

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.



Zhonggan Communication (Group) Holdings Limited
中赣通信(集團)控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2545)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Zhonggan Communication (Group) Holdings Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended	
		31 December	
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	551,062	609,301
Cost of services		(444,835)	(459,982)
Gross profit		106,227	149,319
Other net income	3	7,194	5,018
Selling expenses		(3,514)	(3,298)
Administrative expenses		(45,350)	(38,474)
Research and development expenses		(25,729)	(25,873)

		For the year ended	
		31 December	
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit from operations		38,828	86,692
Finance costs	<i>4(a)</i>	<u>(15,325)</u>	<u>(16,682)</u>
Profit before taxation	<i>5(b)</i>	23,503	70,010
Income tax	<i>5(a)</i>	<u>(13,794)</u>	<u>(1,339)</u>
Profit for the year		9,709	68,671
Other comprehensive income for the year		–	–
Total comprehensive income for the year		<u>9,709</u>	<u>68,671</u>
Attributable to:			
Equity shareholders of the Company		9,709	68,592
Non-controlling interests		<u>–</u>	<u>79</u>
Profit for the year/Total comprehensive income for the year		<u>9,709</u>	<u>68,671</u>
Earnings per share			
Basic and diluted (RMB)	<i>6</i>	<u>0.02</u>	<u>0.14</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		As at 31 December	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		24,301	34,003
Intangible assets		139	–
Investment property	7	31,474	18,841
Interests in associates		7,424	7,424
Trade receivables	9	4,822	27,136
Deferred tax assets		24,332	6,513
		<u>92,492</u>	<u>93,917</u>
Current assets			
Inventories and other contract costs		442	11,240
Contract assets	8(a)	961,682	726,829
Trade and other receivables	9	208,780	244,601
Other financial assets		–	34
Pledged bank deposits		3,201	3,193
Cash and cash equivalents		134,963	81,540
		<u>1,309,068</u>	<u>1,067,437</u>
Current liabilities			
Trade and other payables	10	570,357	677,514
Contract liabilities	8(b)	6,905	4,795
Lease liabilities		129	145
Bank borrowings	11	373,476	347,458
Current taxation		25,011	1,258
		<u>975,878</u>	<u>1,031,170</u>
Net current assets		<u>333,190</u>	<u>36,267</u>
Total assets less current liabilities		<u>425,682</u>	<u>130,184</u>

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Lease liabilities	–	129
Deferred income	<u>1,778</u>	<u>1,833</u>
	<u>1,778</u>	<u>1,962</u>
NET ASSETS	<u>423,904</u>	<u>128,222</u>
CAPITAL AND RESERVES		
Share capital	58,465	83
Share premium	111,985	12,112
Reserves	<u>253,454</u>	<u>116,027</u>
Total equity attributable to equity shareholders of the Company	423,904	128,222
Non-controlling interests	<u>–</u>	<u>–</u>
TOTAL EQUITY	<u>423,904</u>	<u>128,222</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

The preliminary financial information does not constitute the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2024 but is extracted from those financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE

The principal activities of the Group are the provision of Infrastructure Construction Services and Digitalisation Solution Services for customers in the PRC.

(i) Disaggregation of revenue

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Revenue from Telecommunications Infrastructure Services		
– Infrastructure Construction Services	474,822	463,367
– Infrastructure Maintenance Services	35,878	37,990
Revenue from Digitalisation Solution Services		
– Integrated Solution Services	812	41,258
– System Maintenance Services	7,870	470
– Software Solution Services	31,680	66,216
	<u>551,062</u>	<u>609,301</u>
Disaggregated by timing of revenue recognition		
– Over time	511,607	520,288
– Point in time	39,455	89,013
	<u>551,062</u>	<u>609,301</u>

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

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	332,720	297,250
Customer B	124,793	126,362
Customer C	N/A*	132,080
	<u>457,513</u>	<u>555,692</u>

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

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

As at 31 December 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing digitalisation solution services contracts is RMB872,000 (2023: RMB1,274,000). The Group will recognise the expected revenue in future when or as the service is provided, which is expected to occur over the next 1 to 2 years (2023: next 1 to 3 years).

