

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully in full before you decide to invest in the [REDACTED].

OVERVIEW

We are a construction service provider based in Taiyuan, a city in Shanxi Province, China. We engage in specialized industrial construction, specialized auxiliary construction, other construction and non-construction business, ranking first among more than 500 specialized industrial construction contracting companies in Shanxi Province, fifth among more than 10,000 specialized industrial construction contracting companies in China and eighth among specialized industrial construction and specialized auxiliary construction contracting companies in China, according to Frost & Sullivan in terms of revenue in 2021.

Our history can be traced back to as early as 1952 as our predecessor was one of the earliest entities in the PRC specializing in industrial equipment installation. According to Frost & Sullivan, we were one of the earliest construction contracting companies in Shanxi Province and among the first batch of construction contracting companies awarded with Quality Management System Certifications in the PRC. We are committed to the “spirit of the craftsmanship” and providing high-quality specialized industrial construction and specialized auxiliary construction service, and has developed as one of the most trusted brands in the industry. In the course of our 70 years of development, we have formed a corporate culture of “building our foundation with strict attitude and cultivating competitive and cooperation atmosphere with a centralized value creation determination (嚴實築基, 執中競上)”. With a strict and serious attitude and rigorous and realistic spirit, we strengthen the foundation for business management to guide the Group on the way to normalization, institutionalization and standardization, and then extend the industrial chain, broaden the market space and lay a foundation for future development. Meanwhile, we have built a highly integrated management foundation, adhered to value creation as the center, formed a balanced and stable development pattern and maintained a competitive and thriving development trend. We strive to provide customers with integrated professional system services covering the whole process and the entire production chain during the full cycle of construction services.

According to Frost & Sullivan, we are the first construction service provider to obtain the Premium Grade Qualifications of General Contracting for Petrochemical Engineering Construction and Municipal Public Engineering Construction, and Grade A Qualifications for Chemical, Petrochemical and Pharmaceutical Industry Design and Municipal Engineering Industry Design (雙特雙甲) in China, which is the highest qualification granted to construction contractors in China. As China’s construction contracting industry is strictly regulated, the relevant qualifications fully certify that our experience in project management, technical strengths, and our operation have met the highest standards in China, which has consolidated our position in the industry and provided our customers with immense confidence.

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In addition, according to Frost & Sullivan, we are one of the few construction contracting companies with design institutes and construction design capabilities. We own a chemical, petrochemical and pharmaceutical industry Grade A Design Institute and a municipal engineering industry Grade A Design Institute, have the Grade A Qualification for Architectural Decoration Engineering Design, Grade A Qualification for Building Intelligent System Design and Grade A Qualification for Fire Protection Engineering Design. Therefore, we have frequently become the general contractor for construction projects and have the full ability to provide customers with comprehensive and integrated one-stop project management services.

We offer one of the most comprehensive ranges of services, from (i) design and consulting, (ii) investment and construction, (iii) building construction, to (iv) operation and maintenance. According to Frost & Sullivan, such vertical integration comes as an distinguishable asset among the market participants in specialized industrial construction and specialized auxiliary construction industry in the PRC. We also have extensive qualifications for construction contracting, covering majority of construction categories. As of December 31, 2022, we have the following qualifications in terms of construction contracting:

- Two Premium Grade Qualifications of General Construction Contracting
- Four First Grade Qualifications of General Construction Contracting
- Three Second Grade Qualifications of General Construction Contracting
- 18 First Grade Qualifications of Specialized Construction Contracting
- Three Second Grade Qualifications of Specialized Construction Contracting

With high-quality project results and customer services, we won over the trust of customers, which is crucial for us to enhance customer loyalty, expand customer base and maintain long-term business growth. During the Track Record Period, we kept abreast of market trends and recorded considerable revenue growth to achieve a market-leading position:

- (i) As the Chinese government implements favorable economic and industrial policy and there has been increasing awareness on green and sustainable building in the market, our extensive experience and superior technology in various new energy and green construction projects enabled us to benefit from the industry trend of green development and sustainable building development.
- (ii) BIM, a cutting-edge 3D modeling and visualization tool, is a trend of technology adopted by market participants. Benefiting from the Group’s internal BIM Information and Technology Research Institute, we are able to provide comprehensive solutions, engage in construction consultancy and participate in all phases of project consultancy including feasibility research, investigation, design and construction.

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- (iii) The EPC model could improve construction efficiency through overall coordination and resources allocation and could minimize the risk taken by the property owner, improve the project coordination efficiency and reduce project construction period. Our one-stop integrated solution has become a unique and strong competitive advantage for us to stand in the EPC market in China.

By virtue of our stable and strong market development capability, design technique ability, efficient digitalized work collaboration ability, and strict talent pool and support, we have developed into a group with competitiveness, whole-industry and strong professional ability while we also have the characteristics of state-owned enterprises such as standardized management, integrity and reliability, and with a focus on corporate social responsibility and we are awarded as “AAA Credit Enterprise in China’s Construction Enterprises (全國建築業AAA級信用企業)”. We are committed to practising the corporate values of “integrity and pragmatism, unyielding perseverance (誠信務實, 鍥而不捨)”, adhering to the corporate mission of “dedicating high-quality works and creating bright future (奉獻精品, 開創未來)”, adhering to the principle of “honesty-centered, integrity-mattered (誠信為本, 操守為重)”, and providing customers with customer-centered and high-quality services.

OUR VISION

We are determined to become the most competitive modern construction service provider in China.

“Most competitive” represents having the most agile market expansion ability, the best quality product and service provision ability, the most powerful social resource integration ability, the most complete whole industry chain operation ability and the most advanced technology and digital assurance ability.

“Modern” refers to the modernization of management thought based on the business model, the modernization of management organization based on open platform, the modernization of management control based on core competence and the modernization of management means based on information technology.

“Modern construction service provider” is a construction service provider for the whole construction cycle integrating design consultation, investment, construction, operation and maintenance.

OUR ACCOMPLISHMENT

We received wide recognition from the industry for our outstanding performance in construction’s quality, safety control and innovation. Also, our subsidiary Shan’an Bluesky has been listed on the NEEQ since November 2018. According to Frost & Sullivan, in terms of revenue in 2021:

- We ranked first among over 500 specialized industrial construction contracting companies in Shanxi Province.
- We ranked third among over 5,000 new energy construction projects contracting companies in China.

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- We ranked fifth among over 10,000 specialized industrial construction contracting companies in China.
- We ranked eighth among specialized industrial construction and specialized auxiliary construction contracting companies in China.

Ensuring high-quality project completion, safety production and continuous development have earned us numerous awards. In December 2021, we won the National Quality Award from the China Association for Quality, which is one of the four major quality awards in the world. According to Frost & Sullivan, we are the first company in the national installation industry to receive this prestigious honor in 20 years since the award was established. We were awarded as the National Quality Benchmark Construction Enterprise for our experience in implementing the TQM-based iPS high-quality development model and according to Frost & Sullivan, became the only construction contracting company to be awarded the National Quality Benchmark in 2020. In terms of safety control, we were awarded the title of Enterprise (Unit) for Standardization of Safety Production in China’s Safety Industry and Construction Industry in 2021. A number of our projects were rated as Safety Production Standardization Projects in China Safety Industry and Construction Industry in 2021.

