Jianzhong Construction Development Limited
建中建設發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 589)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Jianzhong Construction Development Limited (the "**Company**") wishes to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023, together with comparative figures for the six months ended 30 June 2022 or other dates/periods, as follows:.

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 66.5% from approximately RMB257.1 million for the six months ended 30 June 2022 to approximately RMB86.1 million for the six months ended 30 June 2023.
- Gross profit decreased by approximately 75.1% from approximately RMB24.1 million for the six months ended 30 June 2022 to approximately RMB6.0 million for the six months ended 30 June 2023. Gross profit margin decreased by approximately 2.4 percentage point from approximately 9.4% for the six months ended 30 June 2022 to approximately 7.0% for the six months ended 30 June 2023.
- Loss attributable to the equity holders of the Company for the six months ended 30 June 2023 was approximately RMB70.7 million (six months ended 30 June 2022: RMB36.8 million).
- Losses per share was approximately RMB0.11 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB0.06 per share).
- The Board does not recommend any declaration of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	2	**86,055**	257,146
Cost of sales		**(80,031)**	(233,060)
Gross profit		**6,024**	24,086
Other net income	3	**32,401**	12,980
Administrative and other expenses		**(17,600)**	(17,711)
Research and development costs		**(3,368)**	(11,548)
Impairment loss on trade and other receivables and contract assets	13	**(35,780)**	(36,375)
Impairment loss on property, plant and equipment	8(b)	**(42,997)**	—
Loss from operations		**(61,320)**	(28,568)
Finance costs	4(a)	**(7,610)**	(11,896)
Loss before taxation	4	**(68,930)**	(40,464)
Income tax	5	**(1,792)**	3,640
Loss for the period		**(70,722)**	(36,824)
Loss per share	6		
Basic and diluted (RMB)		**(0.11)**	(0.06)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Loss for the period	**(70,722)**	(36,824)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Chinese Mainland	**(340)**	(207)
Other comprehensive income for the period	**(340)**	(207)
Total comprehensive income for the period	**(71,062)**	(37,031)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	8	**340,658**	420,913
Intangible assets		**1,348**	1,842
Receivables under service concession arrangement	10	**20,040**	21,842
Deferred tax assets		**40,716**	40,716
Other non-current assets		**931**	22,367
		403,693	507,680
Current assets			
Inventories		**4,572**	4,575
Contract assets		**225,090**	280,659
Trade and other receivables	9	**611,088**	664,787
Prepayments		**10,138**	18,982
Receivables under service concession arrangement	10	**9,115**	9,279
Restricted bank balances		**10,836**	19,352
Cash and cash equivalents		**95,306**	149,817
		966,145	1,147,451
Current liabilities			
Trade and other payables	11	**451,021**	549,108
Contract liabilities		**212**	377
Loans and borrowings	12	**136,253**	214,155
Lease liabilities		**215**	209
Current taxation		**9,690**	9,356
		597,391	773,205
Net current assets		**368,754**	374,246

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Non-current liabilities			
Loans and borrowings	12	**67,393**	103,246
Lease liabilities		**93**	203
Other non-current liabilities		**4,049**	6,503
		71,535	109,952
NET ASSETS		**700,912**	771,974
CAPITAL AND RESERVES			
Share capital		**5,671**	5,671
Reserves		**695,241**	766,303
TOTAL EQUITY		**700,912**	771,974

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi, unless otherwise indicated)

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). It was authorised for issue on 30 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The Company's auditor has expressed an unqualified opinion on those financial statements in its report dated 31 March 2023.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of construction service, leasing of construction machinery, equipment and tools, and provision of sewage treatment service in Chinese Mainland.

(i) Disaggregation of revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Revenue from construction service	**11,250**	146,983
— Revenue from sewage treatment service	**2,421**	2,579
— Revenue from equipment operation service	**16,580**	22,987
— Others*	**272**	1,182
	30,523	173,731
Revenue from other sources		
— Revenue from leasing of construction machinery, equipment and tools	**55,532**	83,415
	86,055	257,146

* Others mainly represents sales of construction materials and provision of certain logistic services.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Disaggregated by timing of revenue recognition		
— Over time	**85,783**	255,964
— Point in time	**272**	1,182
Total	**86,055**	257,146

Revenue from major customers which accounts for 10% or more of the Group's revenue are set out below:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Customer A	**26,189**	45,368
Customer B	**N/A***	89,741

* Less than 10% of the Group's revenue.

(b) Segment reporting

The Group manages its businesses by service lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. No geographical segment analysis is presented as substantially all assets, liabilities, revenue and gross profit of the Group are attributable to the operations in the PRC.

The Group has four separate segments as follows:

— Provision of construction service ("**Construction service**");

— Provision of leasing services of construction machinery, equipment and tools, and equipment operation service ("**Equipment operation service**");

— Provision of sewage treatment service ("**Sewage treatment operation**"); and

— Sales of construction materials and others ("**Others**").

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results based on the revenue and gross profits of Construction service, Equipment operation service, Sewage treatment operation and Others.