The Group has applied the practical expedient in paragraph 121(a) of HKFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

3 OTHER NET INCOME

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income (<i>note (i)</i>)	380	1,354
Bank deposit interest income	441	180
Government grants (<i>note (ii)</i>)	4,482	3,248
Rentals income from investment properties less direct outgoings	669	642
Share of profits of associates	–	74
Net foreign exchange gain/(loss)	1,219	(732)
Others	3	252
	<u>7,194</u>	<u>5,018</u>

Notes:

- (i) The interest income is attributable to the significant financing benefit to the Group for contracts containing a financing component in accordance with the accounting policies.
- (ii) The government grants mainly represent awards from Jiangxi government authorities attributable to (i) the recognition of the Group's efforts in reducing corporate costs and optimising development environment; (ii) as subsidies for the Group's research and development activities; (iii) as reward of "specialized, special and new" enterprise; and (iv) software VAT refund upon collection.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(a) Finance costs		
Interest on bank borrowings	15,316	16,660
Interest on contract contains a financing component	–	7
Interest on lease liabilities	9	15
	<u>15,325</u>	<u>16,682</u>
(b) Staff costs		
Salaries, discretionary bonus and allowance	24,886	24,459
Contributions to defined contribution retirement plan	1,858	2,625
	<u>26,744</u>	<u>27,084</u>
(c) Other items		
Depreciation		
– property, plant and equipment	1,714	1,517
– investment property	555	526
– right-of-use assets	202	284
Amortisation	14	–
Impairment losses/(reversal)		
– trade receivables	14,840	12,426
– contract assets	2,549	(1,158)
– other receivables	1,850	426
Short-term and low-value assets lease charges	356	292
Research and development costs (excluding staff cost)	14,399	15,037
Labour cost (note (i))	421,884	411,768
Cost of inventories (note (ii))	137	23,807
Listing expense	11,558	8,566

Notes:

- (i) The Group engages labour suppliers to supplement the Group's labour force in performing labour intensive projects.
- (ii) Cost of inventories mainly include the cost of hardware used for the provision in digitalisation solution services.

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) **Taxation in the consolidated statements of profit or loss and other comprehensive income represents:**

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for the year	20,757	(16,132)
Under-provision in respect of prior years (<i>note vi</i>)	10,856	–
Deferred tax		
Origination and reversal of temporary differences	<u>(17,819)</u>	<u>17,471</u>
	<u>13,794</u>	<u>1,339</u>

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>23,503</u>	<u>70,010</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned (<i>notes (i), (ii) and (iii)</i>)	6,525	17,503
Tax effect of PRC preferential tax treatments (<i>notes (iv) and (vi)</i>)	(1,538)	(13,817)
Tax effect of additional deduction on research and development costs (<i>note (v)</i>)	(3,719)	(2,966)
Tax effect of unused tax losses not recognised	1,261	–
Tax effect of non-deductible expenses	409	619
Others (<i>note (vi)</i>)	<u>10,856</u>	<u>–</u>
Actual tax expense	<u>13,794</u>	<u>1,339</u>

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 for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax for 2024 and 2023.
- (iii) The subsidiaries of the Group established in the PRC is subject to PRC Corporate Income Tax rate at the statutory rate of 25%.
- (iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of “High and New Technology Enterprise” (“**HNTE**”) which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Zhonggan Communication (Group) Co., Ltd# (中赣通信(集團)有限公司)(“**Zhonggan Communication**”), a company established in the PRC with limited liability on 23 May 2002 and an indirect wholly-owned subsidiary of the Company, was qualified as an HNTE since 2015, Jiangxi Gelapu Technology Company Limited# (江西戈拉普科技有限公司), a limited liability company established under the laws of the PRC on 30 November 2017 and an indirect wholly owned subsidiary of the Company, was qualified as an HNTE since 2020, and these qualifications have remained valid for 2024.
- (v) According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 100% of the qualified research and development costs could be deemed as deductible expenses in 2024.
- (vi) In accordance with the relevant PRC Corporate Income Tax laws, implementation regulations and guidance notes, a subsidiary qualified as “State Encouraged Software Enterprise” was entitled to tax concessions whereby the profit of this subsidiary was fully exempted from corporate income tax for the first two years from the profit-making year and a 50% reduction on corporate income tax for the next subsequent three years. The qualification for “State Encouraged Software Enterprise” of this subsidiary was revoked by the Department of Industry and Information Technology of Jiangxi Province in December 2024. Accordingly, the Group has made a provision for corporate income tax amounted to RMB10,856,000 for the 2023 taxable income of this subsidiary and the corresponding late payment surcharges of RMB1,162,000 in 2024.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB9,709,000 (2023: RMB68,592,000) and the weighted average of 559,342,000 (2023: 478,101,000) shares after adjusting for the Capitalisation issue in 2024) in issue during the year, calculated as follows:

Weighted average number of ordinary shares.

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Issued ordinary shares at 1 January	1,011	1,000
Effect of ordinary shares issued for reorganisation	–	7
Effect of capitalisation issue	478,989	477,094
Effect of issue of ordinary shares by initial public offering	<u>79,342</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u><u>559,342</u></u>	<u><u>478,101</u></u>

There were no dilutive potential ordinary shares for the years ended 31 December 2024 and 2023, therefore diluted earnings per share are the same as basic earnings per share.