Meanwhile, in the past, we have been awarded the followings for our excellent construction quality: two National Quality Engineering Gold Awards (國家優質工程金獎); 14 Luban Awards – the highest honor awarded by the China Construction Industry Association; 11 National Quality Engineering Awards (國家優質工程獎); 21 China Installation Stars (中國安裝之星); 34 Ministry-level Quality Engineering Awards (部級優質工程獎); five Shanghai Magnolia Awards for construction work (上海市建設工程「白玉蘭」獎); 216 provincial and municipal construction awards and 186 national and provincial QC achievements and others.

Over the years, we have been committed to research and development as we believe it will drive upgrades and innovations in our construction contracting business. During the Track Record Period, our research and development costs amounted to RMB427.3 million and RMB562.0 million for each of the years ended December 31, 2020 and 2021, demonstrating a year-on-year growth rate of approximately 31.5%; and for the year ended December 31, 2022, our research and development costs amounted to RMB678.7 million, which represented an increase of 20.8% when compared to the corresponding period in 2021. In terms of innovation, we won a Tien-yow Jeme Civil Engineering Prize of China (中國土木工程詹天佑獎) and 18 awards for science and technology progress. In 2021, we were awarded the 2020 Enterprise Technology Innovation Award from the Science and Technology Department of Shanxi Province. As of December 31, 2022, we have successfully developed 4 national and 199 provincial construction methodologies, possessed 55 national invention patents and 553 utility new model patents and one design patent in China, while we had one trademark in Hong Kong.

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OUR BUSINESS

We have a comprehensive and constantly enriching service portfolio with broad development prospects. We focus on the concept of “Design Consultation, Investment, Construction, Operation and Maintenance” to form a “four in one” industrial chain (“四位一體”產業鏈), and our business scope covers municipal and public, petrochemical, power, metallurgy, electromechanical installation, rail transit and other industries, while focusing on emerging fields such as new energy and green environmental protection.

We primarily engage in the following business:

- **Specialized Industrial Construction:** Our specialized industrial construction business mainly include projects related to the following fields: power engineering (thermal power generation, new energy wind power generation, new energy photovoltaic power generation, new energy geothermal power generation, hydrogen power generation, power transmission and transformation); petrochemical engineering (oil and gas storage and transportation, petrochemical engineering, chemical engineering, pharmaceutical and chemical engineering); electromechanical installation engineering; metallurgical engineering (glass, coking, cement, non-ferrous metal, ferrous metal smelting, carbon, electrolytic aluminum, electrolytic copper, etc.); water conservancy and hydropower engineering (water conservancy engineering, hydropower engineering, pumped storage); urban rail transit engineering; mining engineering (coal mines, iron ore, aluminum ore, copper ore, etc.). The Group provides services such as investment, design consulting, construction, operation and maintenance for the specialized industrial construction projects.
- **Specialized Auxiliary Construction:** Our specialized auxiliary construction business mainly include projects related to the following fields: standardized workshops, urban supporting works such as heating, water supply, drainage, gas, communication and lighting engineering, environmental protection engineering (waste heat utilization, waste water treatment, waste treatment, waste gas treatment), road and bridge engineering, low-carbon green engineering, agricultural engineering. The Group provides services such as investment, design consulting, construction, operation and maintenance for the specialized auxiliary construction projects.
- **Other Construction:** We also engage in the construction of residential, office and commercial buildings, science, education, culture and health buildings and other types of projects. The Group provides general contracting services for such projects.
- **Non-Construction Business:** We also generate revenue from non-construction business, which mainly includes sales revenue from LNG, provision of urban heating technical services, operating and interest income from PPP projects, trading income and others.

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During the Track Record Period, we secured new businesses mainly through (i) open tender opportunities; or (ii) direct invitation for tender or quotation request by customers. During the Track Record Period, our tender success rate ranged from 47.0% to 51.2%.

We are a general contractor which undertake both EPC and PPP projects with the majority of the projects contracted were EPC projects and only a small amount were PPP projects during the Track Record Period. We undertake projects in the capacity of both main contractor and subcontractor and is regarded as a midstream contractor. EPC and PPP are two of the major contracting models for construction works. EPC refers to engineering, procurement and construction, which is a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above; whereas PPP refers to public-private partnership, which is a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services. Our PPP projects are under BOT arrangements with the public sector entities, we are granted a right to operate a publicly-owned asset constructed by us for a specific period, during which we can generate operation service fee income from such operation period. The operation period of our PPP projects usually have a time span of 10 to 29 years.

For more details of our business model, please refer to “Business – Business Model – Overview”.

The following table sets forth the movement in the value of the construction projects in our backlog as of the following dates:

	December 31,			After Track Record Period and up to the Latest Practicable Date
	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000
Opening value of backlog as of the beginning of the relevant year/period	21,014,989	22,786,814	32,280,212	38,397,704
Add: newly signed contract value (excluding value-added tax)	15,468,907	21,683,235	22,408,768	4,671,707
Add: (adjustment)/variation orders	290,304	(19,283)	665,315	–
Less: project cancellation	4,565,681	–	5,377,799	–
Less: revenue recognized	9,241,705	12,170,554	11,578,792	2,508,620
Ending backlog as of the end of the relevant year	22,786,814	32,280,212	38,397,704	40,560,791

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	December 31,			After Track Record Period and up to the Latest Practicable Date
	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed by project types:				
EPC projects ^(Note)	22,269,249	31,835,663	36,922,383	37,984,656
PPP projects	517,565	444,549	1,475,321	2,576,135
	<u>22,786,814</u>	<u>32,280,212</u>	<u>38,397,704</u>	<u>40,560,791</u>
Analyzed by principal business activities:				
Specialized industrial construction	15,245,338	20,595,809	28,602,146	30,420,204
Specialized auxiliary construction	4,776,301	6,537,213	4,959,935	5,734,570
Other construction	2,765,175	5,147,190	4,835,623	4,406,017
	<u>22,786,814</u>	<u>32,280,212</u>	<u>38,397,704</u>	<u>40,560,791</u>

Note: EPC projects include projects undertaken by us as both general contractor and/or subcontractor in different stages of construction projects.

Due to the nature of our business and the long project cycle of construction works, it is an industry practice for customers and contractors to review and revise the contract terms from time to time during the lifespan of the construction projects to accommodate actual needs and change in circumstances of the project throughout the course of the construction process. Particularly, during the year ended December 31, 2022, a significant value of variation order recorded was primarily arising from (i) the adjustment of RMB447.9 million in a wind power plant construction project in the Gujiao County due to change of specification and increase in the number of installation parts; and (ii) the adjustment of a standardized workshop engineering construction project in Jincheng, Shanxi due to adjustment of the contract terms and conditions. On the other hand, the reduction in contract value in the amount of RMB19.3 million for the year ended December 31, 2021 was adjusted to the ending backlog as at December 31, 2021 and no revenue had been recognized. For further details of our project backlog and variation orders, please refer to the section headed “Business – Backlog and New Contract Value”.

Our construction projects, in particular PPP projects, typically require significant upfront cost such as initial investment in project company and procurement of raw materials.

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The following table set forth the revenue, gross profit and gross profit margin from our EPC, PPP and non-construction business during the Track Record Period:

Project types	For the year ended December 31,					
	2020		2021		2022	
	Revenue <i>RMB'000</i>	Gross profit margin	Revenue <i>RMB'000</i>	Gross profit margin	Revenue <i>RMB'000</i>	Gross profit margin
EPC	8,556,186	862,681	10.1%	11,667,174	1,110,972	9.5%
PPP (including operating fee and interest income)	1,013,724	359,337	35.4%	721,861	257,746	35.7%
Non-Construction Business ^(Note)	578,710	206,077	35.6%	889,334	379,210	42.6%
Total	10,148,620	1,428,095	14.1%	13,278,369	1,747,928	13.2%
					12,844,822	1,842,046
					275,422	26.8%

Note: Operating fee and interest income generated from PPP projects under our non-construction segment had been excluded and re-allocated under PPP above for illustration of our revenue, gross profit and gross profit margin of our PPP projects.

