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

OVERVIEW

We are a fast-growing state-owned construction and municipal infrastructure O&M (“O&M”) services provider based in Wuhu City, Anhui Province, having over 35 years’ operating history with solid footprint in Wuhu City and increasing market presence in Anhui Province. Our history can be traced back to the establishment of Wuhu Municipal Engineering Management Office in 1987, which was a government department (i) managing municipal infrastructure and its ancillary facilities and (ii) providing municipal infrastructure construction and O&M services in Wuhu City. In 2014, Wuhu Municipal Engineering Management Office underwent a structural reform (管養分離改革) and separated its (i) management function from its (ii) municipal infrastructure construction and O&M functions. Accordingly, our Company was established to engage in the provision of municipal infrastructure construction and O&M services in Wuhu City in 2015. Leveraging on our experience and expertise on construction, we started to commence our building construction business in 2016. According to F&S, (i) we had a market share of 0.3% in terms of building construction and municipal infrastructure construction revenue in 2022, in particular, (a) we had a market share of 0.2%, in terms of building construction revenue in Anhui Province in 2022; (b) we ranked the thirteenth among over 300 state-owned municipal infrastructure construction providers in Anhui Province with a market share of 0.3% in terms of municipal infrastructure construction revenue in 2022; and (ii) we ranked the first among all state-owned O&M services providers in Anhui Province with a market share of 1.4% in terms of O&M revenue in roads and bridges, sewerage and utility channels in 2022.

Our business primarily focuses on the provision of construction and O&M services comprising: (i) construction services as a general contractor for (a) building construction projects, which mainly consist of industrial construction, residential construction and public works construction, and (b) municipal infrastructure construction projects, which mainly consist of municipal roads and bridges and their ancillary facilities and parks; and (ii) O&M services, which mainly consist of regular checks, repair and maintenance of municipal roads and bridges and its ancillary facilities, sewerage and utility channels. Our clients are mainly local governments and state-invested companies.

Leveraging on (i) our state-owned background; (ii) our proven track record; (iii) our established market presence in Wuhu City; and (iv) our experienced senior management supported by our skilled personnel, we have expanded our business to other cities in Anhui Province, such as Hefei City, Bozhou City, Bengbu City, Chuzhou City, Chizhou City, Ma’anshan City and Lu’an City, and Sichuan Province. Riding on such growth momentum, our Directors believe that we are able to tap into other areas in China and capture future growth to further enhance our competitive edge.

As at the Latest Practicable Date, we have an extensive type of construction qualifications for our business, including four first grade qualifications, two second-grade qualifications, and seven third-grade qualifications, among which, six qualifications belong to general contracting qualifications and seven qualifications belong to specialised contracting qualifications. In addition, we possess (i) design qualifications including, two Class A qualifications and five Class B qualifications; (ii) one Class B survey qualification;

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and (iii) two Class A supervision qualifications. Please refer to “Business — Licences, Qualifications and Permits” in this document for further details. By holding such a wide range of qualifications, we are able to undertake construction and O&M projects for different types and scales nationwide.

We have been recognised for our performance at the national and provincial level. In particular, we were awarded (i) twice as Anhui Province Excellent Construction Enterprise (安徽省優秀建築業企業) for 2020 and 2021; (ii) three times as the Excellent Municipal Construction Enterprise of Anhui Province (安徽省優秀市政施工企業) in 2018, 2019 and 2021; and (iii) twice as the National Integrity Unit of the Municipal Facilities Maintenance and Management Industry (全國市政設施養護管理行業「誠信單位」) from 2015 to 2016 and from 2017 to 2018. For details of the accolades obtained by our Group, please refer to “Business — Awards and Honours” in this document.

The table below sets forth a breakdown of our revenue by business segment during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000) (unaudited)		(RMB'000)	
Construction business										
— Building construction	86,332	16.8	428,263	39.4	1,507,783	68.0	329,199	62.5	739,470	79.0
— Municipal infrastructure construction	172,534	33.6	363,888	33.6	413,962	18.7	101,024	19.2	91,719	9.8
Subtotal	258,866	50.4	792,151	73.0	1,921,745	86.7	430,223	81.7	831,189	88.8
O&M business	252,090	49.1	288,401	26.6	293,194	13.2	96,641	18.3	101,414	10.8
Other business <i>(Note)</i>	2,734	0.5	3,987	0.4	1,020	0.1	—	—	2,989	0.4
Total	<u>513,690</u>	<u>100</u>	<u>1,084,539</u>	<u>100</u>	<u>2,215,959</u>	<u>100</u>	<u>526,864</u>	<u>100</u>	<u>935,592</u>	<u>100</u>

Note: Other business includes, among others, property management services and construction design services.

