
SUMMARY

This summary aims at giving you an overview of the information contained in this document. Because 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, including our financial statements and the accompanying notes, 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 “Risk factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in “Definitions” and “Glossary” in this document.

BUSINESS OVERVIEW

We are a well-established general contracting construction group in Hunan Province with over 40 years of operating history. According to the F&S Report, we (i) were one of the top ten non-state owned construction enterprises in terms of construction revenue in 2021 among 3,438 non-state owned construction enterprises in Hunan Province with a market share of approximately 0.2% in 2021; and (ii) ranked the fifth among 302 non-state owned construction enterprise with first grade general contractor qualification in Hunan Province in terms of construction revenue in 2021, with a market share of approximately 0.2% in 2021. In 2021, Hunan Province accounts for approximately 4.5% of the market size of construction industry in the PRC. We possess six first-grade construction qualifications (i) first-grade qualification in building construction general contracting (建築工程施工總承包壹級); (ii) first-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級); (iii) first-grade qualification in building renovation and decoration specialised contracting (建築裝修裝飾工程專業承包壹級); (iv) first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級); (v) first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包壹級); and (vi) first-grade qualification in lifting equipment installation construction specialised contracting (起重設備安裝工程專業承包壹級). We also possess six other second-grade and third-grade contracting qualifications covering aspects such as electrical and mechanical construction, curtain wall construction, highway construction, water resources and electric power construction and environmental protection construction. For details, please refer to the section headed “Business — Licences, qualifications and permits” in this document.

We were granted various awards for achieving high standards in construction quality, including the National Quality Project Silver Award (國家優質工程銀質獎), the Furong Prize (芙蓉獎), being the highest honour for construction quality in Hunan awarded by Hunan Association of Construction Industry (湖南省建築業協會), and Shennong Prize (神農獎), being the highest honour for construction quality in Zhuzhou awarded by Zhuzhou Construction Industry Association (株洲市建築業協會). In addition, we were also awarded various accolades in recognition of our

SUMMARY

emphasis on work safety. For details of the accolades obtained by our Group, please refer to the section headed “Business — Our business operations — Awards and recognitions” in this document.

During the Track Record Period, we primarily focused on the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consisted of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting. We provide comprehensive construction services to customers throughout the construction process from project procurement, management, construction to supervision and to a lesser extent, we also engage in the provision of construction machinery and equipment service.

Being the fifth-ranked non-state owned construction enterprise with first grade contractor qualification in Hunan Province in terms of construction revenue in 2021 and having an operating history of over 40 years, we are well-positioned to benefit from the continuous development of Hunan Province. As part of our development plan, we have tapped into the Hainan market since 2010 and as at the Latest Practicable Date, we have 22 branch offices across various provinces in the PRC.

We have been dedicated to R&D for improvements in our construction know-how essential for the advancement of our construction efficiency and quality, which in turn enhance our competitiveness within the construction industry. For details, please refer to the section headed “Business — Our business operations — R&D and know-how” in this document.

SUMMARY

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by business segment for the periods indicated:

	FY2019			FY2020			FY2021			3Q2021			3Q2022		
	Gross		margin	Gross		margin	Gross		margin	Gross		margin	Gross		margin
	Revenue	profit		Revenue	profit		Revenue	profit		Revenue	profit		Revenue	profit	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Construction contracts															
Civil building															
construction	888,497	90,927	10.2	1,031,904	107,412	10.4	885,259	95,433	10.8	657,407	67,180	10.2	670,050	65,438	9.8
Municipal works															
construction	669,011	67,839	10.1	485,033	54,039	11.1	427,745	42,027	9.8	262,359	26,358	10.0	461,373	49,883	10.8
Foundation works	146,162	11,882	8.1	120,067	9,247	7.7	114,195	7,782	6.8	81,161	4,933	6.1	22,455	1,405	6.3
Prefabricated steel structure															
construction	62,650	7,177	11.5	106,345	12,991	12.2	369,761	45,293	12.2	305,024	40,673	13.3	202,563	27,980	13.8
Other specialised contracting works															
(Note)	49,666	3,518	7.1	17,857	2,232	12.5	17,170	2,362	13.8	12,924	2,210	17.1	3,796	1,673	44.1
Subtotal	1,815,986	181,343	10.0	1,761,206	185,921	10.6	1,814,130	192,897	10.6	1,318,875	141,354	11.4	1,360,237	146,379	10.8
Provision of construction machinery and equipment service															
	5,930	2,100	35.4	8,694	3,193	36.7	9,254	2,750	29.7	6,517	2,433	37.3	5,793	2,183	37.7
Total revenue/total gross profit/average gross profit margin															
	1,821,916	183,443	10.1	1,769,900	189,114	10.7	1,823,384	195,647	10.7	1,325,392	143,787	10.8	1,366,030	148,562	10.9

Note: Our other specialised contracting works mainly include building renovation and decoration works.

SUMMARY

The table below sets forth the details of the movements of the number of on-going construction projects and completed construction projects of our Group during the Track Record Period and up to the Latest Practicable Date:

	FY2019		FY2020		FY2021		3Q2022		After Track Record Period and up to the Latest Practicable Date	
	Number of contracts attributed	Contract Sum ⁽³⁾	Number of contracts attributed	Contract Sum ⁽³⁾	Number of contracts attributed	Contract Sum ⁽³⁾	Number of contracts attributed	Contract Sum ⁽³⁾	Number of contracts attributed	Contract Sum ⁽³⁾
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
Opening on-going projects ⁽¹⁾	172	5,928,010	135	5,663,392	141	7,109,593	146	7,578,404	143	8,701,599
Add: new construction projects										
contracted	33	1,139,565	43	2,356,557	37	1,225,156	22	1,630,394	4	139,793
Deduct: construction projects										
completed ⁽²⁾	70	1,404,183	37	910,356	32	756,345	25	507,199	—	—
Closing on-going construction projects	<u>135</u>	<u>5,663,392</u>	<u>141</u>	<u>7,109,593</u>	<u>146</u>	<u>7,578,404</u>	<u>143</u>	<u>8,701,599</u>	<u>147</u>	<u>8,841,392</u>

Notes:

- 1 Opening on-going projects represented projects that have confirmed engagements, excluding (i) those inactive and immaterial projects which generated aggregate revenue and incurred aggregate costs of less than RMB10,000 each over the Track Record Period and; (ii) new contracted construction projects for the corresponding financial year/period.
- 2 A construction project is considered completed when (i) an acceptance of project completion inspection report issued by the relevant government authority(ies) has been issued; or (ii) revenue has been fully recognised with respect to contract sum as amended from time to time. Please refer to the section headed “Business — Operation process — Customer inspection and acceptance” in this document for further details.
- 3 Contract sums do not include any variation orders and/or VAT.
- 4 Part of the closing contract sum of on-going projects has already been recognised as revenue by our Group during the Track Record Period and up to the Latest Practicable Date.

CUSTOMERS AND SUPPLIERS

Our customers include government entities, state-owned enterprises and state-invested enterprises (collectively, Government-related Entities) and private enterprises. For FY2019, FY2020, FY2021 and 3Q2022, approximately RMB662.9 million, RMB453.3 million, RMB447.7 million and RMB676.5 million of our revenue was generated from Government-related Entities, representing 36.4%, 25.6%, 24.6% and 49.5% of our total revenue during the same period, respectively. For each of FY2019, FY2020, FY2021 and 3Q2022, revenue from our top five

SUMMARY

customers amounted to approximately RMB841.7 million, RMB796.6 million, RMB846.0 million and RMB579.7 million, respectively, accounting for 46.2%, 45.0%, 46.4% and 42.4% of our total revenue, respectively. Revenue from our largest customer for each of FY2019, FY2020, FY2021 and 3Q2022 amounted to approximately RMB328.5 million, RMB312.1 million, RMB367.7 million and RMB223.2 million, respectively, accounting for 18.0%, 17.6%, 20.2% and 16.3% of our total revenue, respectively. During the Track Record Period, except for the EPC Tripartite Framework Agreement, we did not have any long-term strategic cooperation agreement with our customers. For details, please refer to the section headed “Business — Customers and suppliers — Customers” in this document.