For details of reasons of the material fluctuations in our revenue, gross profit and gross profit margin, please refer to the section headed “Financial Information”.

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OUR CUSTOMERS

During the Track Record Period, our customers are primarily located in the PRC, with a lesser proportion overseas. Our customers are involved in a broad range of industries, including among others, new energy industry, infrastructure, and chemical and petrochemical pharmaceutical.

Our customers mainly include local governments, listed companies and large state-owned groups. We have been able to establish long-term and stable relationships with our customers by leveraging our track record of providing high-quality, timely and safe construction contracting services. Most of our large customers have engaged in projects with us multiple times, and we have established more than 50 long-standing cooperative relations with our existing customers for more than 5 years.

For the years ended December 31, 2020, 2021 and 2022, the revenue generated from our top five customers in each year during the Track Record Period amounted to approximately RMB3,043.1 million, RMB2,236.1 million and RMB3,621.1 million, representing 29.9%, 16.8% and 28.2% of our total revenue for the same periods. In the same periods, the revenue from our largest customer amounted to RMB853.5 million, RMB658.3 million and RMB1,197.9 million, representing 8.4%, 5.0% and 9.3% of our total revenue for the respective periods. The following table sets forth the details of revenue generated in terms of (i) types of our customers; (ii) from related parties and independent third parties; and (iii) downstream industries in each of our business segments for the years indicated.

Breakdown of Revenue by Type of Customers

Type of customers	For the year ended December 31					
	2020		2021		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
State-owned and state-holding enterprises/ government authorities (excluding listed companies)	3,777,637	37.2%	5,182,552	39.0%	7,458,861	58.1%
Private enterprises (excluding listed companies)	5,850,046	57.7%	7,587,206	57.2%	4,944,332	38.5%
Listed companies	520,937	5.1%	508,611	3.8%	441,629	3.4%
	<u>10,148,620</u>	<u>100%</u>	<u>13,278,369</u>	<u>100%</u>	<u>12,844,822</u>	<u>100%</u>

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Breakdown of Revenue in Terms of Related Parties and Independent Third Parties

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Connected parties controlled by Shanxi CIG						
Specialized industrial construction	3,576	0.1%	117,296	0.9%	223,026	1.7%
Specialized auxiliary construction	200,768	2.0%	284,813	2.1%	211,622	1.6%
Other construction	74,827	0.7%	67,662	0.5%	239,889	1.9%
Non-construction business income	21,842	0.2%	188,549	1.4%	174,561	1.4%
Sub-total	<u>301,013</u>	<u>3.0%</u>	<u>658,320</u>	<u>4.9%</u>	<u>849,098</u>	<u>6.6%</u>
Entities controlled by Shanxi State-owned Capital Operation Co., Ltd. (Excluding Shanxi CIG and its associates)						
Specialized industrial construction	55,632	0.5%	126,152	1.0%	353,577	2.8%
Specialized auxiliary construction	120,683	1.2%	209,851	1.6%	9,303	0.1%
Other construction	61,328	0.6%	19,439	0.1%	50,237	0.4%
Non-construction business income	281,643	2.8%	277,192	2.1%	274,648	2.1%
Sub-total	<u>519,286</u>	<u>5.1%</u>	<u>632,634</u>	<u>4.8%</u>	<u>687,765</u>	<u>5.4%</u>

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	For the year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Other independent third parties and the Group's investment entity(ies)						
Specialized industrial construction	5,362,431	52.9%	6,721,455	50.6%	7,014,529	54.6%
Specialized auxiliary construction	2,318,079	22.8%	2,623,653	19.8%	1,870,138	14.6%
Other construction	1,224,381	12.1%	2,000,233	15.1%	1,606,471	12.5%
Non-construction business income	423,430	4.1%	642,074	4.8%	816,821	6.3%
Sub-total	<u>9,328,321</u>	<u>91.9%</u>	<u>11,987,415</u>	<u>90.3%</u>	<u>11,307,959</u>	<u>88.0%</u>
Total	<u>10,148,620</u>	<u>100%</u>	<u>13,278,369</u>	<u>100%</u>	<u>12,844,822</u>	<u>100%</u>

The following table sets forth the revenue breakdown by sector that our customers are engaged in for the years as indicated:

	For the year ended December 31					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% to our total revenue</i>	<i>RMB'000</i>	<i>% to our total revenue</i>	<i>RMB'000</i>	<i>% to our total revenue</i>
Sectors that our customers are engaged in						
Government authorities (including PPP projects) ^(Note 1)	1,876,834	18.5%	2,108,308	15.9%	1,230,446	9.6%
Energy sector	5,144,123	50.7%	6,230,534	46.9%	6,782,713	52.8%
Infrastructure sector	2,146,307	21.1%	3,644,401	27.5%	2,509,964	19.5%
Others ^(Note 2)	981,356	9.7%	1,295,126	9.7%	2,321,699	18.1%
Total	<u>10,148,620</u>	<u>100%</u>	<u>13,278,369</u>	<u>100%</u>	<u>12,844,822</u>	<u>100%</u>

Notes:

1. Including customers which are engaged in various business sectors but are ultimately controlled by government authorities.
2. Others include customers which are engaged in medical and chemical engineering sectors.

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The following table sets forth the breakdown of our segment revenue by major project type for the years as indicated:

	For the year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Power engineering (including New Energy engineering)	3,859,726	4,617,320	4,952,325
Petrochemical Engineering	544,873	1,144,116	1,545,420
Other specialized industrial construction	1,017,040	1,203,467	1,093,387
Sub-total for specialized industrial construction:	5,421,639	6,964,903	7,591,132
Urban heating engineering	580,549	611,563	846,802
Standardized workshop engineering	857,348	1,136,495	644,351
Other specialized auxiliary construction	1,201,633	1,370,259	599,910
Sub-total for specialized auxiliary construction	2,639,530	3,118,317	2,091,063
Construction of public buildings	324,756	531,135	404,915
Residential buildings construction	324,756	969,321	510,896
Other construction works	711,024	586,878	980,786
Sub-total for other construction	1,360,536	2,087,334	1,896,597
Revenue from sales of LNG	172,593	256,245	308,204
Revenue from contract energy management (Revenue from urban central heating)	281,262	276,646	296,598
Other non-construction	273,060	574,924	661,228
Sub-total for non-construction:	726,915	1,107,815	1,266,030
Total:	10,148,620	13,278,369	12,844,822

For more details of our customers, please refer to “Business – Customers”.

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OUR SUPPLIERS

We have in place a strict supplier management system, procurement policy and approval system. In addition to the potential suppliers other than through public bidding process, we have to purchase raw materials and leasing of equipment and machinery from suppliers selected from a list of qualified suppliers. Our existing qualified suppliers are all Chinese companies.

For the years ended December 31, 2020, 2021 and 2022, the purchases from our top five suppliers in each year during the Track Record Period amounted to approximately RMB815.4 million, RMB2,491.5 million and RMB4,927.4 million, representing 5.1%, 12.4% and 30.6% of our total purchase amount for the same periods. The purchase from our largest supplier amounted to RMB185.2 million, RMB780.0 million and RMB2,255.1 million, representing 1.2%, 3.9% and 14.0% of our total purchase amount for the respective periods.