7 INVESTMENT PROPERTY

	Buildings RMB'000
Cost:	
At 31 December 2023 and 1 January 2024	22,125
Transfer from construction in progress	13,188
At 31 December 2024	----- 35,313
Accumulated amortisation:	
At 1 January 2023	(2,758)
Charge for the year	----- (526)
At 31 December 2023 and 1 January 2024	(3,284)
Charge for the year	----- (555)
At 31 December 2024	----- (3,839)
Net book value:	
At 31 December 2024	----- <u>31,474</u>
At 31 December 2023	----- <u>18,841</u>

The Group leases out investment property under operating leases. The leases run for an initial period of 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 2-3 years to reflect market rentals. Certain leases include variable lease payment terms that are based on the revenue of tenants.

As at 31 December 2024, the fair value of investment properties as determined by the independent valuers amounted to RMB38,712,000 (2023: RMB26,407,000).

As at 31 December 2024, investment property with a carrying amount of RMB18,313,000 (2023: RMB18,841,000) was pledged to secure the Group's bank borrowings (note 11).

Undiscounted lease payments under non-cancellable operating leases in place at each reporting date will be receivable by the Group in future periods as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,566	1,183
After 1 year but within 2 years	1,982	1,227
After 2 years but within 3 years	1,985	1,242
After 3 years but within 4 years	2,066	1,242
After 4 years but within 5 years	2,081	1,242
After 5 years	18,787	15,934
	28,467	22,070

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract assets		
Arising from performance under provision of telecommunications infrastructure services		
– third parties	965,774	728,392
Less: loss allowance	(4,503)	(1,957)
	<u>961,271</u>	<u>726,435</u>
Arising from performance under provision of digitalisation solution services		
– third parties	451	431
Less: loss allowance	(40)	(37)
	<u>411</u>	<u>394</u>
	<u>961,682</u>	<u>726,829</u>
Receivables from contracts with customers within the scope of HKFRS 15, which are included in “Trade and other receivables” (note 9)	<u>199,507</u>	<u>249,995</u>

The Group’s contract assets consist of project money and retention money.

The payment billing of project money is normally conditional on the Group’s work satisfactorily passing the customers’ final inspection. On the other hand, revenue arising from such contracts are recognised based on their performance progress or upon completion in accordance with the accounting policies.

Given that the respective considerations can only be collected upon the Group’s work satisfactorily passing the customers’ final inspection, the difference between the revenue recognised based on the Group’s accounting policies and the collection of consideration is recognised as a contract asset until the Group’s work satisfactorily passes the customers’ final inspection. As at 31 December 2024, project money held as contract assets amounted to RMB959,399,000 (2023: RMB724,004,000).

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous periods is RMB1,686,000 (2023: RMB81,000), mainly due to the changes in estimate of the stage of completion of certain construction contracts.

The amount of contract assets expected to be recovered after more than one year were primarily relates to retention money and project money from Infrastructure Construction Services. The project money and retention money were expected to be covered by 6 to 36 months and 12 to 60 months, which due to prolonged inspection, acceptance, and settlement audit processes by the customers.

The Group also typically agrees to retain 3% to 10% of the contract value as retention money for one to five years upon the completion of work. These amounts are included in contract assets until the end of the retention period as the Group's entitlement to these final payments are conditional on the proper functioning of the Group's projects throughout the retention period. As at 31 December 2024, retention money held as contract assets amounted to RMB2,283,000 (2023: RMB2,825,000).

Contract assets are transferred to trade receivables when the rights become unconditional.

(b) Contract liabilities

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities		
Billings in advance of performance	<u>6,905</u>	<u>4,795</u>
<i>Movements in contract liabilities</i>		
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January	4,795	7,644
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(4,795)	(7,644)
Increase in contract liabilities as a result of billing in advance of construction	<u>6,905</u>	<u>4,795</u>
Balance at 31 December	<u>6,905</u>	<u>4,795</u>

As at 31 December 2024 and 2023, billings in advance of performance are expected to be recognised as income within one year.

9 TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Group

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables		
– current	228,859	247,109
– non-current	11,106	28,504
	<hr/>	<hr/>
Less: loss allowance	(40,458)	(25,618)
Trade receivables, net of loss allowance		
– current	194,685	222,859
– non-current	4,822	27,136
	<hr/>	<hr/>
Other receivables	8,910	9,872
Less: loss allowance	(4,496)	(2,646)
	<hr/>	<hr/>
	4,414	7,226
	<hr/>	<hr/>
Trade receivables and other receivables, net of loss allowance	203,921	257,221
Amounts due from related parties	112	109
Current tax prepayment	–	2,280
Prepayment for labour and services	2,743	2,006
Prepayment for listing expense	–	4,822
VAT recoverable	6,826	5,299
	<hr/>	<hr/>
	213,602	271,737
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Apart from the non-current trade receivables as stated above, all of the other trade and other receivables are expected to be recovered or recognised as expense within one year.
- (ii) As at 31 December 2024, trade receivables and contract assets amounted to RMB951,457,000 (2023: RMB624,886,000) were pledged as security for bank borrowings (see note 11).
- (iii) Other receivables represented tender deposits and performance deposits which will be released to the Group upon the award and the completion of the relevant projects, as the case may be.
- (iv) VAT recoverable refund represented input tax to be certified and deducted.