During the Track Record Period, our revenue generated from (i) construction business amounted to RMB258.9 million, RMB792.2 million, RMB1,921.7 million and RMB831.2 million, representing 50.4%, 73.0%, 86.7% and 88.8% of our total revenue for the same periods, respectively; and (ii) O&M business amounted to RMB252.1 million, RMB288.4 million, RMB293.2 million and RMB101.4 million, representing 49.1%, 26.6%, 13.2% and 10.8% of our total revenue for the same periods, respectively.

During the Track Record Period, all of our revenue from construction business and O&M business were generated from projects in Anhui Province. As at the Latest Practicable Date, we have successfully expanded our business to Sichuan Province.

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The following table sets below the breakdown of revenue by cities in Anhui Province for the periods indicated:

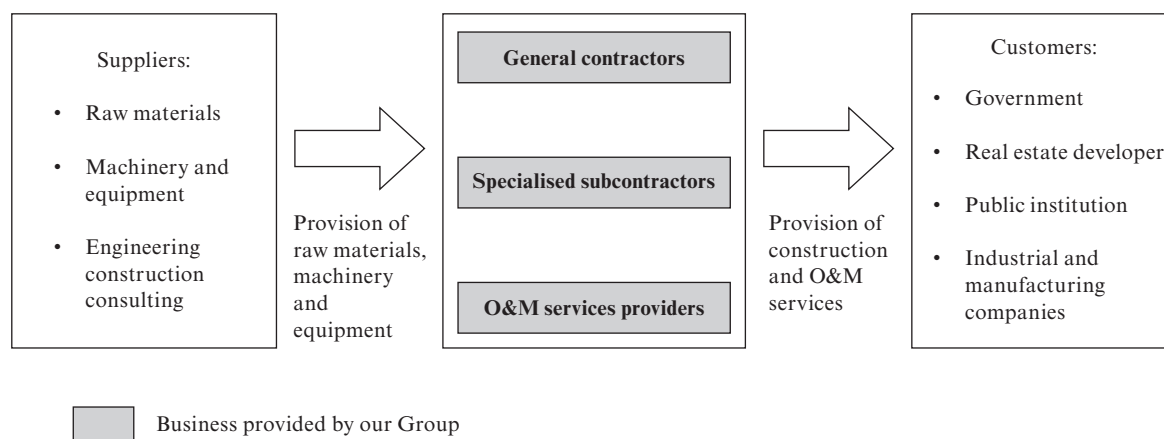
	FY2020		FY2021		FY2022		4M2022		4M2023	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000) (unaudited)		(RMB'000)	
Wuhu	491,557	95.7	739,607	68.2	1,824,028	82.3	363,584	69.0	799,259	85.4
Bozhou	11,889	2.3	318,517	29.4	318,401	14.4	141,605	26.9	95,737	10.2
Hefei	4,952	1.0	14,174	1.3	69,019	3.1	20,102	3.8	26,388	2.8
Others ^(Note)	5,292	1.0	12,241	1.1	4,511	0.2	1,573	0.3	14,208	1.6
Total	513,690	100	1,084,539	100	2,215,959	100	526,864	100	935,592	100

Note: Others mainly include Ma'anshan, Bengbu, Chuzhou, Chizhou, Suzhou and Lu'an cities in Anhui Province.

OUR BUSINESS MODEL

During the Track Record Period, we, as a contractor, provided construction and O&M services mainly to local governments and state-invested companies in Anhui Province, where we are headquartered. The project awarded to us is either the entire project of construction and O&M or certain aspect of specialised works within a sizable project, depending on the project nature and scale. We also closely interact with other stakeholders throughout the project such as our customers, workers on-site, construction supervisors and architects, provide feedbacks and refine project implementation to enhance work efficiency. Our projects are awarded by way of public tender, invitation to tender and other methods including negotiation. We charge our customers on a per-project basis and in accordance with the agreed terms and milestones as stated in the tender documents or the construction/O&M contracts signed with our customers.

The following diagram sets out our Group's position within the value chain of the construction and O&M industries and the role of our Group:



BACKLOG AND NEW CONTRACT VALUE

Backlog represents our estimate of the contract value of work that remains to be completed as at a certain date. Backlog is not a measure defined by generally accepted accounting principles. For more information, please refer to “Risk Factors — Risks Relating to Our Business and Industry — Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations” in this document.