For more details of our suppliers, please refer to “Business – Suppliers”.

During the Track Record Period, to the best knowledge of our Directors, two of our top five customers were also our suppliers (“**Overlapping Customers**”). For details, please refer to “Business – Suppliers – Entities Who Are Our Major Customers and Also Our Suppliers”.

OUR STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- we are a construction service provider with a mission;
- we have established our position in the industry with independent, innovative, excellent research and development technology, and we benefit from the national policy of Shanxi synergistic development and thriving national economic and social power;
- we possess specialized business advantages. Especially, under the overall trend of “Carbon Emission Peak and Carbon Neutrality”, we precisely focus our transformation on fields such as green energy conservation and new energy, achieving the strategic goal of whole industry chain high-quality transformative development, contributing greatly to improving the environment;

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- with comprehensive qualification coverage and excellent design ability, as well as exquisite upstream and downstream resources collaboration capabilities and stable partnership with suppliers and subcontractors, we can continuously obtain high-quality project authorization;
- with 70 years of development history, we have bred a profound enterprise spirit and unique corporate culture and characteristics. We have a track record of providing customers with high-quality services through strict quality control, excellence management system, high safety standards and environmental management system; and
- our strong, professional management team shoulder our unique corporate mission of “dedicating high-quality works and creating bright future”.

OUR STRATEGIES

Our goal is to continue to gain greater market share in Shanxi and other provinces in China as well as overseas markets such as countries around the “Belt and Road Initiative” and further consolidate our position in the specialized industrial construction and specialized auxiliary construction industries. To achieve this goal, we intend to implement the following strategies:

- capture the opportunities brought by the national strategy of synergistic development, so as to accelerate development of new energy business;
- responding to the supply-side structural reform of the construction industry, and improving our comprehensive service capability in EPC general contracting projects;
- keep involving in investment, financing and operation of construction projects to create revenue and profit models;
- continuously improve the business portfolio and expand business network to further increase our market share in China; and
- optimize the qualification combination and technical capabilities.

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SUMMARY OF KEY FINANCIAL INFORMATION

The following table sets forth summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue	10,148,620	13,278,369	12,844,822
Cost of sales	(8,720,525)	(11,530,441)	(11,002,776)
Gross profit	1,428,095	1,747,928	1,842,046
Other income and gains, net	120,419	45,574	20,766
Change in fair value of investment properties	6,299	796	2,441
Selling and distribution expenses	(379)	(1,046)	(2,083)
Administrative and other operating expenses	(846,192)	(1,097,753)	(1,190,918)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(293,755)	(392,610)	(397,208)
Reversal of provision/(provision) for expected credit losses on financial assets, net	(57,827)	(80,562)	(59,979)
Share of losses of associates	(2,479)	(5,756)	5,521
Profit before tax	354,181	212,155	212,782
Income tax expense	(71,948)	(24,121)	(12,346)
Profit for the year	282,233	188,034	200,436
Other comprehensive income/(loss)			
<i>Other comprehensive income/(loss) that will not be subsequently reclassified to profit or loss, net of tax:</i>			
Fair value changes of equity investment at FVOCI, net of tax	1,384	(2,337)	13,703
Remeasurement of defined benefit plan, net of tax	—	—	(2,322)
<i>Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax:</i>			
Exchange differences on translation of financial statements of foreign operations	602	486	358
Other comprehensive income/(loss), net of tax	1,986	(1,851)	11,739
Total comprehensive income for the year	284,219	186,183	212,175
Profit for the year attributable to			
Equity holders of the Company	216,356	124,830	150,882
Non-controlling interests	65,877	63,204	49,554
	282,233	188,034	200,436

SUMMARY

We generate revenue through the provision of construction services and we derive our revenue primarily from four business segments: (i) specialized industrial construction; (ii) specialized auxiliary construction, (iii) other construction and (iv) non-construction business. Our cost of sales primarily comprises raw material costs, labor force, machinery utilization costs and subcontracting costs, etc. The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2020		2021		2022	
	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales
	RMB'000	%	RMB'000	%	RMB'000	%
Raw material	3,627,002	41.6	5,897,578	51.1	5,769,678	52.4
Labor force	1,859,150	21.3	2,995,053	26.0	2,766,714	25.1
Machinery utilization costs	567,755	6.5	841,263	7.3	600,945	5.5
Subcontracting costs	1,933,552	22.2	826,386	7.2	1,313,443	11.9
Others	733,066	8.4	970,161	8.4	551,996	5.1
Total	8,720,525	100.0	11,530,441	100.0	11,002,776	100.0

During the Track Record Period, our revenue demonstrated a year-on-year growth rate of 30.8% from 2020 to 2021, and a year-on-year decline rate of 3.3% from 2021 to 2022. Such change was mainly attributable to the decrease in revenue derived from our specialized auxiliary construction business by RMB1,027.3 million, and partially offset by the increase in revenue derived from our specialized industrial construction business by RMB626.2 million. Our cost of sales increased by 32.2% from RMB8,720.5 million for the year ended December 31, 2020 to RMB11,530.4 million for the year ended December 31, 2021. Our cost of sales decreased by 4.6% from RMB11,530.4 million for the year ended December 31, 2021 to RMB11,002.8 million for the year ended December 31, 2022. On the other hand, our gross profit demonstrated an increasing trend from RMB1,428.1 million for the year ended December 31, 2020 to RMB1,842.0 million for the year ended December 31, 2022, which was mainly attributable to our overall business performance and fluctuation in some of our major cost components, namely price of raw materials and our subcontracting costs. Our gross profit margin were relatively stable, which were 14.1%, 13.2% and 14.3% for each year ended December 31, 2020, 2021 and 2022, respectively. Despite the increase in our gross profit by RMB319.8 million from RMB1,428.1 million for the year ended December 31, 2020 to RMB1,747.9 million for the year ended December 31, 2021, our gross profit margin has slightly decreased by 0.9%. Such decrease in the gross profit margin was primarily attributable to the decrease in the gross profit margin of our other construction segment from 13.7% for the year ended December 31, 2020 to 6.3% for the year ended December 31, 2021, and was partially offset by the increase in the gross profit margin of our non-construction business segment from 40.8% for the year ended December 31, 2020 to 48.8% for the year ended December 31, 2021. Our gross profit margin has increased by 1.1% from 13.2% to 14.3% from 2021 to 2022. Such increase was primarily attributable to the increase in gross profit margin of our specialized industrial construction segment from 9.8% for the year ended December 31, 2021 to 12.0% for the year ended December 31, 2022, which accounted for 39.0% and 49.4% of our gross profit for the year ended December 31, 2021 and 2022 respectively. For further details of the fluctuations in our revenue, gross profit and gross profit margin, please refer to the section headed “Financial Information”.

SUMMARY

Our net profit decreased from approximately RMB282.2 million for the year ended December 31, 2020 to approximately RMB188.0 million for the year ended December 31, 2021 and increased to approximately RMB200.4 million for the year ended December 31, 2022. Our cash generated from operating activities decreased from approximately RMB976.3 million for the year ended December 31, 2020 to approximately RMB45.2 million for the year ended December 31, 2022. Such result was mainly attributable to increase in trade receivables and bills receivable and increase of contract assets, which was mainly due to the COVID-19 outbreak in multiple cities across the PRC which led to various restrictions on business operation, and in turn, delayed the settlement progress of the Group’s receivables; whereas the increase in contract assets was mainly attributable to the increase in revenue recognised during the Track Record Period, the cumulative effect of contract asset balances for some of our construction projects that have a longer duration and the negative impact brought by COVID-19 pandemic.