Ageing analysis

An ageing analysis of trade receivable, based on the transaction date or invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	93,406	120,668
More than 6 months but within 12 months	31,398	88,135
More than 12 months but within 18 months	57,883	39,978
More than 18 months but within 24 months	6,079	13,570
More than 24 months	51,199	13,262
	<hr/>	<hr/>
Trade receivables	239,965	275,613
Less: loss allowance	(40,458)	(25,618)
	<hr/>	<hr/>
	199,507	249,995
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables related to project money from telecommunications infrastructure services are normally due within 90 days from the date of billing. As at 31 December 2024, project money receivable related to telecommunications infrastructure services amounted to RMB70,069,000 (2023: RMB69,712,000).

Trade receivables related to project money from digitalisation solution services are normally due within 90 days from the completion of work, and the Group has undertaken a few Integrated Solution Services projects for which a payment term of three to five years have been granted, which were provided at the special request of the customers. As at 31 December 2024, project money receivable related to digitalisation solution services amounted to RMB125,359,000 (2023: RMB175,224,000).

Retention money is normally be settled within 90 days of the end of the retention period. As at 31 December 2024, retention money receivable amounted to RMB4,079,000 (2023: RMB5,059,000).

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– third parties	454,338	438,053
Accrued payroll	4,675	4,049
Amounts due to shareholders	2,800	144,861
Amounts due to associates	7,350	7,350
Other tax payables	94,389	76,186
Other payables and accruals	6,805	7,015
	570,357	677,514

Notes:

- (i) The above trade and other payables are expected to be settled within one year or are repayable on demand.
- (ii) Other tax payables primarily comprised VAT payables.

An ageing analysis of trade payables (which are included in trade and other payables), based on the transaction date, is as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	311,847	327,691
Over 1 year but within 2 years	85,597	68,215
Over 2 years but within 3 years	24,373	20,938
Over 3 years	32,521	21,209
	454,338	438,053

11 BANK BORROWINGS

(a) The Group's bank borrowings are repayable as follows:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year or on demand	<u>373,476</u>	<u>347,458</u>

(b) Assets pledged as security and covenants for bank loans and overdrafts

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured bank borrowings	90,123	50,074
Secured bank borrowings	<u>283,353</u>	<u>297,384</u>
	<u>373,476</u>	<u>347,458</u>

The bank borrowings are secured by certain assets of the Group and the carrying amounts of these assets are as below:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	18,696	19,827
Investment property	18,313	18,841
Trade receivables and contract assets	951,457	624,886
Bank deposits pledged for bank borrowings	1,102	1,110
Bank deposits pledged for bank facilities	<u>2,089</u>	<u>2,073</u>
	<u>991,657</u>	<u>666,737</u>

The amount of bank borrowings secured by assets of the Group and the shareholders, or guaranteed by the shareholders and their close family member, the key management personnel and their close family member of the Group (together, the “**Affiliated Individuals**”) are as below:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Secured by trade receivables and contract assets of the Group	170,206	170,223
Secured by bank deposits, trade receivables, contract assets, property, plant and equipment and investment property of the Group, secured by the properties of shareholders and guaranteed by Affiliated Individuals	<u>113,147</u>	<u>127,161</u>
	<u>283,353</u>	<u>297,384</u>

As at 31 December 2024, the Group’s bank borrowings from China Construction Bank Corporation, Nanchang Xihu Branch amounted to RMB113,147,000 (2023: RMB127,161,000) are subjected to loan covenants based on Zhonggan Communication’s balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If Zhonggan Communication were to breach the covenants, the bank borrowings would become payable on demand.

Zhonggan Communication’s loan covenants based on its balance sheet ratios had been breached as at 31 December 2024 and 2023.

12 DIVIDENDS

No dividends were paid or declared by the Company or any of its subsidiaries for the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

The Company was successfully listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 3 July 2024 (the “**Listing Date**”). The Group is a reputable integrated service provider and software developer headquartered in Jiangxi Province of the People’s Republic of China (the “**PRC**”) and focuses on the provision of Telecommunications Infrastructure Services and Digitalisation Solution Services in the PRC.

TELECOMMUNICATIONS INFRASTRUCTURE SERVICES

The customers of the Group’s Telecommunications Infrastructure Services mainly include telecommunications network operators, telecommunications tower infrastructure service providers, local governments, quasi-government institutions and state-owned enterprises. The Group’s main business models for Telecommunications Infrastructure Services are:

1. Infrastructure Construction Services mainly involve the construction, adaptation and installation works of network infrastructure along the entire telecommunications network, such as base stations and auxiliary facilities engineering services, power grid connection services, cable installation services, access network related services and wireless network equipment installation services.
2. Infrastructure Maintenance Services mainly involve carrying out routine basic maintenance, repairs and restoration works and emergency trouble-shooting to the telecommunications infrastructure located across rural and urban areas in the PRC.