(i) Reportable segment gross (loss)/profit

	Construction service *RMB'000*	**Equipment operation service** *RMB'000*	**Sewage treatment operation** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2023					
Revenue	**11,250**	**72,112**	**2,421**	**272**	**86,055**
Cost of sales	**(12,242)**	**(65,261)**	**(2,309)**	**(219)**	**(80,031)**
Reportable segment gross (loss)/profit	**(992)**	**6,851**	**112**	**53**	**6,024**
Six months ended 30 June 2022					
Revenue	146,983	106,402	2,579	1,182	257,146
Cost of sales	(153,490)	(76,170)	(2,213)	(1,187)	(233,060)
Reportable segment gross (loss)/profit	(6,507)	30,232	366	(5)	24,086

Substantially all of the Group's revenue were arising from Chinese Mainland. The Group does not allocate any specific assets or liabilities to the operating segments as the Group's senior executive management does not use the information to measure the performance of the reportable segments.

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Reportable segment gross profit	**6,024**	24,086
Other net (loss)/income	**(10,596)**	12,980
Administrative and other expenses	**(17,600)**	(17,711)
Research and development costs	**(3,368)**	(11,548)
Impairment loss on trade and other receivables and contract assets	**(35,780)**	(36,375)
Finance costs	**(7,610)**	(11,896)
Consolidated loss before taxation	**(68,930)**	(40,464)

3. OTHER NET INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest income	**1,606**	1,722
Government grants	**1,937**	19
Gain on disposal of property, plant and equipment *(note 8)*	**27,235**	10,058
Others	**1,623**	1,181
	32,401	12,980

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**4,020**	8,007
Interest on lease liabilities	**10**	21
Finance charges on sale and leaseback transactions	**1,914**	2,004
Interest on acquisition of equipment by instalments	**1,002**	1,077
Other borrowing costs	**664**	787
	7,610	11,896

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**10,680**	15,829
Contributions to defined contribution retirement benefit schemes	**597**	880
	11,277	16,709

(c) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Depreciation		
— property, plant and equipment	**22,893**	42,774
— right-of-use assets	**104**	192
	22,997	42,966
Amortisation of intangible assets	**494**	494
Expenses relating to short-term leases	**6,202**	12,477
Labour subcontracting fee	**37,378**	124,663
Impairment loss on trade and other receivables and contract assets	**35,780**	36,375
Impairment loss on property, plant and equipment	**42,997**	—

5. INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current tax	**1,792**	2,921
Deferred tax	**—**	(6,561)
	1,792	(3,640)

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit that was subject to Hong Kong Profits Tax for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

(iii) The Group's subsidiaries in Chinese Mainland is subject to PRC corporate income tax at the statutory rate of 25%.

In December 2022, Fujian Jianzhong Construction Technology Co., Ltd. ("**Jianzhong Construction Technology**"), an indirect wholly-owned subsidiary of the Company, obtained the state-level approval for its application of High-tech Enterprise qualification and was granted the qualification with effect from 14 December 2022. In accordance with the PRC Corporate Income Tax Law ("**CIT Law**"), the High-tech Enterprise qualification will be valid for a period of three years from 2022 to 2024 and entitles Jianzhong Construction Technology to a reduced tax rate at 15% during this period.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholder of the Company of RMB70,722,000 (six months ended 30 June 2022: RMB36,824,000) and the weighted average number of 625,000,000 ordinary shares in issue during the periods.

Diluted loss per share is equal to basic loss per share as there were no dilutive potential shares outstanding for the six months ended 30 June 2023 and 2022.

7. DIVIDENDS

The Board has resolved not to declare any dividends for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of plant and machinery with a cost of RMB104,000 (six months ended 30 June 2022: RMB9,161,000). Items of machinery, equipment and tools with a net book value of RMB14,365,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB20,915,000), resulting in a gain on disposal of RMB27,235,000 (six months ended 30 June 2022: RMB10,058,000).

(a) Property, plant and equipment pledged for loans and borrowings

(i) The Group had obtained specific bank loans to acquire certain machinery and equipment and these machinery and equipment were pledged to the bank until the settlement of the corresponding bank loans. As at 30 June 2023, the carrying amounts of the machinery and equipment pledged for these bank loans were RMB99,159,000 (31 December 2022: RMB118,595,000). Please refer to note 12(a)(ii) for details.

(ii) The Group sold certain machinery and equipment to external parties and leased them back for a term of 3 to 4 years. The Group determined the transfers to buyer-lessor were not sales under HKFRS15, thus the Group continues to recognise the underlying assets, and recognises financial liabilities for the considerations. As at 30 June 2023, the carrying amounts of the machinery and equipment pledged in respect of the sale and leaseback transactions were RMB104,666,000 (31 December 2022: RMB127,527,000). Please refer to note 12(b) for details.

(b) Impairment loss

In view of the fierce competition of Equipment operation service in the PRC in the first half of 2023, the Group expects that less revenue from Equipment operation service will be generated in the future. This indicates that the property, plant and equipment of the Group may be further impaired. As a result, the Group reassessed the recoverable amounts of property, plant and equipment and the carrying amount of property, plant and equipment was written down to their recoverable amount of RMB340,658,000 and an impairment loss of RMB42,997,000 was recognised against the carrying amount. The recoverable amounts of these assets were estimated based on their value in use calculated. The calculations were using cash flow projections based on financial budgets approved by management, which cover the estimated remaining useful life of the assets.

9. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on date of progress certificates or date of issuance of bills and net of loss allowance, is as follows:

	At 30 June 2023 ***RMB'000***	At 31 December 2022 *RMB'000*
Within 1 month	**10,322**	40,313
More than 1 month but within 3 months	**19,883**	63,444
More than 3 months but within 6 months	**25,132**	77,098
More than 6 months but within 12 months	**119,368**	129,976
More than 12 months	**399,827**	324,782
Trade and bills receivables, net of loss allowance	**574,532**	635,613
Deposits and other receivables, net of loss allowance	**36,556**	29,174
	611,088	664,787

(i) As part of its normal business, the Group has entered into certain factoring agreements with certain banks and factoring companies. During the six months ended 30 June 2023, trade receivables of RMB19,363,000 (six months ended 30 June 2022: RMB31,822,000) were transferred to certain banks or factoring companies in accordance with non-recourse factoring agreements, and the corresponding trade receivables were derecognised as the directors are of the view that the substantial risks and rewards associated with the trade receivables have been transferred and therefore these receivables were qualified for derecognition.

(ii) According to the payment terms in contracts, the Group is entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified amount of work completed. Further details on the credit risk arising from trade receivables are set out in Note 13.

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

The Group's receivables under service concession arrangement in respect of sewage treatment service are as follows:

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
Non-current portion	**20,040**	21,842
Current portion	**9,115**	9,279
	29,155	31,121
Expected collection schedule is as follows:		
Within 1 year	**9,115**	9,279
After 1 year but within 5 years	**13,884**	13,976
After 5 years but within 10 years	**6,156**	7,866
	29,155	31,121

The effective interest rate for the above financial assets was 3.85% per annum.

11. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2023 ***RMB'000***	At 31 December 2022 *RMB'000*
Within 1 month	**8,328**	33,760
More than 1 month but within 3 months	**15,341**	40,679
More than 3 months but within 6 months	**27,745**	59,523
More than 6 months but within 12 months	**42,277**	53,828
More than 12 months	**164,697**	150,202
Trade and bills payable	**258,388**	337,992
Suppliers of property, plant and equipment	**29,507**	32,698
Value added tax and surcharges payables	**101,096**	107,686
Other payables and accruals	**60,502**	69,286
Obligation for bills endorsed with recourse	**—**	1,160
Interest payable	**1,528**	286
	451,021	549,108

12. LOANS AND BORROWINGS

	Note	**At 30 June 2023** ***RMB'000***	At 31 December 2022 *RMB'000*
Non-current			
Bank loans and other borrowings-secured	(a)	**30,309**	49,013
Obligations arising from sale and leaseback transactions	(b)	**37,084**	54,233
		67,393	103,246
Current			
Bank loans and other borrowings-secured	(a)	**93,709**	163,455
Obligations arising from sale and leaseback transactions	(b)	**42,544**	50,700
		136,253	214,155
Total		**203,646**	317,401

(a) Bank loans and other borrowings

Bank loans and other borrowings were repayable as follows:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Less than 1 year	**93,709**	163,455
1 to 2 years	**26,832**	37,809
2 to 5 years	**3,477**	11,204
	124,018	212,468

Notes:

(i) As at 30 June 2023, bank loans of RMB29,500,000 (31 December 2022: RMB28,281,000) were secured by properties of a third party and also guaranteed by the controlling shareholder of the Company.

(ii) As at 30 June 2023, a bank loan of RMB38,746,000 (31 December 2022: RMB51,076,000) was secured by machinery and equipment of the Group (note 8(a)(i)).

(iii) In June 2022, Jianzhong Construction Technology entered into a credit line agreement with a financial institute to purchase certain equipment on instalment, pursuant to which, a credit line with a term of two years with the amount up to RMB60,000,000 was granted. Such credit line was guaranteed by the controlling shareholder of the Company. As at 30 June 2023, the Company had unutilised credit amount of RMB31,028,000 and the borrowing of RMB28,972,000 which will be paid according to payment schedule.

(iv) As at 30 June 2023, bank loans of RMB26,800,000 (31 December 2022: RMB97,200,000) were guaranteed by the controlling shareholder of the Company.

(b) Obligations arising from sale and leaseback transactions

Obligations arising from sale and leaseback transactions were repayable as below:

	At 30 June 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Less than 1 year	**45,631**	55,038
1 to 2 years	**33,456**	35,599
2 to 3 years	**4,889**	21,138
Total undiscounted obligations arising from sale and leaseback transactions	**83,976**	111,775
Less: total future interest expenses	**(4,348)**	(6,842)
Obligations arising from sale and leaseback transactions included in the consolidated statement of financial position	**79,628**	104,933

All obligations arising from sale and leaseback transactions were secured by underlying machinery and equipment as mentioned in Note 8(a)(ii) and were guaranteed by the controlling shareholder of the Company as at 30 June 2023 and 31 December 2022.

13. CREDIT RISK

The Group's credit risk is primarily attributable to trade receivables, bills receivable, contract assets and receivables under service concession arrangement. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers. These evaluations focus on the customer's history of making payments and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Based on the evaluation, customers are categorised into different groups based on their risk characteristic. When analysed the credit risk arisen, the Group also considered the credit terms granted to customers. The Group is entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified amount of work completed according to the payment terms in the contracts. However, in practice, it normally takes months to complete the settlement of trade receivables due to the administrative process of different customers. Therefore, the Group generally grants credit periods based on the background of its customers — for stated-owned enterprises, 6 months from the issuance of progress certificates; for private entities, 3 months from the issuance of progress certificates. Accordingly, the Group categorised trade receivables into three time bands in accordance with the ageing report, i.e. "trade receivables within the credit period", "trade receivables exceeding the credit period by less than 1 year" and "trade receivables exceeding the credit period by more than 1 year". Normally, the Group does not obtain collateral from customers.