For further details of the fluctuations in our net profit and net cash from operating activities, please refer to the section headed “Financial Information”.

Summary Consolidated Statements of Financial Position

	As of December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Non-current assets	3,800,704	4,477,612	5,344,622
Current assets	9,578,373	13,097,349	16,102,402
Total assets	13,379,077	17,574,961	21,447,024
Current liabilities	9,321,564	12,830,949	16,032,811
Non-current liabilities	2,273,430	2,729,939	3,181,293
Total equity	1,784,083	2,014,073	2,232,920

Summary Consolidated Statements of Cash Flows

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	976,331	67,515	45,244
Net cash used in investing activities	(1,061,091)	(659,418)	(445,296)
Net cash generated from financing activities	16,671	817,668	740,365
Net increase/(decrease) in cash and cash equivalents	(68,089)	225,765	340,313
Cash and cash equivalents at the beginning of the year	882,903	814,814	1,040,579
Cash and cash equivalents at the end of the year	814,814	1,040,579	1,380,892

SUMMARY

Key Financial Ratios

	As of or for the year ended December 31,		
	2020	2021	2022
Current ratio (time)	1.0	1.0	1.0
Quick ratio (time)	1.0	1.0	1.0
Gearing ratio ^(Note) (%)	173.9	211.7	241.8
Net debt to equity ratio (%)	113.1	143.7	146.4
Return on assets (%)	2.1	1.1	0.9
Return on equity (%)	14.6	7.5	8.3

Note: Gearing ratio is calculated by dividing total interest-bearing borrowings by total equity as at the end of the respective year and multiplied by 100%.

As at December 31, 2020, 2021 and 2022, our interest-bearing bank and other borrowings amounted to RMB3,102.6 million, RMB4,264.2 million and RMB5,398.9 million, respectively and our gearing ratio as of each of December 31, 2020, 2021 and 2022 were 173.9%, 211.7% and 241.8%, respectively. The high gearing ratio recorded by our Group was mainly attributable to our required capital to support our expanding business and operation. Accordingly, it is essential for us to carefully and prudently maintain a healthy buffer and liquidity position at all times to ensure our smooth business operations, maintain our reputation in the industry and allow our Group to capture potential business opportunities from time to time.

NON-IFRS MEASURE

Non-IFRS measure is not a standard measure under IFRSs. We believe that adjusted net profit under non-IFRS measure helps identify underlying trends in our business that could otherwise be distorted by the effect of expenses that we include in income from operations and net profit, through eliminating potential impacts of items that our management does not consider to be indicative of our operating performance, such as [REDACTED] expenses. We believe that adjusted net profit under non-IFRS measure provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects, and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

While adjusted net profit under non-IFRS measure provides an additional financial measure for investors to assess our operating performance, the use of adjusted net profit under non-IFRS measure has certain limitations, because it does not reflect all items of income and expense that affect our operations. The item that is adjusted for may continue to be incurred and should be considered in the overall understanding and assessment of our operating performance.

SUMMARY

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to non-IFRS measure is our profit for the year. The table below reconciles our profit for the year under IFRSs to adjusted net profit under non-IFRS measure for the years ended December 31, 2020, 2021 and 2022, where our profits were subject to [REDACTED] expenses for certain periods:

	For the year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Profit for the year	282,233	188,034	200,436
<i>Adjustment for:</i>			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit under non-IFRS measure	282,233 (Note)	192,450	208,240
Adjusted net profit margin under non-IFRS measures	2.8% (Note)	1.4%	1.6%

Note: No adjustment had been made to the net profit/net profit margin under non-IFRS measure as no [REDACTED] expenses were incurred during the respective years indicated.

For the year ended December 31, 2021 and 2022, our adjusted net profit under non-IFRS measure was RMB192.5 million and RMB 208.2 million respectively. Our adjusted net profit margin under non-IFRS measure was 1.4% and 1.6% for the year ended December 31, 2021 and 2022 and remained relatively stable.

OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, Shanxi CIG is our Controlling Shareholder and will, directly or indirectly, hold approximately [REDACTED]% of the issued share capital of our Company immediately following completion of the [REDACTED] (without taking into account our Shares which may be issued pursuant to the exercise of the [REDACTED]). Our Directors believe that our Group is capable of carrying out its businesses independently of our Controlling Shareholder and its associates. Please refer to “History, Development and Corporate Structure” for details of the shareholding structure of our Company and “Relationship with our Controlling Shareholder” for details of business delineation between our Group and SCIG Group.

SUMMARY

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into with SCIG Group various transactions including but not limited to, trademark licensing, property leasing, property management, testing service, design services, energy services, machinery and equipment leasing, procurement of labors, provision of construction services, procurement of raw materials, provision of financial services and sales of construction material, of which, some are non-exempt continuing connected transaction for our Company under Chapter 14A of the Listing Rules after [REDACTED]. Please refer to “Continuing Connected Transactions” for details.

Business Sustainability

Our net profit decreased from approximately RMB282.2 million for the year ended December 31, 2020 to approximately RMB188.0 million for the year ended December 31, 2021, whereby our net profit margin decreased from 2.8% for the year ended December 31, 2020 to 1.4% for the year ended December 31, 2021. Nevertheless, our net profit increased from approximately RMB188.0 million for the year ended December 31, 2021 to approximately RMB200.4 million for the year ended December 31, 2022, whereby our net profit margin recorded a slight increase from 1.4% for the year ended 31 December 2021 to 1.6% for the year ended December 31, 2022. Our Directors are of the view that our business is sustainable and we have taken the following measures to ensure our business sustainability, including: (1) continue to engage in quality infrastructure and new energy projects/opportunities in regions/areas which are established/fast-growing; (2) enhance success bidding rate/secure sufficient quality projects to broaden our revenue base; (3) take measures to manage our costs in the volatile environment; (4) adopt other protection measures to reduce construction materials costs and shorten our construction period; and (5) pay attention to cashflow management. Based on our extensive experience and resources accumulated in the new energy field, we conduct in-depth research, judgment and careful selection of favorable projects, enhance project management platform and strengthen cost control, thus we are able to target and secure new energy projects with higher gross profit margin. Please see “Business – Business Sustainability” for further details.

SAFETY ACCIDENTS AND NON-COMPLIANCE

During the Track Record Period, we did not have any fatal incidents and we had not experienced accidents causing permanent disability. We were involved in certain non-compliance events in labor dispatching and inadequate contribution to the social insurance plan and housing provident fund. For details, please see the sections headed “Business – Legal and Regulatory Compliance – Non-compliance events” in this document.

SUMMARY

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive [REDACTED] of HK\$[REDACTED] million from the [REDACTED], assuming that an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED]) and the [REDACTED] is not exercised, and after deducing the [REDACTED] commissions and other estimated expenses payable by us in connection with [REDACTED]. We intend to use such [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [50]% (or HK\$[REDACTED] million), to be used for financing new energy projects, including:
 - (i) approximately [10]% (or HK\$[REDACTED] million), to be used for financing our future investment in wind power projects in the PRC or abroad;
 - (ii) approximately [30]% (or HK\$[REDACTED] million), to be used for financing our existing and new photovoltaic projects, including:
 - (a) approximately [20]% to be used for our existing and future centralized photovoltaic projects; and
 - (b) approximately [10]% to be used for our existing and future distributed photovoltaic projects, including the 390KW rooftop photovoltaic project in Linfen Government Service Hall, the 3.5MW rooftop photovoltaic project in Shanxi Construction Industry Modernization Jinzhong Park, the 3.16MW rooftop photovoltaic project Shanxi Construction Industry Modernization Xiaohe Park Phase II (Plant 2#) and the 2.94MW rooftop photovoltaic project in Shanxi Construction Jindongnan Industrial Park, all of which the project filing certificates have been obtained as at the Latest Practicable Date.
 - (iii) approximately [10]% (or HK\$[REDACTED] million) to be used for financing the future equity investment in and/or construction of other types of new energy projects that are currently under the construction stage and for development of other types of new energy construction business such as pumped-storage hydroelectric business, compressed air energy storage business, and other energy storage business.