DIGITALISATION SOLUTION SERVICES

The Digitalisation Solution Services consist of Integrated Solution Services, System Maintenance Services and Software Solution Services, and aim to improve the operational efficiency and productivity of its customers through incorporating digital technologies such as internet of things, cloud computing, big data, discriminative artificial intelligence and blockchain to enable the integration of various hardware and software systems under a unified platform. The Group's main business models for Digitalisation Solution Services are:

1. Integrated Solution Services generally provide turnkey solutions through (i) system design planning; (ii) supply of hardware and software and installation and integration services; and (iii) provision of after-sale services such as technical support services, which primarily involve the provision of a comprehensive digitalisation solution that includes all the necessary hardware and software components in a single package.
2. System Maintenance Services mainly include commissioned technical support and maintenance services for the hardware and software systems delivered under its Integrated Solution Services projects. System Maintenance Services generally include (i) day-to-day system and network maintenance and data back-up support services; (ii) 24/7 technical support and consulting services; (iii) system migration solution services; and (iv) emergency trouble shooting services.
3. Software Solution Services focus on (i) sale of self-developed software; and (ii) delivering customised software development services.

FINANCIAL OVERVIEW

Revenue

The Group derives revenue from Telecommunications Infrastructure Services and Digitalisation Solution Services.

The following table sets out a breakdown of revenue by business scope for the years indicated:

	For the year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue from Telecommunications				
Infrastructure Services	510,700	92.7	501,357	82.2
– Infrastructure Construction Services	474,822	86.2	463,367	76.0
– Infrastructure Maintenance Services	35,878	6.5	37,990	6.2
Revenue from Digitalisation				
Solution Services	40,362	7.3	107,944	17.8
– Integrated Solution Services	812	0.2	41,258	6.8
– System Maintenance Services	7,870	1.4	470	0.1
– Software Solution Services	31,680	5.7	66,216	10.9
Revenue	<u>551,062</u>	<u>100.0</u>	<u>609,301</u>	<u>100.0</u>

The Group's revenue decreased by RMB58.2 million from RMB609.3 million for the year ended 31 December 2023 to RMB551.1 million for the Reporting Period. The decrease in revenue was mainly due to the decrease in revenue from Digitalisation Solution Services by RMB67.5 million.

The Group's revenue from Telecommunications Infrastructure Services slightly increased by RMB9.3 million from RMB501.4 million for the year ended 31 December 2023 to RMB510.7 million for the Reporting Period.

The Group's revenue from Digitalisation Solution Services decreased by RMB67.5 million from RMB107.9 million for the year ended 31 December 2023 to RMB40.4 million for the Reporting Period. The decrease in revenue was mainly due to the decrease in the numbers of projects in relation to Integrated Solution Services and Software Solution Services.

Cost of services

The Group's cost of services decreased by RMB15.2 million from RMB460.0 million for the year ended 31 December 2023 to RMB444.8 million for the Reporting Period. The decrease in cost of services was mainly due to lower hardware and software procurement costs incurred for Integrated Solution Services and Software Solution Services as a result of the decrease in the number of such projects.

Gross profit and gross profit margin

The following table sets out a breakdown of the gross profit and gross profit margin during the years indicated by business segments:

	For the year ended 31 December			
	2024		2023	
	Gross profit/(loss) <i>RMB'000</i>	Gross profit/(loss) margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
From Telecommunications				
Infrastructure Services	73,022	14.3	74,165	14.8
– Infrastructure Construction Services	64,105	13.5	65,018	14.0
– Infrastructure Maintenance Services	8,917	24.9	9,147	24.1
From Digitalisation Solution Services	33,205	82.3	75,154	69.6
– Integrated Solution Services	(142)	(17.5)	13,059	31.7
– System Maintenance Services	1,735	22.0	178	37.9
– Software Solution Services	31,613	99.8	61,917	93.5
Total gross profit and overall gross profit margin	106,227	19.3	149,319	24.5

The Group's gross profit decreased by RMB43.1 million from RMB149.3 million for the year ended 31 December 2023 to RMB106.2 million for the Reporting Period, which was in line with the decrease in the revenue.

During the Reporting Period, the Group's gross profit margin decreased by 5.2 percentage points compared to 2023, mainly due to the decrease in revenue and gross profit from Digitalisation Solution Services which typically contributed a relatively higher gross profit margin, decreased from RMB75.2 million for the year ended 31 December 2023 to RMB33.2 million for the Reporting Period.

