generated from other specialised contracting works of approximately RMB27.1 million.

### *Civil building construction*

For 1H2024, our revenue generated from civil building construction decreased by approximately RMB130.0 million or 40.6% from approximately RMB320.3 million in 1H2023 to RMB190.3 million in 1H2024, which was mainly attributable to the decrease in revenue from Hainan Lixun•Meilun Innovation Park Project (海南力迅•美倫科創園項目) and Hainan Zhongyuan Guosheng Plaza (海南省中源國盛廣場) after completing major phases in 2023. Besides, the overall demand from the market decreased during 1H2024 resulting in the drop of revenue.

### *Municipal works construction*

Our revenue generated from municipal works construction decreased by approximately RMB155.2 million or 63.6% from approximately RMB243.9 million in 1H2023 to RMB88.7 million in 1H2024, which was mainly due to decrease in revenue contributed by the completion of Sanya Shi Third Ring Road Baopo Section Project\* (三亞市三環路抱坡段工程), Hunan Province Huaihua Shi Tongdao Coliseum (湖南省懷化市通道體育館) and Liling Shi Yuci Road Project\* (醴陵市玉瓷路) which totally contributed over RMB100 million in 1H2023. New projects commenced in 1H2024 are relatively small in contract sum compared to those commenced in 1H2023.

### ***Foundation works***

Our revenue generated from foundation works substantially decreased by approximately RMB3.4 million or 44% from approximately RMB7.7 million in 1H2023 to approximately RMB4.3 million in 1H2024, mainly due to our foundation works being mostly ancillary work to civil building construction or municipal works construction and we usually do not undertake isolated foundation works as a subcontractor.

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

For 1H2024, our revenue generated from prefabricated steel structure construction works decreased from approximately RMB91.3 million for 1H2023 to approximately RMB29.4 million for 1H2024, mainly due to the decrease in revenue generated from Zhongtian Lutai\* (中天·麓台) project by approximately RMB16.5 million compared with 1H2023 as the project has approached its later stage of construction and integration in 1H2023. The Group was not awarded new material projects of prefabricated steel structure construction works during 1H2024.

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

During 1H2024, we have prioritised our resources on sectors that are less affected by the market downturn and explored further business opportunities in the other specialised contracting works. As a result of the Company's effort, our revenue from other specialised contracting works increased by approximately 180.9% from approximately RMB15.0 million in 1H2023 to approximately RMB42.1 million in 1H2024 as the Group has undertaken 17 decoration and renovation projects.

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

Our revenue from this sub-segment decreased from RMB3.2 million in 1H2023 to RMB1.6 million in 1H2024.

### **Cost of sales**

Our cost of sales decreased by approximately 47.2% from approximately RMB601.9 million in 1H2023 to approximately RMB317.8 million in 1H2024, which is in line with the decrease in revenue of approximately 47.7%.

### **Gross profit and gross profit margin**

With the decline in revenue, our gross profit fell sharply from approximately RMB79.5 million for 1H2023 to approximately RMB38.7 million for 1H2024. Our overall gross profit margin also dropped slightly from approximately 11.7% for 1H2023 to approximately 10.9% for 1H2024.

## **Other income and other gains**

The other income and gains in 1H2024 slightly increased by approximately RMB0.1 million as compared to 1H2023 mainly due to the increase in government grants which were one-off in nature.

## **Administrative expenses**

Our administrative expenses mainly consisted of research and development costs, salaries and other benefits, depreciation and amortisation, repair and maintenance expenses, office administration expenses and other expenses. For 1H2024, our administrative expenses decreased from approximately RMB37.2 million to approximately RMB34.9 million mainly due to (i) the decrement in research and development costs of approximately RMB8.6 million; and (ii) the decrement in office expenses of approximately RMB1.6 million in 1H2024.

## **Listing expenses**

Listing expenses represented professional services fees incurred for the purpose of the listing of the shares of the Company (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited on 30 March 2023 (the “**Listing Date**”). The Group incurred Listing expenses of approximately RMB11.0 million for 1H2023. No such expense was recorded in 1H2024.

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

Our impairment on financial and contract assets (net) represents the expected credit losses on our trade receivables, other receivables and contract assets. We conducted impairment analysis at the end of each year using a provision matrix to measure expected credit losses. For 1H2023 and 1H2024, our impairment on financial and contract assets was approximately RMB5.8 million and RMB28.5 million, respectively.