The Group's customers are concentrated in real estate companies or main contractors in Chinese Mainland. At the end of the reporting period, 52.7% (31 December 2022: 18.1%), 15.4% (31 December 2022: 50.6%) and 69.2% (31 December 2022: 71.3%) of the total trade receivables and contract assets were due from the Group's largest customer, the second largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables, bills receivable and contract assets at an amount equal to lifetime expected credit losses ("**ECLs**"), which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between the Group's different customer bases. The Group has considered that the expected loss rates for trade receivables are a reasonable approximation of the loss rate for the contract assets.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, bills receivable and contract assets (after considering credit periods practically granted to customers):

	At 30 June 2023			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
	%	***RMB'000***	***RMB'000***	***RMB'000***
Within the credit period	**15.8**	**327,876**	**(51,801)**	**276,075**
Exceeding the credit period by less than 1 year	**24.2**	**266,336**	**(64,402)**	**201,934**
Exceeding the credit period by more than 1 year	**27.4**	**442,803**	**(121,190)**	**321,613**
		1,037,015	**(237,393)**	**799,622**

	At 31 December 2022			
	Expected loss rate	Gross carrying amount	Loss allowance	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
Within the credit period	12.9	510,059	(65,903)	444,156
Exceeding the credit period by less than 1 year	19.5	321,959	(62,695)	259,264
Exceeding the credit period by more than 1 year	30.7	307,070	(94,218)	212,852
		1,139,088	(222,816)	916,272

In addition to above provision matrix, the Group has made individual loss allowance for certain trade and other receivables and contract assets. As at 30 June 2023, the accumulated individual loss allowance was RMB170,340,000 (31 December 2022: RMB149,137,000) with the carrying amounts before loss allowance of RMB178,469,000 (31 December 2022: RMB149,137,000).

Expected loss rates are based on historical credit loss experience over the past years. These rates are adjusted for factors that are specific to the debtors, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables, bills receivable and contract assets.

For receivables under service concession arrangement, as the receivables are mainly due from an entity designated by local government with no history of default, the Group considered the loss allowances for receivables under service concession arrangement to be immaterial.

Movement in the loss allowance account in respect of trade and other receivables and contract assets during the period is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**371,953**	301,999
Impairment losses recognised during the period	**35,780**	36,375
Balance at 30 June	**407,733**	338,374

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a construction services provider based in Fujian Province, the People's Republic of China (the "**PRC**"). The construction services provided by the Group include general construction works as a main contractor and sub-contractor works. The Group also has an extensive fleet of construction machinery and equipment, which enables itself to handle construction works, and engage in provision of equipment operation service. The Group also operates a sewage treatment plant in the PRC. The Group has developed as a regional construction works service provider in Fujian and has further extended the footprint across a number of other provinces in the PRC.

During the six months ended 30 June 2023, the Group's primary focus was on improving its liquidity position. To achieve this, the Group continues to reduce capital expenditures and dispose of idle property, plant, and equipment. The payments for the purchase of property, plant, and equipment decreased by approximately 98.8% from around RMB25.4 million in the six months ended 30 June 2022 to around RMB0.3 million in the six months ended 30 June 2023. In contrast, the proceeds from the disposal of property, plant, and equipment increased by approximately 170.1%, from approximately RMB15.4 million in the six months ended 30 June 2022 to around RMB41.6 million in the six months ended 30 June 2023.

While at the same time, the Group's net cash used in financing activities, which mainly measures the net cash used in repayment of loans and other borrowings, increased from around RMB110.4 million in the six months ended 30 June 2022 to around RMB129.2 million in the six months ended 30 June 2023, thereby reducing the amounts of debts as at 30 June 2023.

These actions indicate that the Group was actively managing its assets to improve its financial position.

PROSPECTS

The construction industry in the PRC is highly fragmented and there are opportunities for the Group to further develop its businesses. However, given current economic environment, the Group will continue to focus on improving its liquidity condition whilst developing new business opportunities, with the view to create long term value for the shareholders.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2023 and up to the date of this results announcement.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2023, the overall revenue of the Group has decreased by approximately RMB171.0 million, or approximately 66.5%, as compared to the corresponding period in 2022, from approximately RMB257.1 million to approximately RMB86.1 million.

To preserve more cash under current economic environment, the Group became more cautious in tendering new construction projects, which led to a decline in revenue from Construction service. The revenue from Construction service decreased by approximately RMB135.7 million, or approximately 92.3%, as compared to the corresponding period in 2022, from approximately RMB147.0 million to approximately RMB11.3 million.

Due to keen competition in the Equipment operation service market in the PRC, the utilisation rate of the Group's equipment and the unit service price were negatively impacted. The revenue from Equipment operation service decreased by approximately RMB34.3 million, or approximately 32.2%, from approximately RMB106.4 million in the six months ended 30 June 2022, to approximately RMB72.1 million in the six months ended 30 June 2023.

The revenue from Sewage treatment operation and Others remained stable during the six months ended 30 June 2023.