Other net income

The Group's other net income increased by RMB2.2 million from RMB5.0 million for the year ended 31 December 2023 to RMB7.2 million for the Reporting Period. The increase in other net income was mainly due to the increase in the government grants received of RMB1.2 million, net foreign exchange gain of RMB2.0 million and decrease of RMB1.0 million in finance expenses – financing component interest income as compared to the previous year.

Selling expenses

The Group's selling expenses remained stable from RMB3.3 million for the year ended 31 December 2023 to RMB3.5 million for the Reporting Period.

Administrative expenses

The Group's administrative expenses increased by RMB6.9 million from RMB38.5 million for the year ended 31 December 2023 to RMB45.4 million for the Reporting Period. The increase in administrative expenses was mainly due to an increase in the provision for expected credit losses of RMB7.5 million.

Research and development expenses

The Group's research and development expenses remained stable from RMB25.9 million for the year ended 31 December 2023 to RMB25.7 million for the Reporting Period.

Finance costs

The Group's finance costs decreased by RMB1.4 million from RMB16.7 million for the year ended 31 December 2023 to RMB15.3 million for the Reporting Period. The decrease in finance costs was mainly due to a decrease in interest on bank borrowings as a result of lower average balances on bank borrowings and lower interest rates on bank borrowings for the Reporting Period.

Profit before taxation

The Group's profit before taxation decreased by RMB46.5 million from RMB70.0 million for the year ended 31 December 2023 to RMB23.5 million for the Reporting Period. The decrease in profit before taxation was mainly due to the decrease in revenue from Digitalisation Solution Services.

Income tax expense

The Group's income tax expense increased by RMB12.5 million from RMB1.3 million for the year ended 31 December 2023 to RMB13.8 million for the Reporting Period. The increase in income tax expense was mainly due to the Jiangxi Gelapu Software Company Limited# (江西歌拉普软件有限公司), a limited liability company established under the laws of the PRC on 11 February 2022 and an indirect wholly-owned subsidiary of the Company, being unable to enjoy the tax exemption policy for software enterprises as a result of policy-related reasons.

Profit for the year

The Group's profit for the year decreased by RMB59.0 million from RMB68.7 million for the year ended 31 December 2023 to RMB9.7 million for the Reporting Period. Such decrease in the Group's profit for the Reporting Period was primarily due to the decrease in revenue from Digitalisation Solution Services and increase in income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

The Group's net cash used in operating activities for the Reporting Period was approximately RMB103.1 million, which was primarily attributable to its profit before tax of approximately RMB23.5 million as adjusted for non-cash and non-operating items of approximately RMB36.5 million, net cash outflows from changes in working capital of approximately RMB157.5 million and income tax paid of approximately RMB5.6 million. Adjustments for cash and non-operating items primarily included interest expenses of approximately RMB15.3 million, depreciation charges of approximately RMB2.5 million and impairment losses recognised of approximately RMB19.2 million. Net cash outflows from changes in working capital primarily resulted from increase in contract assets of approximately RMB237.4 million, which was due to delays in the final review by the Group's customers, and increase in trade and other payables of approximately RMB32.7 million, with relatively small offset amount. During the Reporting Period, lower amount of trade receivables was received, but higher amount of trade payables was paid by the Company.

The Group's net cash used in investing activities for the Reporting Period was approximately RMB144.9 million, which was primarily attributable to the cash outflow of approximately RMB139.8 million due to settlement of amounts due to shareholders and cash outflow of approximately RMB5.6 million due to payments for the purchase of property, plant and equipment.

The Group's net cash generated from financing activities for the Reporting Period was approximately RMB301.3 million, which was primarily attributable to the combined effect of (i) bank borrowings of approximately RMB373.0 million; (ii) capital inflow from capital injection from shareholders of approximately RMB127.7 million; and (iii) proceeds from the issuance of ordinary shares in the initial public offering ("IPO") of approximately RMB182.7 million, partially offset by (i) repayment of bank borrowings of approximately RMB347.0 million; and (ii) cash outflow of interest payment of approximately RMB15.3 million.

Net current assets

As at 31 December 2024, the net current assets of the Group amounted to RMB333.2 million, while the net current assets as at 31 December 2023 amounted to RMB36.3 million, mainly due to the increase in contract assets of RMB234.9 million and cash and cash equivalents of RMB53.5 million.

Cash and bank balances and borrowings

The majority of the Group's cash and cash equivalents are denominated in RMB. The Group's cash and bank balances amounted to RMB135.0 million as at 31 December 2024, representing an increase of RMB53.5 million from RMB81.5 million as at 31 December 2023, which was primarily attributable to the combined effect of (i) the capital inflow by the capital injection from shareholders of approximately RMB127.7 million; and (ii) proceeds from the issuance of ordinary shares in the IPO of approximately RMB182.7 million, which was partially offset by the combined effect of: (i) the cash outflow of approximately RMB139.8 million resulting from the settlement of the amount payable to the shareholders; and (ii) net cash used in operating activities of approximately RMB103.1 million.