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New contract value represents the contract sum (excluded VAT) of construction and O&M projects undertaken by us during a specified year/period. The following table sets out the movement in contract value of backlog of our construction business and O&M business by project type for the periods indicated:

	Construction business		O&M	Total
	Building construction business	Municipal infrastructure construction business	business	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
FY2020				
Opening contract value of backlog <i>(Note 1)</i>	939,324	270,660	24,258	1,234,242
Add: new projects contracted	520	208,586	334,129	543,236
Add: (adjustment)/variation orders	(352,450)	(29,527)	(25,243)	(407,220)
Less: revenue recognised	86,332	172,534	252,090	510,956
Ending contract value of backlog <i>(Note 2)</i>	<u>501,062</u>	<u>277,186</u>	<u>81,054</u>	<u>859,302</u>
FY2021				
Opening contract value of backlog <i>(Note 1)</i>	501,062	277,186	81,054	859,302
Add: new projects contracted	1,380,096	477,369	376,211	2,233,676
Add: (adjustment)/variation orders	(77,197)	(81,065)	18,207	(140,055)
Less: revenue recognised	428,263	363,888	288,401	1,080,552
Ending contract value of backlog <i>(Note 2)</i>	<u>1,375,698</u>	<u>309,602</u>	<u>187,071</u>	<u>1,872,371</u>
FY2022				
Opening contract value of backlog <i>(Note 1)</i>	1,375,698	309,602	187,071	1,872,371
Add: new projects contracted	4,963,503	815,333	358,502	6,137,337
Add: (adjustment)/variation orders	(17,661)	(14,562)	(17,196)	(49,418)
Less: revenue recognised	1,507,783	413,962	293,194	2,214,939
Ending contract value of backlog <i>(Note 2)</i>	<u>4,813,757</u>	<u>696,411</u>	<u>235,183</u>	<u>5,745,351</u>
4M2023				
Opening contract value of backlog <i>(Note 1)</i>	4,813,757	696,411	235,183	5,745,351
Add: new projects contracted	431,586	83,984	109,225	624,795
Add: (adjustment)/variation orders	—	(74)	58,639	58,565
Less: revenue recognised	739,470	91,719	101,414	932,603
Ending contract value of backlog <i>(Note 2)</i>	<u>4,505,873</u>	<u>688,602</u>	<u>301,633</u>	<u>5,496,108</u>
After the Track Record Period and up to the Latest Practicable Date				
Opening contract value of backlog <i>(Note 1)</i>	4,505,873	688,602	301,633	5,496,108
Add: new projects contracted	292,362	389,833	74,234	756,429
Add: (adjustment)/variation orders	—	(250)	(103)	(353)
Less: revenue recognised	413,696	73,387	80,767	567,850
Ending contract value of backlog <i>(Note 2)</i>	<u>4,384,539</u>	<u>1,004,798</u>	<u>294,997</u>	<u>5,684,334</u>

Note:

- (1) If the project is completed, the contract value represents the final settlement amount.
- (2) Ending contract value of backlog means the opening contract value plus contract value of new projects and value of adjustment/variation order (if any) minus revenue recognised during the relevant year/period indicated.

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COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success, differentiated us from our competitors, and will continue to be the key drivers of our business growth:

- We are a state-owned construction and O&M services provider with a long operating history
- We are well-established in the construction and O&M industries in Anhui Province
- We possess a wide range of construction and other regulated qualifications to undertake a wide range of construction and O&M projects
- We have a strong focus on safety, quality and environment
- We have an experienced and professional senior management team supported by highly skilled personnel that ensure the successful development of our business. Our employee share platforms allow us to attract, engage and retain talent and improve our performance

For further details, please refer to “Business — Competitive Strengths” in this document.

BUSINESS STRATEGIES

We strive to attain sustainable growth and continue to leverage our market position in the competitive construction and O&M industries and seek to promote long-term shareholder value by implementing the following business strategies:

- Expand our market share by funding our capital needs and cash flows for existing and upcoming projects
- Further consolidate our construction and O&M market presence by expanding to other cities within and outside Anhui Province, especially, Hefei City, the capital of Anhui Province
- Vertically expand our value chain by upgrading our existing asphalt concrete production machinery and equipment
- Enhance our construction and O&M capabilities by upgrading our construction qualifications and enhancing our fleet of construction and O&M machinery and equipment
- Strengthen our research and development capabilities to embrace the latest trend of development in green concepts including prefabricated construction method and passive ultra-low energy consumption concept

For further details, please refer to “Business — Business Strategies” in this document.