We believe that the investments in wind power, photovoltaics and other types of new energy projects by our Company in the future will help to accelerate the development of new energy business and consolidate our position in the relevant market. We expect that the new energy industry will continue to develop rapidly, in particular, wind energy and solar energy will embrace technological breakthroughs and industrial scale expansion. For further details, please see “Future Plans and Use of [REDACTED]”.

SUMMARY

In light of the above trends, we have a competitive strength to capture business opportunities brought about by the sustained and rapid development of the new energy industry on the following basis: (i) we have obtained the First Grade Qualification of General Contracting for Power Engineering Construction, the Grade B Design Qualification for Power Industry and the Second-Grade Qualification for Electric Power Installation (Repair and Debugging). In recent years, we have undertaken a number of new energy projects such as wind power and photovoltaic power, accumulated rich experience in construction, possessed the advantage of centralized procurement of materials and equipment, and built a group of professional project management team; and (ii) we have advantages of four-in-one whole industry chain, providing integrated solutions, implementing fine management of the whole process, so as to achieve lean construction by using digital platforms such as project integrated management, BIM+AI, and BIM+assembly.

The investments in the aforesaid new energy projects were determined by us after market analysis based on the feasibility study report issued by the third-party organization, taking into account the project development prospects, economic benefits, industrial policies and other factors. We believe that capturing the development opportunities in the new energy sector and actively investing in new energy projects are crucial to us. For more information on the necessity to fund new energy projects, please refer to “BUSINESS – OUR STRATEGIES – Capture the opportunities brought by the national strategy of coordinated development, so as to accelerate development of new energy business”.

- approximately [32]% (or HK\$[REDACTED] million), to be used for financing our equity investment commitment under current and future PPP projects and construction projects of the Company such as clean heating, distributed energy, solid waste disposal and water treatment. Part of the [REDACTED] allocated hereunder will be used to finance other construction projects of our Company such as clean heating, distributed energy, water treatment and solid waste disposal, and major expenditures of which include payment used in investment and establishment of project companies, as well as purchase of equipment, raw materials such as steel, cement and concrete, construction costs and provision of operating funds, etc, through the relevant project companies. Detail breakdown of the use of [REDACTED] allocated hereunder is set out as below:
 - (i) approximately [4]% to be used for financing our existing clean heating projects;
 - (ii) approximately [5]% to be used for financing our future distributed energy projects;
 - (iii) approximately [5]% to be used for financing our existing water treatment projects;
 - (iv) approximately [4]% to be used for financing our existing and future solid waste disposal projects;

SUMMARY

- (v) approximately [3]% to be used for our existing PPP Project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park of Yangchuan Economic and Technological Development Zone;
 - (vi) approximately [5]% to be used for our existing PPP Project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province; and
 - (vii) approximately [6]% to be used for our new PPP projects which we were awarded the tender of the project in late 2022.
- approximately [10]% (or HK\$[REDACTED] million), to be used for financing new energy projects of upstream and downstream manufacturing industries, major expenditures include the payment used in purchase of tower production line equipments and related ancillary facilities, purchase of raw materials such as steel, cement and concrete and construction of the park, etc, including: (i) approximately [5]% to be used for our heavy-steel structure plant base; and (ii) approximately [5]% to be used for financing our future equity investment in other upstream and downstream manufacturing industries, for example, equity investment in industrial park with production line for construction equipments.
 - approximately [8]% (or HK\$[REDACTED] million), to be used for working capital and general corporate purposes.

We intend to utilize the [REDACTED] from the [REDACTED] within two to three years from the date of [REDACTED]. Due to the nature of our intended use of the [REDACTED], timing of applying such [REDACTED] is subject to a number of factors such as tender results, negotiations with counterparties in finalising terms of our PPP projects and etc. Based on the information currently available to the Directors, it is expected that the [REDACTED] from the [REDACTED] will be utilized as intended within two to three years from the [REDACTED].

Assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED], if the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] of these additional Shares will be approximately HK\$[REDACTED] million, after deducting the [REDACTED] and other estimated expenses payable by us in connection with the [REDACTED]. We intend to use such additional [REDACTED] for the above uses on a pro rata basis.

If the [REDACTED] is fixed at HK\$[REDACTED] per H Share, being the high-end of the [REDACTED], and given that the [REDACTED] is not exercised, we will receive additional [REDACTED] of approximately HK\$[REDACTED] million. If the [REDACTED] is fixed at HK\$[REDACTED] per H Share, being the low-end of the [REDACTED], and given that the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by approximately HK\$[REDACTED] million. If the [REDACTED] is set above the mid-point

SUMMARY

of the [REDACTED], we intend to apply the additional amounts towards to the above uses on a pro rata basis. If the [REDACTED] is set below the mid-point of the [REDACTED], we intend to reduce the amounts allocated to the above uses on a pro rata basis.

If the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, we will deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the applicable laws in the relevant jurisdictions).

DIVIDEND

The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank facilities or other agreements that we or our subsidiaries may enter into in the future.

The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has the absolute discretion to recommend any dividend.

In each of 2020, 2021 and 2022, we declared and paid cash dividends of RMB99.7 million, RMB113.5 million and RMB28.8 million, respectively, which was settled in cash and cash equivalents. However, our historical dividends may not be indicative of future dividend payments. During the Track Record Period, our method and factors taken into account when deciding on distributing dividends have complied with the requirements of the Notice of the State-owned Assets Supervision and Administration Commission of the People’s Government of Shanxi Province on the Preparation of the Proposed Draft State-owned Capital Operating Budget of Provincial Enterprises for the Year 2020 (Jin Guozi Capital Letter [2019] No. 395) and the assessment requirements imposed by the SCIG Group^(Note).

Note: SCIG Group stipulated the profit distribution provisions of the Company in accordance with the Company Law of the PRC (《中華人民共和國公司法》), Notice of Printing and Distributing the Interim Measures for the Administration of the Collection of State-owned Capital Income from Provincial Enterprises by the General Office of the People’s Government of Shanxi Province (《山西省人民政府辦公廳關於印發省級企業國有資本收益收取管理暫行辦法的通知》) (Jin Zheng Ban Fa [2011] No. 52) and the Articles of Association, while the specific preparation measures for the proposed operating budget were prepared in accordance with the Notice of the State-owned Assets Supervision and Administration Commission of the People’s Government of Shanxi Province on the Preparation of the Proposed Draft State-owned Capital Operating Budget of Provincial Enterprises for the Year 2020 (Jin Guozi Capital Letter [2019] No. 395). The Company shall comply with the Notice of Printing and Distributing the Administrative Measures for Profit Distribution of Shanxi Construction Investment Group Co., Ltd. (《關於印發山西建設投資集團有限公司利潤分配管理辦法的通知》) (Jin Jian Tou Cai Fa [2021] No. 69 Document) for its dividend distribution. The notice had set out the assessment requirements including that the profit distribution shall not exceed the distribution profits for the year, and in accordance with the business development plan and working capital situation of the Group. In addition to the notices mentioned above, our dividend distribution during the Track Record Period was implemented under the profit distribution in accordance with the Company Law of the PRC (《中華人民共和國公司法》) and the Articles of Association, and was in line with the requirements under the relevant PRC laws and regulations.