Cost of sales

Cost of sales mainly comprises of material cost, labour subcontracting fee, depreciation and others. During the six months ended 30 June 2023, the overall cost of sales of the Group has decreased by approximately RMB153.1 million, or approximately 65.7% compared to the six months ended 30 June 2022, from approximately RMB233.1 million to approximately RMB80.0 million.

Gross profit and gross profit margin

Set out below is the breakdown of the gross profit and gross profit margins of the Group by business segment and work type during the period under review and the corresponding period in 2022:

	Six months ended 30 June			
	2023		2022	
	RMB'000	***GP%***	*RMB'000*	*GP%*
Construction service	**(992)**	**(8.8)**	(6,507)	(4.4)
Equipment operation service	**6,851**	**9.5**	30,232	28.4
Sewage treatment operation	**112**	**4.6**	366	14.2
Others	**53**	**19.5**	(5)	(0.4)
	6,024	**7.0**	24,086	9.4

During the six months ended 30 June 2023, the Group's overall gross profit margin decreased by 2.4 percentage point, from 9.4% for the six months ended 30 June 2022 to 7.0% for the six months ended 30 June 2023. The decrease in overall gross profit margin was mainly due to the following reasons:

- due to a significant decrease in the unit service price of Equipment operation services in the six months ended 30 June 2023, the gross profit margin was significantly impacted. Given a similar cost structure compared to the previous period, the substantial decrease in unit service price had a larger impact on the gross profit margin in the six months ended 30 June 2023; and

- pursuant to relevant accounting standards and policies adopted by the Group, construction revenue is recognised progressively over time using the output method, based on direct measurements of the value of contract work performed, whilst costs for construction services are expensed in the period in which they are incurred. During the six months ended 30 June 2023, substantially all of the Group's construction projects went through completion phases, in which a relatively lower gross profit margin is generally recorded since revenue has been recognised in earlier stage of the projects according to the progress certificates issued by customers while certain unbillable costs, such as inspection costs and costs to make good of defects in relation to works done by the Group in such projects, were incurred in the completion phases.

Other net income

The other net income mainly represented government grants, interest income and gain on disposal of property, plant and equipment. During the six months ended 30 June 2023, the other net income has increased by approximately RMB19.4 million, compared to the corresponding period in 2022, from approximately RMB13.0 million to approximately RMB32.4 million. The increase in other net income was mainly attributable to the increase in gain on disposal of property, plant and equipment during the six months ended 30 June 2023.

Administrative and other expenses

The administrative and other expenses slightly decreased by approximately RMB0.1 million from RMB17.7 million for the six months ended 30 June 2022 to RMB17.6 million for the six months ended 30 June 2023.

Research and development costs

The research and development costs mainly include (i) staff costs; (ii) and raw materials costs. In view of recent market condition, the Group has kept the research and development activities at minimum level, which led to a decrease in research and development costs by approximately RMB8.1 million from RMB11.5 million for the six months ended 30 June 2022 to RMB3.4 million for the six months ended 30 June 2023.

Impairment loss on trade and other receivables and contract assets

As part of the ordinary course of business, the Group enters into contracts with its customers in connection to (a) Construction service; and (b) Equipment operation service. Such customers are mainly real estate companies or main contractors in the PRC. According to the payment terms in the contracts, the Group is entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified amount of work completed. Retention money may be retained by the customers in order to secure the due performance under the contract. Accordingly, the Group's credit risk is primarily attributable to trade receivables, bills receivable and contract assets.

The following table sets out the breakdown of trade receivables, bills receivable and contract assets of the Group as at the dates indicated, respectively:

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Contract assets *(as disclosed in the consolidated statement of financial position)*	**225,090**	280,659
Trade and bills receivables, net of loss allowance *(as disclosed in note 9)*	**574,532**	635,613
Net carrying amount of trade receivables, bills receivable and contract assets	**799,622**	916,272
Add: loss allowance for ECLs	**237,393**	222,816
Gross carrying amount of trade receivables, bills receivable and contract assets used under the provision matrix in relation to the calculation of the loss allowance for ECL	**1,037,015**	1,139,088
Add: individual loss allowance for customers	**137,258**	136,895
Gross carrying amount of trade receivables, bills receivable and contract assets	**1,174,273**	1,275,983

As indicated below, among the gross carrying amount of trade receivables, bills receivable and contract assets of approximately RMB1,174.3 million (31 December 2022: approximately RMB1,276.0 million), approximately RMB709.1 million (31 December 2022: approximately RMB629.0 million) exceeded credit period. In particular, two of the Group's major customers, namely Customer A and Customer B, contributed approximately 62.1% and 9.1% (31 December 2022: approximately 59.6% and 9.0%) of the total gross carrying amount of trade receivables, bills receivable and contract assets which exceeded credit period, respectively.

The following sets out the breakdown of the gross carrying amount of trade receivables, bills receivable and contract assets which exceeded credit period by customers:

	Listing status (Y/N)	**As at 30 June 2023**		As at 31 December 2022	
		RMB'000	*%*	*RMB'000*	*%*
State-owned enterprises					
Customer A	Y	**440,048**	**62.1**	375,025	59.6
Other state-owned customers(1)		**81,971**	**11.6**	72,997	11.6
Sub-total		**522,019**	**73.6**	448,022	71.2
Non-state-owned enterprises					
Customer B	Y	**64,260**	**9.1**	56,442	9.0
Other non-state owned customers(2)		**122,860**	**17.3**	124,565	19.8
Sub-total		**187,120**	**26.4**	181,007	28.8
Total		**709,139**	**100**	629,029	100

Notes:

(1) Other state-owned customers included a total of 37 enterprises (31 December 2022: 34 enterprises), each of which accounted for less than 4.0% (31 December 2022: 4.0%) of the above total amount as at 30 June 2023.