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RISK FACTORS

Our operations and the [REDACTED] involve certain risk and uncertainties, some of which are beyond our control and may affect your decision to invest in us or the value of your investment. Please refer to “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our H Shares. Some of the major risks we face include:

- Our business and future growth may be affected by the macro-economic conditions and performance of and level of demand in construction and O&M services in China and Anhui Province, which are beyond our control
- A significant portion of our revenue is generated from Zhongjiang Group
- Certain of our revenue is derived from contracts awarded through tendering which are non-recurring in nature and there is no guarantee that we will succeed in the tender process or our customers will award new contracts to us in the future
- Our historical financial results may not be indicative of our future performance as our revenue is mainly derived from non-recurring projects and any decrease in the number of projects would negatively affect our operations and financial results
- We face intense competition in our industries, and failure to compete effectively may cause us to lose market share

CUSTOMERS

Our customers mainly include local governments and state-invested companies. For FY2020, FY2021, FY2022 and 4M2023, revenue from our top five customers amounted to RMB332.3 million, RMB765.5 million, RMB1,886.6 million and RMB809.8 million, respectively, accounting for 64.7%, 70.6%, 85.1% and 86.6% of our total revenue, respectively. Revenue from our largest customer for FY2020, FY2021, FY2022 and 4M2023 amounted to RMB148.2 million, RMB281.2 million, RMB1,095.0 million and RMB586.3 million, respectively, accounting for 28.9%, 25.9%, 49.4% and 62.7% of our total revenue, respectively.

For further details, please refer to “Business — Customers” in this document.

SUPPLIERS AND SUBCONTRACTORS

Our suppliers are mainly comprised of suppliers of raw materials such as steel, concrete, pile pipes. For FY2020, FY2021, FY2022 and 4M2023, purchase from our top five suppliers amounted to RMB65.2 million, RMB186.1 million, RMB310.4 million and RMB131.9 million, respectively, accounting for 9.9%, 15.1%, 15.7% and 15.7% of our total purchases, respectively. Purchase from our largest supplier for FY2020, FY2021, FY2022 and 4M2023 amounted to RMB30.1 million, RMB65.8 million, RMB98.3 million and RMB42.3 million, respectively, accounting for 4.5%, 5.3%, 5.0% and 5.0% of our total purchases, respectively.

During the Track Record Period, we also engaged subcontractors which mainly include specialised subcontractors and labour subcontractors. For FY2020, FY2021, FY2022 and 4M2023, the subcontracting fees paid to our top five subcontractors amounted to RMB280.2 million, RMB233.2 million, RMB413.2 million and RMB203.4 million, respectively, accounting for 42.4%, 18.8%, 20.9% and 24.2% of our total purchases, respectively. The subcontracting fees paid to our largest subcontractor for each of FY2020, FY2021, FY2022 and 4M2023 amounted to RMB138.0 million, RMB60.9 million, RMB119.2 million and RMB84.1 million, respectively, accounting for 20.9%, 4.9%, 6.0% and 10.0% of our total purchases, respectively.

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For further details, please refer to “Business — Suppliers and Subcontractors” in this document.

RELATIONSHIP WITH ZHONGJIANG GROUP

During the Track Record Period, our revenue generated from Zhongjiang Group amounted to nil, RMB118.8 million, RMB1,095.0 million and RMB586.3 million, respectively, accounting for nil, 11.0%, 49.4% and 62.7%, respectively of our total revenue during the same periods, respectively. Our Directors are of the view that, despite our customer concentration on Zhongjiang Group, we are able to maintain the sustainability of our business based on the following reasons: (i) transferability of our skills; (ii) a mutual and stable relationship with Zhongjiang Group; (iii) our continuous effort to diversify our customer base; (iv) continuous demand for construction and O&M works in the PRC and Anhui Province; and (v) the introduction of corporate strategic investors.

For further details, please refer to “Business — Customers — Relationship with Zhongjiang Group” in this document.

COMPETITIVE LANDSCAPE

The building construction and municipal infrastructure construction industry in Anhui Province are relatively fragmented. The top five players accounted for an aggregate market share of 17.4% in terms of revenue of building construction and municipal infrastructure construction in 2022. Our Group ranked the twenty-first to thirtieth among all state-owned building construction and municipal infrastructure construction providers in Anhui Province with a market share of 0.3% in terms of building construction and municipal infrastructure construction revenue in 2022.

The building construction industry in Anhui Province is highly fragmented. The top five players accounted for an aggregate market share of 11.5% in terms of revenue of building construction in 2022. In 2022, our Group ranked the twenty-first to thirtieth of all state-owned construction enterprises headquartered in Anhui Province with a market share of 0.2%, in terms of revenue of building construction.

The municipal infrastructure construction industry in Anhui Province is relatively concentrated. The top five players accounted for an aggregate market share of 46.1% in terms of municipal infrastructure construction revenue in 2022. In 2022, our Group ranked thirteenth among over 300 state-owned municipal construction services providers in Anhui Province with a market share of 0.3%, in terms of municipal infrastructure construction revenue.

The O&M industry in Anhui Province is relatively fragmented. The top five players accounted for an aggregate market share of 3.6% in terms of revenue of O&M in 2022. In 2022, our Group ranked the first among all state-owned O&M services providers in Anhui Province with a market share of 1.4% in terms of O&M revenue in roads and bridges, sewerage, and utility channels.