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The decision to declare or pay any dividends in the future and the amount of any dividends will depend on, among other things, our results of operations, cash flows, financial condition, our articles of association, statutory and regulatory restrictions and other factors deemed to be relevant. There is no assurance that dividends of the relevant amount or any amount will be declared or paid in each or any year. The declaration, payment and amount of any future dividends are subject to our constitutional documents (including our memorandum of association and articles of association) and, if required, shareholder approval. Investors should note that past dividend distributions are not indicative of our dividend distribution policy in the future.

HIGHLIGHTS OF RISK FACTORS

Below sets out the main risks we are exposed to relating to the business and industry:

- Our business and future growth are subject to macroeconomic conditions in China, particularly the economic conditions in the Shanxi Province, and changes in government policies and market demand for our services, which are beyond our control.
- Our operations are subject to inherent operational risks and occupational hazards, which could cause us to incur substantial costs, damage our reputation and loss of future business.
- We have limited control over the quality, availability and performance of our construction subcontractors.
- We may not be able to meet our significant working capital requirements if we experience significant delays in our progress payments and settlement process, or significant delays or defaults in our trade receivables and bills receivable, performance guarantees or retention fees.
- PPP projects typically require significant cash outflows and feature longer payback periods and we may require substantial funding for these projects.
- Our revenue is generally non-recurring in nature, and most projects (other than PPP projects) do not generate any recurring revenue upon completion.

Please refer to “Risk Factors” for more details of risks we exposed to.

[REDACTED]

We estimate that our total [REDACTED] in relation to this [REDACTED] will be approximately RMB[REDACTED] million (including [REDACTED] of approximately RMB[REDACTED] million, and [REDACTED] expenses of approximately RMB[REDACTED] million which consist of fees and expenses for legal advisors and

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accountants of approximately RMB[REDACTED] million and other fees and expenses of approximately RMB[REDACTED] million) (based on the midpoint of our [REDACTED] for the [REDACTED] and assuming that the [REDACTED] is not exercised), of which a total amount of RMB[REDACTED] million is directly attributable to the issue of our H Shares and to be capitalized. The remaining RMB[REDACTED] million had been and will be charged to the consolidated statement of comprehensive income. Among which, we incurred [REDACTED] in relation to the [REDACTED] of RMB[REDACTED] million during the Track Record Period, and the rest will be charged to the consolidated statement of comprehensive income for the year ending December 31, 2023.

[REDACTED] STATISTICS

All statistics in this table are based on the assumption that the [REDACTED] is not exercised.

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
[REDACTED] of the Shares ¹	HK\$[REDACTED] million	HK\$[REDACTED] million
[REDACTED] adjusted consolidated net tangible assets per Share ²	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on the assumption that [REDACTED] Shares will be in issue immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), including [REDACTED] H Shares to be issued pursuant to the [REDACTED].
- (2) The [REDACTED] adjusted consolidated net tangible assets per Share in the above table is calculated after the adjustments referred to in the section headed “[REDACTED] Statement of Adjusted Net Tangible Assets” set out in “Appendix II – [REDACTED] Financial Information” to this document and on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised.

IMPACT OF COVID-19 PANDEMIC

Since the first quarter of 2020, the outbreak of COVID-19 has had an adverse impact on the global economy. In order to offer a safe working environment for our employees during the epidemic, we have taken emergency measures to ensure our employees’ health and sanitation at workplace, including daily disinfection at the construction sites, personnel screening, epidemic prevention supplies storage on the sites and subsidies for building workers. During the period immediately following the outbreak, our businesses were affected by the epidemic response requirements and market demand in China to some extent, and some projects were delayed due to suspension of construction ordered by relevant authorities. However, such delays have not caused any material suspension or delay on milestone dates of our construction

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projects, and have not imposed material obstruction to our Group’s operation. We have taken rectification measures to ease the impact of such delays, such as arranging overtime work. In response to the government’s request for state-owned enterprises to, on one hand, carry out effective epidemic prevention control measures, and on the other hand, ensure the resumption of work and production, after careful consideration of the impact and risks of the epidemic on project contract performance, construction period and cost, we proactively followed the steps agreed in each project contract and contact the contractor and other contracting parties within stipulated time limit, and collect necessary supporting materials to minimize losses and maintain the common interests of both parties. Taking PPP projects as example, where special expenses (such as disinfection, increased inspections, etc.) are incurred due to the epidemic, we ensure that such special expenses are included in the total investment or operating costs. Based on the guidance issued by the Shanxi General Office of the Ministry of Housing and Urban-Rural Development as stipulated in the “Notice of the Shanxi General Office of the Ministry of Housing and Urban-Rural Development in respect of the calculation of cost in construction work during the COVID-19 pandemic dated February 20, 2020 (《山西省住房和城乡建设廳關於新型冠狀病毒肺炎疫情防控期間建設工程計價有關工作的通知》), where if the epidemic affects the construction period, causing an increase in the interest and/or total investment, we discuss with our government partners to ensure that such cost is borne by the government. If the operation period and the commencement time of government payment is delayed due to the epidemic, resulting in such time being later than the repayment date of the debt funds, we will communicate with financial institutions in a timely manner and strive to make appeals in accordance with national policies. If public places are closed due to the epidemic, and our operating fee income for PPP projects from usage fees is lower than expected, we will discuss with our government partners to ensure that the government will cover the shortfall. As at December 31, 2022, we have incurred additional cost of approximately RMB22.4 million and we have recovered a total sum of RMB20.0 million of additional costs from our government partners. The shortfall of revenue accrued was approximately RMB2.4 million, being the administration cost which is not recoverable from our government partners. We have also implemented plans to ensure our production capacity undisturbed, including allocating sufficient employees on the sites. Given the restrictions on personnel activities due to the COVID-19 situation, it was difficult for us to conduct joint audit and on-site communication with relevant government departments, thus causing delays in completing compliance procedures of such project loans, which in turn affected our collection of receivables. To date, we formulated measures for collecting arrears, in order to exercise dynamic tracking, strict assessment and make bad debt provision in accordance with accounting policies. Furthermore, in response to delay in payment received due to the COVID-19, we integrated various financial resources and provided a mix of business models, including transfer of accounts receivable, work with non-bank institution resources, and fund factoring, to persuade the relevant parties to speed up the support projects and send letters to relevant parties and keep the collection-related files, so as to support project funds as soon as possible. Save for the above, our production and operation have not been materially adversely affected.

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Despite the fact that our businesses were affected during the pandemic, during the three years ended December 31, 2022, and up to the Latest Practicable Date, there was no confirmed project that was cancelled due to the COVID-19 pandemic. As mentioned above, some of our Group’s projects were delayed due to suspension of construction ordered by relevant authorities. However, due to the nature of our business, most of our construction sites were managed and operated in “close-circuit” manner, which all our construction workers will stay and live on-site during the construction period. Accordingly, our construction progress will not be affected by the containment policies imposed by local authorities. Despite mild delays at the early stage of the outbreak of the pandemic as we were still adapting to new policies implemented, our Group was not affected by the pandemic in any material aspects. As at the Latest Practicable Date, our Group’s operation has already resumed to normal level. Accordingly, our Directors are of the view that our Group were not experiencing any material adverse impact caused by the containment policies of the PRC government and our Group’s operation has not been affected thus far. In light of the above, the Directors are of the view that the COVID-19 pandemic have not caused material adverse impact on the Company’s financial performance and its business operation.