As at 31 December 2024, the Group's bank loans comprised of: (i) RMB179.0 million, bearing interest at an annual rate of 4.25% and repayable within one year; (ii) RMB125.0 million, bearing interest at an annual rate of 3.85% and repayable within one year; (iii) RMB35.0 million, bearing interest at an annual rate of 3.75% and repayable within one year; (iv) RMB10.0 million, bearing interest at an annual rate of 3.90% and repayable within one year; and (v) RMB50.0 million, bearing interest at an annual rate of 3.90% and repayable within one year.

As disclosed in note 11 in this announcement, the Group did not comply with the loan covenants which requires the gearing ratio of Zhonggan Communication (Group) Co., Ltd# (中贛通信(集團)有限公司), a company established in the PRC with limited liability on 23 May 2002 and an indirect wholly-owned subsidiary of the Company, to be not more than 65% for a period of three consecutive months or more. On 25 June 2024 and 25 March 2025, the Group obtained waivers from the relevant bank which confirmed that, despite of such breach, the existing bank borrowings granted will remain valid for the remaining term.

Gearing ratio

As at 31 December 2024, the gearing ratio (total borrowings divided by total equity) of the Group was 0.9 times (31 December 2023: 2.7 times). The decrease in gearing ratio was mainly due to (i) capital injection from shareholders; (ii) IPO ordinary share issuance; and (iii) increase in the Group's equity due to the consolidation effect of profit accumulation.

Capital structure

The share capital of the Company consists of ordinary shares only. As at 31 December 2024, the issued share capital of the Company is HK\$64,000,000 comprising 640,000,000 shares of HK\$0.1 each.

Treasury policies

The Group pursues a prudent treasury management policy and actively manages its liquidity position to cope with daily operations and any demands for capital for future development. Also, the Group actively reviews and manages its capital structure on a regular basis to maintain the advantages and security of a strong capital position and adjust the capital structure in response to the changes in economic conditions.

Foreign exchange risk

The Group operates in PRC with most of our monetary assets and liabilities and transactions principally denominated in RMB. We do not have significant exposure to foreign currency risks.

Capital commitments

The Group had no capital commitments for the Reporting Period.

Contingent liabilities

As at 31 December 2024, the Group had no contingent liabilities.

Pledge of assets

As at 31 December 2024, the carrying value of the Group's property, plant and equipment, investment properties, trade receivables and contract assets, and bank deposits pledged for bank borrowings and bank facilities was approximately RMB991.6 million (31 December 2023: RMB666.7 million).

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Reporting Period and up to the date of this announcement, the Group did not make any significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Group.

Future plans for material investments

The Group intends to utilise part of the net proceeds raised from the Listing to acquire or invest in other potential companies specialising in the provision of digitalisation solution services as part of our strategies to expand our business scale and market share. As at the date of this announcement, the Group did not have any other future plans for material investments or acquisition of capital assets.

Employee and remuneration policy

As at 31 December 2024, the Group had 218 (31 December 2023: 257) employees. Total staff costs (including directors' remuneration) for the Reporting Period amounted to RMB26.7 million (2023: RMB28.3 million). The Group recruits personnel from the open market, mainly based on a range of factors, including but not limited to their working experience, technical knowledge and educational background. To facilitate the recruitment of employees, the Group strives to offer competitive salaries and benefits to its employees and has policies in place to ensure that the salaries and bonuses of its employees are reviewed periodically and are competitive and in line with their performances. In respect of employee training, the Group provides its new and existing employees with relevant job training from time to time which covers health and safety and operational procedures. Where there are new industry regulations or the Group adopts or amends its policies and operating guidelines which its employees are required to adhere to, it may also provide supplemental training to its employees.

Share Option Scheme

To attract and retain the most suitable personnel for the development of the Group, the Group adopted a Share Option Scheme on 17 June 2024. Share options may be granted to eligible employees of the Group as a long-term incentive. Since the date of adopting the Share Option Scheme and up to the date of this announcement, no share options have been granted or agreed to be granted under the Share Option Scheme.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance and achieving good corporate governance by an effective Board, segregation of duties with clear accountability, sound internal controls and risk management procedures and transparency to shareholders in order to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company was listed on the Stock Exchange on 3 July 2024. As such, the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) was not applicable to the Company prior to the Listing Date but became applicable thereafter.

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of shareholders and to enhance corporate value and accountability. After its Listing, the Company has adopted the CG Code as its own corporate governance code.