For 1H2024, impairment losses on financial and contract assets surged by approximately RMB22.7 million or 393.7% from approximately RMB5.8 million in 1H2023 to approximately RMB28.5 million for 1H2024. Such increase was mainly due to the increase in contract assets, trade receivables, deposits and other receivables as at 30 June 2024 and reassessment of expected recoverable values in light of current market conditions. Our gross amounts of deposits and other receivables increased from approximately RMB69.6 million as at 31 December 2023 to approximately RMB197.8 million as at 30 June 2024 mainly due to increase in other receivables due from customers, leading to the significant increase in the impairment provision for deposits and other receivables from approximately RMB10.0 million as at 31 December 2023 to approximately RMB35.7 million as at 30 June 2024.

## **Finance costs**

Our finance costs in 1H2024 decreased by approximately RMB1.3 million as compared to 1H2023, which was a decrease in average bank and other borrowings as at 30 June 2024, comparing to the last period.

## **Income tax expenses**

Our income tax expenses consist principally of enterprise income tax and movements in deferred tax assets. For 1H2023 and 1H2024, our income tax was RMB3.0 million and tax credit was RMB4.1 million, respectively, and our effective tax rate for the corresponding periods was 13.5% and 15.4%, respectively. Since 1 January 2018, Hunan Zhongtian Construction Group Corporation\* (湖南中天建設集團股份有限公司) (“**Zhongtian Construction**”), our principal operating subsidiary has been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulation and was entitled to a preferential tax treatment of 15%, which is lower than the statutory rate of 25%. The preferential tax treatment in relation to the High and New Technology Enterprise Certificate (高新技術企業證書) will expire on 17 September 2024 unless the High and New Technology Enterprise Certificate (高新技術企業證書) is renewed.

## **Net profit**

The Group recorded a net loss of approximately RMB22.7 million in 1H2023, as compared to a net profit of approximately RMB19.0 million for the six months ended 30 June 2023 which was attributable to the decrease in gross profit of approximately RMB40.8 million and increase in impairment on financial and contract assets of approximately RMB25.0 million.

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

Our sources of funds are a combination of internal generated funds, bank and other borrowings as well as proceeds from equity fund raising activities. As at 30 June 2024, the capital structure of the Company comprised mainly issued share capital and reserves. During 1H2024, the Group held no treasury shares and did not sell any treasury shares.

Reference is made to the Company’s announcements dated 7 June 2024 and 18 June 2024. On 18 June 2024, the Company completed placing of 96,000,000 placing shares, representing (i) 20% of the existing issued share capital of the Company of 480,000,000 shares before the completion of the placing; and (ii) approximately 16.7% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares at the placing price of HK\$0.162 per placing share under general mandate (the “**Placing**”). The gross proceeds from the Placing amounted to approximately HK\$15.6 million, and the net proceeds arising from the Placing amounted to approximately HK\$15.2 million.

As at 30 June 2024, the Group had net current assets of approximately RMB472.1 million (31 December 2023: RMB491.8 million). The Group's current ratio decreased from approximately 1.32 as at 31 December 2023 to approximately 1.27 as at 30 June 2024 due to the increase in trade payables, bill payables and accruals and other payables in total of approximately RMB210.1 million, which is greater than the increase of trade, bills and other receivables and contract assets of approximately RMB199.1 million.

We had lower cash and cash equivalents of approximately RMB56.4 million as at 30 June 2024 as compared with cash and cash equivalents of RMB59.6 million as at 31 December 2023. Our cash and cash equivalents dropped mainly because (i) more working capital was used for settling trade payables; (ii) the increase in contract assets due to reasons stated above; and (iii) the increase in outstanding trade receivables due to the worsened business environment of the real estate industry in the PRC and the longer settlement process of government-related entities.

Our aggregate indebtedness (total interest-bearing borrowings), which were principally denominated in RMB, increased slightly from approximately RMB114.4 million as at 31 December 2023 to approximately RMB115.3 million as at 30 June 2024. Our gearing ratio increased from approximately 22.7% as at 31 December 2023 to approximately 23.2% as at 30 June 2024, mainly because our equity decreased by approximately 2% between 31 December 2023 and 30 June 2024 due to the net loss.