For details of the competitive landscape of the construction and O&M industries, please refer to “Industry Overview” in this document.

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SELECTED FINANCIAL INFORMATION

Selected items of consolidated statements of profit or loss and other comprehensive income

	FY2020 RMB'000	FY2021 RMB'000	FY2022 RMB'000	4M2022 RMB'000 (unaudited)	4M2023 RMB'000
Continuing Operations					
Revenue	513,690	1,084,539	2,215,959	526,864	935,592
Cost of sales	(344,269)	(881,925)	(2,008,042)	(473,889)	(852,744)
Gross profit	169,421	202,614	207,917	52,975	82,848
Profit before taxation	172,960	201,952	208,928	63,601	85,606
Profit for the year/period from continuing operations	<u>130,911</u>	<u>151,808</u>	<u>158,895</u>	<u>47,216</u>	<u>63,836</u>
Discontinued operations					
Loss for the year/period from discontinued operations	(2,339)	(510)	—	—	—
Profit for the year/period	<u>128,572</u>	<u>151,298</u>	<u>158,895</u>	<u>47,216</u>	<u>63,836</u>

Revenue

Our Group's revenue is mainly generated from (i) construction business, which comprises of building construction business and municipal infrastructure construction business; (ii) O&M business; and (iii) other business. Our revenue generated from construction business amounted to RMB258.9 million, RMB792.2 million, RMB1,921.7 million, RMB430.2 million and RMB831.2 million for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively, representing 50.4%, 73.0%, 86.7%, 81.7% and 88.8% of our total revenue.

Revenue generated from construction business increased significantly by RMB533.3 million or 206.0% from RMB258.9 million for FY2020 to RMB792.2 million for FY2021. Such increase was mainly due to (i) the expansion of our construction business to Bozhou City and we recognised an aggregate revenue of RMB215.7 million from such projects in FY2021; (ii) the commencement of sizeable construction projects (i.e. with original contract sum over RMB100 million) in FY2021, given that the number of contracts of original contract sum over RMB100 million increased from five in FY2020 to nine in FY2021; and (iii) the absence of elimination of intra-group transactions prior to 2021 Transfer. The increase in revenue was partially offset by, among others, (i) the completion of certain projects in FY2020 and (ii) the decrease in revenue generated by some projects in FY2021, as compared to FY2020.

Revenue generated from construction business increased significantly by RMB1,129.5 million or 142.6% from RMB792.2 million for FY2021 to RMB1,921.7 million for FY2022. The notable increment was mainly because, among others, (i) the commencement of large-scale construction projects (i.e. with original contract sum over RMB500 million) in FY2021, and (ii) the absence of elimination of intra-group transactions prior to the 2021 Transfer; and (iii) we participated in certain sizeable construction projects (i.e. with original contract sum over RMB100 million). The increase in revenue was partially offset by, among others, the decrease in revenue due to (i) completion of one sizeable project in FY2021 and (ii) substantial part of our work in another sizeable project was completed in FY2021.

For 4M2023, our revenue generated from construction business increased by RMB401.0 million or 93.2% from RMB430.2 million for 4M2022 to RMB831.2 million for 4M2023. The increment was mainly because, among others, the commencement of two large-scale projects (i.e. with original contract sum over RMB500 million) in the second half of FY2022. Such increase was partially offset by the decrease in revenue generated by one sizeable project in 4M2023, as compared to 4M2022.

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Our revenue generated from O&M business amounted to RMB252.1 million, RMB288.4 million, RMB293.2 million, RMB96.6 million and RMB101.4 million for FY2020, FY2021, FY2022, 4M2022 and 4M2023, respectively, representing 49.1%, 26.6%, 13.2%, 18.3% and 10.8% of our total revenue.

Revenue generated from O&M projects slightly increased by RMB36.3 million or 14.4% from RMB252.1 million for FY2020 to RMB288.4 million for FY2021. Such increase was mainly due to, among others, the enlarged market presence through our expansion of O&M business to Bozhou City.

Revenue generated from O&M projects remained stable at RMB288.4 million for FY2021 and RMB293.2 million for FY2022, with our revenue generated from O&M projects also remained stable at RMB96.6 million for 4M2022 and RMB101.4 million for 4M2023.

Gross profit and gross profit margins

Our gross profit for FY2020, FY2021, FY2022, 4M2022 and 4M2023 were RMB169.4 million, RMB202.6 million, RMB207.9 million, RMB53.0 million and RMB82.8 million, respectively, and our gross profit margin for the corresponding periods were 33.0%, 18.7%, 9.4%, 10.1% and 8.9%, respectively.