In the second quarter of 2022, the PRC has experienced another wave of COVID-19 pandemic outbreak. Nevertheless, with the experience in handling previous waves of the pandemic outbreak, our operation was not substantially affected. Notwithstanding our revenue for the year ended December 31, 2022 experienced a slight drop by 3.3%, such reduction is primarily attributable to the decrease in our construction income from PPP projects as we have three PPP projects under construction stage during the year ended December 31, 2022 as compared to that of six and five for the years ended December 31, 2020 and 2021 respectively. In light of the fact that the Company has confirmed two new PPP projects in late 2022, and that the PPP Project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangchuan Economic and Technological Development Zone is expected to commence construction in the first half of 2023, our management is of the view that our business will be resumed to normal level in near future. In December 2022, the PRC government has gradually eased the COVID-19 restriction measures and the society is anticipating a gradual resumption to normal business environment in general. Given that the relaxation in COVID-19 restrictive and containment policy was only effected in December 2022 and that the first quarter of the year is usually regarded as the traditional off season for the construction industry, the impact of the ease of policy has yet to be reflected in the our financial performance. Despite the fact that our business operation and financial performance was not significantly affected by the pandemic, the management expects that with the gradual resumption of the normal business environment, the Company’s financial results will improve in accordance with the general business sentiments and market performance.

RECENT DEVELOPMENT

On August 16, 2022, we were successfully selected as the Technological Innovation Demonstration Enterprise of Shanxi Province in 2022, highlighting our strong technological strength and innovation capability.

SUMMARY

We continue to be awarded high-quality projects with our comprehensive qualifications and excellent design capabilities. Since December 31, 2022 and up to the Latest Practicable Date, we have entered into a total number of 40 new construction projects with total contract sum of RMB4,671.7 million. The following table sets forth the details of our top five new projects based on contract sum that we entered into since December 31, 2022 and up to the Latest Practicable Date:

Scope of work of new construction projects	Type of business	Contract sum (RMB'000)	Expected commencement time/ Commencement time	Expected completion time
1. Construction of a petrochemical production plant including the road improvement and underground pipeline network installation work	Specialized Industrial Construction – petrochemical engineering	600,000	Jan 2023	Sep 2023
2. Construction of a photovoltaic power plant	Specialized Industrial Construction – power engineering	547,599	May 2023	May 2024
3. Construction of a wind power plant	Specialized Industrial construction-power engineering	450,000	May 2023	May 2024
4. Construction of a lithium battery manufacturing plant	Specialized Industrial Construction – petrochemical engineering	350,000	Feb 2023	Oct 2023
5. Construction of a petrochemical production plant and all installation work thereof	Specialized Industrial Construction – petrochemical engineering	296,338	Mar 2023	Oct 2023

Regulatory Updates on Overseas Listing and Cybersecurity Regulations

As for the Measures for Cybersecurity, which requires that critical information infrastructure operators that purchase network products and services and data processing operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review in accordance to the measures, has been implemented on February 15, 2022. The Group is principally engaged in specialized industrial construction business, specialized auxiliary construction business, other construction and non-construction business, does not involve data collection and process business, and does not handle personal data of over 1 million users. As of the Latest Practicable Date, the Group should not be regarded as network platform operator for the following reasons: (1) the PRC Cybersecurity Law defines network platform operator as “the owner, administrator of the network and network service provider (網絡的所有者、管理者和網絡服務提供者)”, and as mentioned above, the Group principally engages in specialized industrial construction business, specialized auxiliary construction business,

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other construction and non-construction business, so the Group does not constitute a network platform operator as stipulated by the PRC Cybersecurity Law; (2) Measures for Cybersecurity Review (網絡安全審查辦法) 2021 does not provide a definition of network platform operator; and (3) during the Track Record Period and up to the Latest Practicable Date, the Group has not yet received any notification from any PRC regulatory authorities (including the Cybersecurity Review Office) that the Group is identified as a network platform operator. We also enquired with and informed the China Cybersecurity Review Technology and Certification Centre (中國網絡安全審查技術與認證中心) on October 31, 2022 of our proposed [REDACTED] as a construction company, and was advised that our Group will not be subject to cybersecurity review in respect of the proposed [REDACTED]. As advised by our PRC Legal Advisor, the China Cybersecurity Review Technology and Certification Centre is the government authority responsible for matters in relation to cybersecurity. Based on the advice given by the PRC legal Advisor, nothing has come to the attention of the Directors and the Sole Sponsor that the Measures for Cybersecurity Review is applicable to the Group. In light of the above, our PRC Legal Advisor is of the view that the Measures for Cybersecurity Review are not applicable to our Group, and accordingly, will not have a material impact on the [REDACTED] of our Group.

Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies 《境內企業境外發行證券和上市管理試行辦法》 (China Securities Regulatory Commission Announcement [2023] No. 43) (the “Measures for Overseas Offering and Listing”), which will become effective from March 31, 2023. The Measures for Overseas Offering and Listing require that no overseas offering and listing shall be made under any of the following circumstances: (i) where such listing and financing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended overseas securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; and (v) where there are material ownership disputes over equity held by the domestic company’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder or actual controller. As advised by our PRC Legal Advisor, there is no restriction which prohibits us from overseas offering and listing of our securities.

In addition, after the Measures for Overseas Offering and Listing becoming effective, domestic companies who seek for overseas offering and listing directly or indirectly or have their securities listed and traded in offshore markets, including (i) limited companies registered and established in the PRC; or (2) companies whose major

SUMMARY

business operations are located domestically and such offering and listing is based on the underlying equity, assets, earnings or other similar rights, shall fulfill the filing procedure with the CSRC within three days after the relevant application is submitted overseas. If the filing procedures are not fulfilled, the CSRC shall order rectification, issue warnings to such domestic company, and impose a fine of between RMB1,000,000 and RMB10,000,000.

Pursuant to the Notice of Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies by the CSRC on February 17, 2023, domestic companies which had obtained the approval from the CSRC in relation to the overseas public offering and listing (including additional issuance) of securities of joint stock companies, shall continue to conduct overseas offering and listing within the validity period of the approval. If domestic companies do not complete overseas offering and listing within the validity period, they shall fulfill the filing procedure as required. On [REDACTED], we obtained the approval from the CSRC regarding the [REDACTED], which will be valid until [REDACTED]. Based on the above, our PRC Legal Adviser is of the view that, we do not need to fulfill the filing procedures for the [REDACTED] and [REDACTED] when our Company completes the [REDACTED] before the expiration of the approval; while we still need to fulfill the filing procedures for the [REDACTED] and [REDACTED] under the requirements of the Measures for Overseas Offering and Listing when our Company fails to complete the overseas offering and listing before the expiration of the approval.

For Further details, please refer to the sections headed “Regulatory Overview – Overseas Listing” and “Regulatory Overview – Cybersecurity”.

NO MATERIAL ADVERSE CHANGE AS CONFIRMED BY DIRECTORS

Our Directors, after due and careful consideration, confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022 and there have been no events since December 31, 2022 that have materially affected the data presented in the Accountants’ Report set forth in Appendix I.