## **FUNDING AND TREASURY POLICY**

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

## **CAPITAL COMMITMENTS**

As at 30 June 2024, the Group had approximately RMB14.5 million (31 December 2023: RMB14.5 million) of capital commitments in respect of the acquisition of property, plant and equipment.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2024, the Group employed 295 employees in the PRC (30 June 2023: 332 employees). The total staff costs incurred by the Group for 1H2024 was approximately RMB14.8 million compared to approximately RMB14.0 million for 1H2023. Our Group's employees may be remunerated by way of fixed salary, hourly wage or on a

project-by-project basis, depending on their job nature. Our Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary review and determining the amount of bonuses. Our employees are also entitled to a number of fringe benefits and welfare, including transportation allowance, health care allowance and paid leave. Our Group provides trainings to our employees, which includes induction training which is held by our human resources department, on-board training, and sometimes education opportunities depending on the job function of the employees. Our Group will hold seminars and events occasionally for our employees, in order for them to catch up with market trends.

## **SHARE OPTION SCHEME**

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

From the Listing Date and up to 30 June 2024, no share option has been granted by the Company. The outstanding number of Share options available for grant under the Share Option Scheme is 48,000,000 share options to subscribe for the shares, representing 10% and 8.33% of the issued share capital of the Company at the beginning and at the end of 1H2024, respectively, out of which the number of share options available for grant under the service provider sublimit is 4,800,000 shares options to subscribe for the shares, representing 1% and 0.83% of the issued share capital of the Company at the beginning and at the end of 1H2024, respectively.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during 1H2024 and there was no outstanding option as at 30 June 2024.

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

Save as disclosed in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 20 March 2023 (the “**Prospectus**”), the Group does not have other plans for material investments and capital assets as at 30 June 2024.

## **CONTINGENT LIABILITIES**

Other than a number of lawsuits and claims arising from the normal course of business were lodged against our Group which remained outstanding as at 30 June 2024, the Group had no material contingent liability as at 30 June 2024.

## **FOREIGN EXCHANGE RISK**

The assets, liabilities and transactions of the Group are principally denominated in RMB. As at 30 June 2024, the Group has not entered into any foreign exchange contracts to hedge against the fluctuation in exchange rates and the Group did not have any foreign currency investments which have been hedged by currency borrowing and other hedging instruments. The Directors consider the impact of foreign exchange exposure to the Group is minimal.

## **GEARING RATIO**

As at 30 June 2024, the gearing ratio, which is calculated as total interest-bearing debt divided by total equity, is 23.2%. (31 December 2023: 22.7%).

## **PLEDGE OF ASSETS**

As at 30 June 2024, fixed deposits of approximately RMB3.0 million (31 December 2023: approximately RMB5.0 million), certain plant and machinery with carrying amount of approximately RMB16.8 million (31 December 2023: approximately RMB9.0 million), trade and bills receivables of approximately RMB33.8 million arising from provision of construction services (31 December 2023: nil) and intangible assets of approximately RMB40,000 (31 December 2023: approximately RMB41,000) were pledged as securities for the Group's borrowings.

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

For 1H2024, there were no purchases, sales or redemption by the Company, or any of its subsidiaries, of the Company's listed securities (including treasury shares).

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

The Company has been listed on the Stock Exchange since the Listing Date following the completion of the global offering (the “**Global Offering**”) of 120,000,000 new ordinary shares of the Company (the “**Shares**”). The amount of net proceeds from the Global Offering amounted to approximately RMB76.6 million (equivalent to approximately HK\$84.1 million), after deduction of the underwriting commission and other expenses. The Company has applied and will apply the proceeds from the Global Offering in accordance with the purposes as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the Prospectus, details of utilisation of the proceeds are set out below. During 1H2024, net proceeds of approximately RMB2.9 million (equivalent to approximately HK\$3.2 million) were used.