For FY2020, FY2021, FY2022, 4M2022 and 4M2023, our gross profits of building construction business were RMB0.9 million, RMB19.9 million, RMB77.7 million, RMB16.8 million and RMB41.0 million, respectively, and our gross profit margin for the corresponding periods were 1.0%, 4.6%, 5.2%, 5.1% and 5.5%, respectively. Our gross profit margin of building construction business was low at 1.0% for FY2020 when compared with those of FY2021, FY2022, 4M2022 and 4M2023. It was primarily because of the low gross profit margin yielded by a major project in this business segment in FY2020, namely Jinghu District PPP Project. This project contributed revenue in the sum of RMB62.6 million for FY2020 and accounted for 72.5% of the total revenue of our building construction business for FY2020. Our gross profit margins of building construction remained stable at around 5% for FY2021, FY2022, 4M2022 and 4M2023.

For FY2020, FY2021, FY2022, 4M2022 and 4M2023, our gross profits of municipal infrastructure construction business were RMB40.9 million, RMB47.3 million, RMB48.5 million, RMB8.7 million and RMB9.8 million, respectively, and our gross profit margin for the corresponding periods were 23.7%, 13.0%, 11.7%, 8.6% and 10.6%, respectively. Our gross profit margins of municipal infrastructure construction business generally demonstrated a decreasing trend during FY2020, FY2021 and FY2022. Such trend was primarily a combined result of (i) the relatively low gross profit margins of projects obtained through public tendering when compared with those obtained through other methods, such as negotiation and (ii) our increasing number of projects awarded by tender during FY2020, FY2021 and FY2022. Our gross profit margins of municipal infrastructure construction business increased from 8.6% for 4M2022 to 10.6% for 4M2023, which was mainly attributed to, among others, the increase in gross profit margins for 4M2023 as compared to 4M2022 in respect of one particular project as it incurred higher raw materials costs and specialised subcontracting costs incurred at the initial stage of the project during 4M2022.

For FY2020, FY2021, FY2022, 4M2022 and 4M2023, our gross profit of O&M business were RMB127.4 million, RMB134.1 million, RMB82.1 million, RMB27.4 million and RMB32.1 million, respectively, and our gross profit margin for the corresponding periods were 50.5%, 46.5%, 28.0%, 28.4% and 31.6%, respectively. The general decreasing trend of our gross profit margins of O&M business throughout the Track Record Period were mainly attributable to our historical ties with Wuhu Management Engineering Office and our commitment to expand the geographical location of our O&M business outside Wuhu City and our diversification within Wuhu City into district-level and other O&M projects.

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For further details of discussion of revenue and other key items of the consolidated statements of profit or loss and our results of operation during the Track Record Period, please refer to “Financial Information — Description of Certain Key Items of our Results of Operations” in this document.

Selected items of consolidated statements of financial position

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Non-current assets	237,139	449,626	457,040	404,726
Current assets	3,840,870	1,803,240	1,828,744	1,873,357
Current liabilities	3,097,345	1,568,566	1,761,368	1,780,171
Net current assets	743,525	234,674	67,376	93,186
Non-current liabilities	163,131	3,143	2,938	2,474
Net assets	<u>817,533</u>	<u>681,157</u>	<u>521,478</u>	<u>495,438</u>

Our net assets decreased from RMB817.5 million as at 31 December 2020 to RMB681.2 million as at 31 December 2021, which was mainly due to the decrease in net current assets from RMB743.5 million as at 31 December 2020 to RMB234.7 million as at 31 December 2021 and partially mitigated by the increase in non-current assets from RMB237.1 million as at 31 December 2020 to RMB449.6 million as at 31 December 2021.

Our net assets decreased from RMB681.2 million as at 31 December 2021 to RMB521.5 million as at 31 December 2022, which was mainly due to the decrease in net current assets from RMB234.7 million as at 31 December 2021 to RMB67.4 million as at 31 December 2022.

Our net assets decreased from RMB521.5 million as at 31 December 2022 to RMB495.4 million as at 30 April 2023, which was mainly due to the decrease in non-current assets from RMB457.0 million as at 31 December 2022 to RMB404.7 million as at 30 April 2023 and partially mitigated by the increase in net current assets from RMB67.4 million as at 31 December 2022 to RMB93.2 million as at 30 April 2023.

For details of discussion of key items of the consolidated statements of financial position, please refer to “Financial Information — Discussion on Selected Items of Consolidated Statements of Financial Position” in this document.