(2) Other non-state owned customers included a total of 268 enterprises (31 December 2022: 280 enterprises), each of which accounted for less than 3.0% (31 December 2022: 3.0%) of the above total amount as at 30 June 2023.

The following sets out the background information of Customer A and Customer B:

Customer A	A state-owned enterprise which mainly carries out business management activities through a company listed on the Shanghai Stock Exchange ("**Customer A's Principal Operating Subsidiary**"), which in turn has seven subsidiaries which are listed on the Hong Kong Stock Exchange or Shenzhen Stock Exchange, as well as more than 100 investment-holding subsidiaries. To the best knowledge of the Directors after making reasonable enquiries, for the year ended 31 December 2022, Customer A's Principal Operating Subsidiary recorded a total revenue and net profit attributable to equity owners which amounted to approximately RMB2.1 trillion and RMB51.0 billion, respectively.
Customer B	A group of companies which are subsidiaries of a company listed on the Shanghai Stock Exchange which is engaged in real estate development, property management and construction of public infrastructure. To the best knowledge of the Directors after making reasonable enquiries, for the six months ended 30 June 2023, such parent company recorded a total revenue and net profit attributable to equity owners amounting to approximately RMB5.2 billion and RMB283.9 million, respectively.

Loss allowance for ECLs

The Group measures loss allowances for trade receivables, bills receivable and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Such loss allowances on trade and bills receivables, and contract assets only reflect the Group's credit risk as at the reporting date, and were subject to subsequent remeasurement reflecting the developments thereafter.

As at the reporting date, the expected credit losses for bills receivable and contract assets were calculated by applying the expected loss rate of trade receivables within the credit period to the outstanding balances of bills receivables and contract assets, as they have similar credit risk characteristics.

The following briefly illustrates the Group's calculation of the loss allowance for ECLs:

Step 1 — Categorisation of customers based on risk characteristic

The Group categorises customers based on their risk characteristic. In addition, based on the ageing report as at the reporting date, the Group's trade receivables were categorised into three time bands, i.e. "trade receivables within the credit period", "trade receivables exceeding the credit period by less than 1 year" and "trade receivables exceeding the credit period by more than 1 year".

Note: The Group is entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified amount of work completed according to the payment terms in the contracts. However, in practice, it normally takes months to complete the settlement of trade receivables due to the administrative process of different customers. Therefore, the Group generally grants credit periods based on the background of its customers — for stated-owned enterprises, 6 months from the issuance of progress certificates; for private entities, 3 months from the issuance of progress certificates.

Step 2 — Determination of expected loss rate for trade receivables

The Group first determined the expected loss rates for customers with different backgrounds and credit rating (if any), which was derived from historical observed default rates, adjusted by the growth rate of non-performing loans in the PRC, which reflected the increased credit risk, as published by the China Banking and Insurance Regulatory Commission (中國銀行保險業監督管理委員會).

The expected loss rates for trade receivables in the other time bands were further determined based on the expected loss rate for the trade receivables exceeding the credit period by more than one year and roll rates. The Group derived roll rates based on historical ageing data, which represented the percentages of trade receivables that are not received in a time band and thus have rolled to the next time band, and reflected the probability of loss for trade receivables in each time band.

Step 3 — Construct the provision matrix to calculate the loss allowance for ECLs

With all parameters fixed, the Group constructed a provision matrix by applying the expected loss rate of each time band to the respective outstanding balances of trade receivables to compute the loss allowance for ECL for trade receivables as at the reporting date.

The following tables sets out information about the Group's exposure to credit risk and ECLs for trade receivables, bills receivable and contract assets (after considering credit periods practically granted to customers):

	As at 30 June 2023			
	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
	%	***RMB'000***	***RMB'000***	***RMB'000***
Within the credit period	**15.8**	**327,876**	**(51,801)**	**276,075**
Exceeding the credit period by less than 1 year	**24.2**	**266,336**	**(64,402)**	**201,934**
Exceeding the credit period by more than 1 year	**27.4**	**442,803**	**(121,190)**	**321,613**
		1,037,015	**(237,393)**	**799,622**

	As at 31 December 2022			
	Expected loss rate	Gross carrying amount	Loss allowance	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*
Within the credit period	12.9	510,059	(65,903)	444,156
Exceeding the credit period by less than 1 year	19.5	321,959	(62,695)	259,264
Exceeding the credit period by more than 1 year	30.7	307,070	(94,218)	212,852
		1,139,088	(222,816)	916,272

In particular, the loss allowance for ECL made in respect of Customer A and Customer B as at 30 June 2023 amounted to approximately RMB156.1 million and Nil (31 December 2022: approximately RMB142.0 million and Nil), respectively, representing approximately 65.8% and 0.0% (31 December 2022: approximately 63.7% and 0.0%) of the total loss allowance made, respectively.