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

Purpose	Intended	Utilised	Net	Utilised	Unutilised	Estimated timeline
	use of proceeds	amount as at 31 December 2023	proceeds utilised during 1H2024	amount as at 30 June 2024	amount as at 30 June 2024	for utilising the unutilised net proceeds
	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	
To fund our upfront expenditure of three projects on hand	38.3	38.3	—	38.3	—	Before December 2023
To acquire and/or replace our construction machinery and equipment	15.3	—	—	—	15.3	Before December 2024
To fund the establishment and operation of our know-how centre	15.3	12.4	2.9	15.3	—	Before December 2024
Working capital and general corporate purposes	7.7	7.7	—	7.7	—	N/A
<b>Total</b>	<u>76.6</u>	<u>58.4</u>	<u>2.9</u>	<u>61.3</u>	<u>15.3</u>	

## THE PLACING AND USE OF PROCEEDS

On 7 June 2024, the Company announced that it proposed to raise approximately HK\$15.6 million, before expenses, by issuing 96,000,000 placing Shares (“**Placing Share(s)**”) with nominal value of HK\$960,000 of HK\$0.01 each, which ranked pari passu with the ordinary Shares, by way of placing (the “**Placing**”) to not less than six independent placees at the subscription price of HK\$0.162 per Placing Share. The net price of each Placing Share was approximately HK\$0.159. The closing price of the Shares quoted on the Stock Exchange on 16 March 2023, which was the date on which the placing agreement was signed, was HK\$0.195 per Share, and the Placing Shares had an aggregated market value of HK\$18.2 million.

The Placing Shares were issued under the general mandate (the “**General Mandate**”) approved by the Shareholders at the annual general meeting of the Company held on 25 May 2023, pursuant to which the Company was authorised to allot and issue up to 96,000,000 Shares. The 96,000,000 Placing Shares constituted 100% of the General Mandate and, upon completion of the Placing, the General Mandate was fully utilised.

As disclosed in the announcement of the Company dated 7 June 2024 (the “**Placing Announcement**”), the gross proceeds from the Placing were approximately HK\$15.6 million and the net proceeds from the Placing, after deducting the related expenses and underwriting commission, were approximately HK\$15.2 million. The reason for undertaking the Placing was to raise funds for the upfront expenditure of a newly awarded project and for general working capital of the Group.

During 1H2024, the net proceeds from the Placing have been applied as follows:

	Planned use of proceeds as stated in the Placing Announcement <i>(HK\$' million)</i>	Actual use of proceeds from the Placing during 1H2024 <i>(HK\$' million)</i>	Unutilised balance of the net proceeds from the Placing as at 30 June 2024 <i>(HK\$' million)</i>	Expected timeline of utilisation
Funding the upfront expenditure of a newly awarded project of a cultural exhibition and intangible cultural heritage inheritance centre	13.7	—	13.7	31 December 2024
Working Capital	1.5	—	1.5	31 December 2024
<b>Total</b>	<b>15.2</b>	<b>—</b>	<b>15.2</b>	

The net proceeds from the Placing have been utilised and will be utilised in the manner set out in the disclosure in the Placing Announcement. For further information in relation to the Placing, please refer to the Placing Announcement and the completion announcement of the Placing issued by the Company on 18 June 2024.

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

The Group did not have any material acquisitions or disposal of subsidiaries, associates or joint ventures during 1H2024.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for 1H2024 (1H2023: Nil).

## AUDIT COMMITTEE

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

## REVIEW OF INTERIM FINANCIAL RESULTS BY AUDIT COMMITTEE

The unaudited consolidated interim financial information of the Group for 1H2024 and the accounting information given in this announcement has not been reviewed by the external auditor of the Company but has been reviewed by the Audit Committee, which agreed with the accounting treatment adopted by the Company, and was of the opinion that the preparation of such accounting information complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

## CORPORATE GOVERNANCE PRACTICES

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

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. During 1H2024, our Group has adopted and complied with the Corporate Governance Code (“**CG Code**”) as set out in Appendix C1 to the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) as its own code of corporate governance.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has also set guidelines, no less than the requirements under the Model Code, on transactions of the Company’s securities for relevant employees (as defined in the Listing Rules).

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during 1H2024.

## **SIGNIFICANT EVENT AFTER 1H2024**

There was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors subsequent to 30 June 2024.

## **INTERIM REPORT**

The interim report for 1H2024 containing all information required by Appendix D2 of the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.ztcon.com](http://www.ztcon.com) in due course.

## **APPRECIATION**

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

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

Hong Kong, 29 August 2024

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

*In this announcement, the English names of PRC nationals, entities, departments, facilities, certificates, titles, etc. marked “\*” are translations of their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*