Highlight of consolidated statements of cash flow

	FY2020	FY2021	FY2022	4M2022	4M2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Cash generated from/(used in) operations	965,166	35,383	(837)	116,756	212,336
Income tax paid	<u>(3,039)</u>	<u>(18,085)</u>	<u>(15,004)</u>	<u>(8,608)</u>	<u>(12,442)</u>
Net cash generated from/(used in) operating activities	962,127	17,298	(15,841)	108,148	199,894
Net cash (used in)/generated from investing activities	(362,128)	(194,877)	517,733	(149,846)	(26,664)
Net cash used in financing activities	<u>(161,537)</u>	<u>(178,303)</u>	<u>(319,490)</u>	<u>(18,553)</u>	<u>(82,996)</u>
Net increase/(decrease) in cash	438,462	(355,882)	182,402	(60,251)	90,234
Cash at beginning of the year/period	71,130	509,592	153,710	153,710	336,112
Cash at end of the year/period	<u>509,592</u>	<u>153,710</u>	<u>336,112</u>	<u>93,459</u>	<u>426,346</u>

SUMMARY

For details of discussion of our cash flow activities during the Track Record Period, please refer to “Financial Information — Liquidity and Capital Resources — Cash flows” of this document.

Summary of key financial ratios

	Year ended/As at 31 December			Four months ended/ As at 30 April
	2020	2021	2022	2023
Profitability Ratios:				
Gross profit margin	33.0%	18.7%	9.4%	8.9%
Return on assets	3.2%	6.7%	7.0%	NA ^(Note)
Return on equity	15.7%	22.2%	30.5%	NA ^(Note)
Liquidity Ratios:				
Current ratio	1.2 times	1.1 times	1.0 times	1.1 times
Quick ratio	1.2 times	1.1 times	1.0 times	1.0 times
Solvency Ratios:				
Interest coverage ratio	7.8 times	8.8 times	233.1 times	1,991.8 times
Gearing ratio	23.7%	0.5%	0.7%	2.4%

Note: Such ratios for 4M2023 are not meaningful and potentially misleading as such ratios do not reflect a full year of operations.

For FY2021, our return on assets increased from 3.2% in FY2020 to 6.7% mainly resulted from the decrease in total assets caused by the 2021 Transfer. For FY2022, our return on assets slightly increased to 7.0% which remained stable as compared to FY2021.

For FY2021, our return on equity increased from 15.7% in FY2020 to 22.2% mainly due to the increase in net profit and the decrease in equity. For FY2022, our return on equity further increased to 30.5%, mainly because of the decrease in equity.

Our interest coverage ratio increased from 7.8 times for FY2020 to 8.8 times for FY2021 mainly because of the decrease in interest expenses incurred by our Transferred Subsidiaries in respect of their real estate projects. Following the 2021 Transfer, we no longer engage in real estate development business, which is capital intensive. Our interest coverage ratio for FY2022 increased significantly to 233.1 times from 8.8 times for FY2021. Our interest coverage ratio further increased to 1,991.8 times for 4M2023 mainly because of the further decrease in interest expenses.

Our gearing ratio decreased from 23.7% as at 31 December 2020 to 0.5% as at 31 December 2021 mainly due to the decrease in bank borrowings held by our one of the Transferred Subsidiaries, Chengbang Engineering, as its equity interest was transferred to Zhongjiang Group pursuant to the 2021 Transfer. Our gearing ratio remained at a relatively low level of 0.7% and 2.4% as at 31 December 2022 and 30 April 2023.

For the calculation method and further details of our key financial ratios, please refer to “Financial Information — Key Financial Ratios” in this document.

SUMMARY

[REDACTED]

We expect to retrieve [REDACTED] of HK\$[REDACTED] million from the [REDACTED] (after deducting [REDACTED] fees and estimated fees payable by us in connection with the [REDACTED], based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] Share, being the mid-point of the indicative [REDACTED] range, and assuming that the [REDACTED] is not exercised). We intend to apply the aforesaid [REDACTED] in the following manner:

- HK\$[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], will be used to fund our capital needs and cash flow for our existing and upcoming projects;
- HK\$[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], will be used to consolidate our construction and O&M market presence by expanding to other cities within and outside Anhui Province, in particular, Hefei City, the capital of Anhui Province;
- HK\$[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], will be used to upgrade our existing asphalt concrete production machinery and equipment; and
- the remaining balance of HK\$[REDACTED] million, representing [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for additional working capital and other general corporate purposes.

For details, please refer to “Business — Business Strategies” and “Future Plans and [REDACTED]” in this document, respectively.

[REDACTED] EXPENSES

Assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of our indicative price range for the [REDACTED], the total estimated [REDACTED] expenses (including [REDACTED]) is estimated to be RMB[REDACTED] (equivalent to HK\$[REDACTED]), representing [REDACTED]% of the gross [REDACTED] from the [REDACTED]. [REDACTED] expenses of RMB[REDACTED] (equivalent to HK\$[REDACTED]) is directly attributable to the [REDACTED] of the [REDACTED] in the [REDACTED] which was and is expected to be accounted for as a deduction from equity in accordance with relevant accounting standards. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED] of which RMB[REDACTED] will be charged to equity upon completion of the [REDACTED] and RMB[REDACTED] was charged to consolidated statement of profit and loss and other comprehensive income.