In addition to above provision matrix, the Group has made individual loss allowance for certain real estate developers in the PRC. As at 30 June 2023, the gross carrying amount of trade receivables, bills receivable and contract assets in respect of these real estate developers was approximately RMB137.3 million (31 December 2022: approximately RMB136.9 million). The Board are aware of a series of negative news and announcements over the financial conditions of these real estate developers. In this regard, and taking into account the recent repayment records, the Board decided to make full individual loss allowance on the trade receivables, bills receivable and contract assets of the construction projects related to these real estate developers.

Together with the individual loss allowance made to certain other receivable balances of approximately RMB33.0 million (31 December 2022: RMB12.2 million), as at 30 June 2023, the accumulated individual loss allowance was RMB170.3 million (31 December 2022: RMB149.1 million).

To reduce the exposure of credit risk, the Group has ceased tendering for construction project with these real estate developers, and has taken legal actions against certain subsidiaries of certain of the real estate developers to recover the remaining balances.

The following table (as disclosed in note 13) sets out the movement in the loss allowance account in respect of trade receivables, bills receivable and contract assets during the period:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**371,953**	301,999
Impairment losses recognised in profit or loss during the period:		
— individual loss allowance	**21,203**	34,606
— loss allowance for ECLs	**14,577**	1,769
Balance at 30 June	**407,733**	338,374

Factors, events and circumstances leading to the recognition of ECLs

The amount of loss allowance for ECLs increased from approximately RMB222.8 million as at 31 December 2022 to approximately RMB237.4 million as at 30 June 2023, which was particularly due to that more long aged debtors were recorded as at 30 June 2023.

Subsequent settlement in respect of trade receivables, bill receivable and contract assets

During the period from 1 July 2023 to 20 August 2023, there was settlement of the trade and bills receivables that amounted to approximately RMB50.6 million, which represented approximately 5.9% of the gross trade and bills receivables balance as at 30 June 2023. All of the subsequent settlements were in cash.

In particular, in respect of Customer A and Customer B, approximately RMB11.1 million and RMB22.8 million, representing approximately 2.3% and 35.5% of their respective gross trade and bills receivables balance as at 30 June 2023 was settled during the period from 1 July 2023 to 20 August 2023, respectively.

Measures taken by the Group in respect of the matter

After the Directors became aware of the increasing exposure of the Group to ECLs, when the Group entered into agreements with customers during the ordinary course of business, the Group has adopted a more prudent approach in tendering for new construction projects. The Group has established a credit risk management policy under which credit evaluations are performed on each of the customers. These evaluations focus on the customer's history of making payments and current ability to pay. The Group's customers are mainly real estate companies or main contractors in the PRC. Before tendering for contracts with new customers, the Group performed background check (e.g. shareholders' background) and credit assessment (e.g. financial information of publicly listed companies) to evaluate the creditworthiness of the new customers.

In addition, the Group has its debt collection policy, under which it is the responsibility of the finance and accounts department, the business administration department and the respective project management units to confirm and follow up the outstanding debts with the customers. The amounts of construction work performed are assessed and confirmed by the business administration department and respective project management units on a monthly basis. Taking into account the progress payment, if any, made by each of the individual customers, a written payment request and official invoice are issued to each customer to request for payment of the remaining balance. The business administration department and respective project management units will continue to follow up the outstanding debts. If the debt is outstanding for 90 days or more, the project manager of the relevant project management unit is advised for review and follow up. If payment is not received after 180 days past due, the following factors will be considered before proceeding with any legal action:

— financial position of the debtor;

— alternative to legal action;

— time and legal cost to recover the amount; and

— long-term relationship with the customer.

Impairment loss on property, plant and equipment

In view of the fierce competition of Equipment operation service in the PRC in the first half of 2023, the Group expects that less revenue from Equipment operation service will be generated in the future. This indicates that the property, plant and equipment of the Group may be further impaired. As a result, the Group reassessed the recoverable amounts of property, plant and equipment and the carrying amount of property, plant and equipment was written down to their recoverable amount of RMB340.7 million and an impairment loss of RMB43.0 million was recognised against the carrying amount.

The recoverable amounts of these assets were estimated based on their value in use calculated. The calculations were using cash flow projections based on financial budgets, which cover the estimated remaining useful life of the assets.

Finance costs

Our finance costs mainly represented (i) interests on bank loans and other borrowings; (ii) interest on acquisition of equipment by instalments; and (iii) finance charges on sale and leaseback transactions.

The finance costs decreased by RMB4.3 million from RMB11.9 million for the six months ended 30 June 2022 to RMB7.6 million for the six months ended 30 June 2023.

Income tax expenses

The Group recognised income tax expenses of approximately RMB1.8 million during the six months ended 30 June 2023 (2022: income tax credit of approximately RMB3.6 million).

In December 2022, Jianzhong Construction Technology, an indirect wholly-owned subsidiary of the Company, obtained the state-level approval for its application of Hightech Enterprise qualification and was granted the qualification with effect from 14 December 2022. In accordance with the CIT Law, the High-tech Enterprise qualification will be valid for a period of three years from 2022 to 2024 and entitles Jianzhong Construction Technology to a reduced tax rate at 15% during this period.

The Group's other subsidiaries in the PRC is subject to PRC statutory corporate income tax of 25%.

Loss for the period and loss per share

As a result of the foregoing, the Group incurred net loss for the period of approximately RMB70.7 million (six months ended 30 June 2022: approximately RMB36.8 million).