Save as disclosed below, the Company has complied with the code provisions (the “**Code Provision(s)**”) as set out in part 2 of the CG Code from the Listing Date to the date of this announcement:

Code Provision C.2.1 stipulates that the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. Mr. Liu Haoqiong is currently both the chief executive officer of the Company (the “**Chief Executive Officer**”) and the chairman of the Board (the “**Chairman**”). The Board believes that vesting the roles of both Chief Executive Officer and Chairman in the same person has the benefit of ensuring consistent leadership and efficient discharge of executive functions within the Group. The Group considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises nine other experienced and high-calibre individuals who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Board will make consultations with appropriate Board committees and senior management. Despite the deviation from Code Provision C.2.1 for Mr. Liu Haoqiong, the Chairman to concurrently serve as the Chief Executive Officer, the Board believes that Mr. Liu Haoqiong, being the Chairman, is familiar with the Company’s business operation and has excellent knowledge and experience of the Company’s business which will be conducive to improving the efficiency of the Company’s overall strategic planning. The Board believes that such management structure layout will be more beneficial to the future development of the Company and will improve the Company’s operating conditions. Under the supervision of the Board, it is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. Therefore, the Directors consider that the present arrangement is beneficial to and in the interests of the Company and its shareholders as a whole. The Board will continue to review and monitor the corporate government of the Company for the purpose of complying with the CG Code and maintaining high standards of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the directors’ securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2024.

The Company’s employees who are likely to be possession of unpublished insider information of the Company are also subject to the Model Code during the period from the Listing Date to 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities in the Stock Exchange since the Listing Date and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Listing intended to be applied in accordance with the section headed “**Future Plans and Use of Proceeds**” in the prospectus of the Company dated 21 June 2024 and with details as set out as follow:

Usage	Percentage of gross proceeds	Planned allocation of net proceeds <i>HK\$ million</i> <i>(approximately)</i>	Utilised net proceeds up to the date of this announcement <i>HK\$ million</i> <i>(approximately)</i>	Unutilised net proceeds up to the date of this announcement <i>HK\$ million</i> <i>(approximately)</i>	Expected timeline for full utilisation of the balance
Selectively pursue strategic acquisitions	63.0%	89.4	–	89.4	By the end of 31 December 2025
Payment of upfront costs in respect of prospective Integrated Solution Services projects	15.5%	22.0	–	22.0	By the end of 31 December 2025
Strengthen research and development capabilities	17.3%	24.6	4.2	20.4	By the end of 31 December 2025
General working capital	4.2%	5.9	5.9	–	–
Total	100.0%	<u>141.9</u>	<u>10.1</u>	<u>131.8</u>	

Since the Listing Date, the Company has been actively exploring various strategic acquisition opportunities, but has not identified a suitable opportunity for a service provider specialising in the provision of digitalisation solution services. Being mindful of the unforeseen circumstances and the delayed development of smart cities, the Board is inclined to adopt a prudent approach in utilising the net proceeds. The Company expects that additional time is required for the Group for planning and implementation. As such, the expected timeline for utilising the unutilised net proceeds is updated, with plans to utilise the remaining net proceeds in 2025.

The Board considers that the extension of the expected timeline for full utilisation of the net proceeds will not have any material adverse impact on the existing business and operation of the Group and is in the best interest of the Company and its shareholders as a whole. Save as disclosed in this announcement, there are no other changes to the plan for utilising the net proceeds.

The Group will continue to explore different acquisition opportunities bringing value to the Group. In the event that there are suitable acquisitions in the future, the Company shall still use the designated net proceeds and its own funds for the acquisitions, and the Company's acquisition strategy will not be affected because of the extended timeline for full utilisation of the net proceeds.

The Board will continuously assess the plans for the use of the unutilised net proceeds and may revise or amend such plans where necessary to cope with the changing market conditions in order to strive for a better performance of the Group. Should there be any further change in the use of the net proceeds, further announcement(s) will be made by the Company as and when appropriate.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant event after the Reporting Period and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Yu Shiyong, Mr. Zhu Yugang and Mr. Li Yinguo. Mr. Yu Shiyong is the chairman of the Audit Committee.

The Audit Committee has considered and reviewed the annual results for the year ended 31 December 2024, the accounting principles and practices adopted by the Group and its internal control and financial statements matters, which are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group’s auditor, KPMG, to the amounts set out in the Group’s final consolidated financial statements for the year ended 31 December 2024. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY

The annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gantongjt.com). The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be dispatched to the Company’s shareholders and published on the aforementioned websites in due course.

By Order of the Board
Zhonggan Communication (Group) Holdings Limited
Liu Haoqiong
Chairman and Executive Director

Hong Kong, 27 March 2025

As at the date of this announcement, the executive directors are Mr. Liu Haoqiong, Mr. Peng Shengqian, Ms. Xie Xiaolan, Mr. Liu Dingli, Mr. Liu Dingyi and Mr. Zhou Zhiqiang; and the independent non-executive directors are Mr. Yu Shiyong, Mr. Li Yinguo and Mr. Zhu Yugang.

“#” is for identification purpose only.