The total [REDACTED] expenses mainly comprise of professional fees paid and payable to the professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED] among which, (a) [REDACTED] expenses are expected to be RMB[REDACTED], including (i) fees for legal advisers and reporting accountants of RMB[REDACTED] million, and (ii) other [REDACTED] fees and expenses of RMB[REDACTED], as well as (b) the [REDACTED] expenses (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of RMB[REDACTED] payable to the [REDACTED] in connection with the [REDACTED] of H shares under the [REDACTED].

The above total [REDACTED] expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from the estimates.

SUMMARY

CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Anhui Zhongjiang will hold [REDACTED]% of the voting rights of our Company directly. As such, Anhui Zhongjiang is our Controlling Shareholder under the [REDACTED] Rules. Our Directors consider that our Group will be able to carry out its business independently of our Controlling Shareholder and its close associates upon the [REDACTED]. For further details, please refer to “Relationship with our Controlling Shareholder” in this document.

We have carried out certain transactions with our Controlling Shareholder. For details, please refer to “Continuing Connected Transactions” in this document.

[REDACTED] INVESTMENTS

On 10 December 2022, our Company and Anhui Zhongjiang entered into a capital increase agreement with (i) Zhongru Construction, Sankun Landscape, Zhaotong Construction, Hangxiao Steel Structure, Jinniu Electric, Sanlin Concrete, Tongyuan Environment and Jiuzi Property (the “**Corporate Strategic Investors**”) and (ii) Junchuang Partnership, Tongchuang Partnership, Yanzhong Partnership, Buding Partnership and Zhenshang Partnership, which were established as our employee share platforms (the “**Employee Share Platforms**”, together with the Corporate Strategic Investors, the “[REDACTED] Investors”). The Corporate Strategic Investors were introduced through bidding procedures in accordance with Administrative Measures for the Supervision and Management of the Trading of State-Owned Assets of Enterprises (企業國有資產監督管理辦法). Pursuant to the Capital Increase Agreement, the registered capital of our Company was increased by RMB[REDACTED] from RMB100.00 million to RMB[REDACTED], which was contributed in cash by the [REDACTED] Investors. For further details of the [REDACTED] Investments, please refer to “History, Development and Corporate Structure — [REDACTED] Investments” in this document.

DIVIDENDS

For FY2020, FY2021, FY2022 and 4M2023, our Group declared and paid dividends of nil, nil, RMB537.4 million and RMB89.9 million, respectively. All the dividends declared during the Track Record Period had been fully settled as at the Latest Practicable Date. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that it may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the memorandum and articles of association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy. For further details, please refer to “Financial Information — Dividends” in this document.

SUMMARY

OUR LATEST DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent development of our business

Subsequent to the Track Record Period and up to the Latest Practicable Date, we completed 15 construction and O&M projects and we have been further awarded 19 projects with an aggregate original contract sum of RMB756.4 million. As at the Latest Practicable Date, our Group had 96 ongoing construction and O&M projects. The revenue expected to be recognised from backlog projects for the year ending 31 December 2023 will be RMB2,505.8 million. For details, please refer to “Business — Backlog and New Contract Value” in this document.

No material adverse change

Our Directors confirmed that during the period from 30 April 2023 and up to the date of this document, (i) there has been no material adverse change in the market conditions that materially and adversely affect our financial or operating position; (ii) there has been no material adverse change in the financial position or prospects of our Group; and (iii) no event has occurred that would materially and adversely affect the information shown in the Accountant’s Report set out in Appendix I to this document.

[REDACTED] STATISTICS

	Based on an indicative [REDACTED] of HK\$[REDACTED] per H Share	Based on an indicative [REDACTED] of HK\$[REDACTED] per H Share
Market capitalisation of H Shares⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Market capitalisation of total Shares⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on [REDACTED] Shares (including [REDACTED] H Shares and [REDACTED] Domestic Shares) expected to be in issue immediately upon completion of the [REDACTED] and does not take into account any H Shares which may be issued upon exercise of the [REDACTED].
- (2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share has been arrived at after adjustments referred to in “Appendix II — Unaudited [REDACTED] Financial Information” to this document and on the basis of [REDACTED] Shares (including [REDACTED] H Shares and [REDACTED] Domestic Shares) were in [REDACTED], being the number of Shares expected to be in [REDACTED] following the completion of the [REDACTED], and does not take into account any Share which may be [REDACTED] upon exercise of the [REDACTED].