Basic and diluted loss per share for the six months ended 30 June 2023 were RMB0.11 (six months ended 30 June 2022: RMB0.06).

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a solid financial position as at 30 June 2023. During the six months ended 30 June 2023, the Group's operation and capital requirements were financed principally through a combination of cash flows generated from the operating activities and bank and other borrowings. As at 30 June 2023, the Group had cash and cash equivalent of approximately RMB95.3 million (31 December 2022: approximately RMB149.8 million) in which approximately RMB16.5 million (31 December 2022: RMB1.5 million) equivalent cash were denominated in Hong Kong dollar or US dollar. The remaining balance of cash and cash equivalent were denominated in Renminbi. As at 30 June 2023, the Group had net current asset of approximately RMB368.8 million, representing an decrease of approximately RMB5.4 million as compared to that of approximately RMB374.2 million as at 31 December 2022.

As at 30 June 2023, the gearing ratio of the Group, calculated based on the net debts (including interest-bearing loans and borrowings, and payables for acquisition of equipment by instalments, less cash and cash equivalents) divided by the equity as at the end of reporting period and multiplied by 100%, was approximately 17.3% (31 December 2022: approximately 24.6%).

All the Group's loans and borrowings were denominated in Renminbi. As of 30 June 2023, included in loans and borrowings and other payables of approximately RMB178.5 million were fixed rate borrowings (31 December 2022: approximately RMB280.7 million). Particulars of loans and borrowings of the Group are set out in note 12 to this results announcement.

CAPITAL COMMITMENTS

There were no material capital commitments outstanding at 30 June 2023 (31 December 2022: Nil) not provided for in the interim financial report.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group has a total of 178 full-time employees (31 December 2022: 256). The Group has developed its human resources policies and procedures to determine the individual remuneration with reference to factors such as performance, qualification, responsibilities of each individual, market conditions, etc. Remuneration packages are normally reviewed on a regular basis. Apart from salary payments, other staff benefits including provident fund contributions, medical insurance coverage, annual leave and options which may be granted under the share option scheme adopted by the Company on 18 February 2020. The total staff costs (excluding Directors' remuneration) incurred by the Group during the six months ended 30 June 2023 was approximately RMB10.4 million (30 June 2022: approximately RMB15.9 million).

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2023 and 2022, the Group had a minimal exposure to foreign currency risk as most of its business transactions were conducted in the PRC in RMB. Moreover, the Group's assets and liabilities are principally denominated in RMB. As such, the Directors believe that the Group's risk in foreign exchange is insignificant.

PLEDGE OF ASSETS

As at 30 June 2023, the carrying amounts of the machinery and equipment pledged for the sale and leaseback transactions were RMB104.7 million (31 December 2022: RMB127.5 million); machinery and equipment of RMB99.2 million (31 December 2022: 118.6 million) was pledged as security of certain bank borrowings; and bank deposits of RMB10.8 million (31 December 2022: RMB19.4 million) were pledged to banks as security for bank loans and other borrowings, litigation and bills payable.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

There were no significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

DIVIDEND

The Board does not recommend any payment of dividend for the six months ended 30 June 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standard of corporate governance as the Board recognises the importance of corporate governance to the long-term development of the Group. The corporate governance principles of the Group emphasis transparency, accountability and independence. The Board commits to continuously review and enhance the Group's corporate governance practices and procedures for the best interest of the Company's shareholders.

During the six months ended 30 June 2023, save as disclosed below in relation to Code Provision C.2.1 that the roles of Chairman and chief executive officer should be separate and should not be perform by the same individual, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**").

Chairman and Chief Executive Officer

Code Provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xun Minghong ("**Mr. Xun MH**") currently holds both positions. Mr. Xun MH is the founder of the Group. He has diversified knowledge and experience in the construction industry as well as a variety of business connection with a network of reputable construction enterprises and contractors in Fujian. The Board believes that vesting the roles of both Chairman of the Board and chief executive officer in the same person will provide strong and consistent leadership to the Company and allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans that are in the best interests of the Company.

In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. The Company has made specific enquiries to each of the Director and all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2023.

REVIEW BY THE AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Board (the "**Audit Committee**") comprises all the independent non-executive Directors, namely Mr. Sze Irons, Mr. Wong Kun Kau and Mr. Zhu Diwu. Mr. Wong Kun Kau currently serves as the chairman of the Audit Committee.

The interim results of the Group for the six months ended 30 June 2023 and this results announcement have been reviewed and approved by the Audit Committee. In addition, the interim financial report for the six months ended 30 June 2023 is unaudited, but has been reviewed by KPMG, the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report of the Company for the six months ended 30 June 2023 will be dispatched to the shareholders and published on the above websites in due course.

By order of the Board
Jianzhong Construction Development Limited
Mr. Xun Minghong
Chairman and Chief Executive Officer

Fuzhou, PRC, 30 August 2023

As at the date of this announcement, the board of Directors of the Company comprises Mr. Xun Minghong, Mr. He Wenlin and Ms. Zheng Ping as Executive Directors; Mr. Yang Kaifa, Mr. Wang Wei and Mr. Xun Liangbao as Non-executive Directors; and Mr. Sze Irons, Mr. Wong Kun Kau and Mr. Zhu Diwu as Independent Non-executive Directors.