Our suppliers mainly include raw materials suppliers, subcontractors for labour services and subcontractors for specialised construction works. For each of FY2019, FY2020, FY2021 and 3Q2022, purchase from our top five suppliers amounted to approximately RMB357.9 million, RMB322.3 million, RMB474.5 million and RMB291.8 million, respectively, accounting for 21.8%, 20.3%, 29.2% and 24.0% of our total cost of sales, respectively. Purchase from our largest supplier for each of FY2019, FY2020, FY2021 and 3Q2022 amounted to approximately RMB138.0 million, RMB97.1 million, RMB158.5 million and RMB74.9 million, respectively, accounting for 8.4%, 6.1%, 9.7% and 6.2% of our total cost of sales, respectively. For details, please refer to the section headed “Business — Customers and suppliers — Suppliers” in this document.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Hangxiao Technology had been both a customer and a supplier of our Group during the Track Record Period. Hangxiao Technology is our deemed connected person. For details, please refer to the section headed “Connected Transactions” in this document.

Hangxiao Technology is principally engaged in the design and manufacture of steel structure. During the Track Record Period, Hangxiao Technology acted as our supplier for steel construction products or processing services. On the other hand, two construction projects of our Group were also engaged by Hangxiao Technology to construct the building base and R&D building of Hangxiao Technology. Our gross profit for such sales amounted to approximately RMB7.2 million, RMB3.0 million, RMB1.2 million and RMB0.2 million, respectively, for FY2019, FY2020, FY2021 and 3Q2022, representing approximately 3.9%, 1.6%, 0.6% and 0.1% of our total gross profit during the same period. For details, please refer to the section headed “Business — Customers and suppliers — Overlapping of customers and suppliers” in this document.

SUMMARY

COMPETITIVE STRENGTHS

We have the following competitive strengths which differentiate our Group from our competitors: (i) we are one of the leading general contracting construction enterprises with long operating history in Hunan Province; (ii) we leverage our broad range of regulated qualifications to undertake a wide range of construction projects; (iii) we are a renowned market player in the construction industry in Hunan Province as demonstrated by numerous awards accredited to us; (iv) we possess R&D capabilities and expertise in developing know-how for construction use; (v) we are well-positioned to capture the latest development trend of green building, prefabricated construction methods and EPC model in the PRC; and (vi) our experienced and dedicated senior management team and highly skilled personnel in construction industry. For details, please refer to the section headed “Business — Competitive strengths” in the document.

BUSINESS STRATEGIES

We strive to attain sustainable growth and continue to leverage our market position in the competitive construction industry and seek to promote long-term shareholder value by implementing the following business strategies: (i) expand business through funding our capital needs and cash flows for upcoming projects and enhance our market presence to capture more business opportunities; (ii) invest in construction machinery and equipment to enhance our technical equipment capability; (iii) further strengthen our R&D capabilities to embrace the latest development trend of PRC construction industry; and (iv) capitalise on the latest development trend of green building, prefabricated construction methods and EPC model in the PRC. For details, please refer to the section headed “Business — Business strategies” in this document.

OUR SHAREHOLDERS AND PRE-[REDACTED] INVESTMENT

Immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), our Company will be owned as to approximately [REDACTED]% by ZT (A), an investment holding company incorporated in the BVI owned by 79 individual shareholders, including 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% in aggregate and the balance by 67 individuals who are Independent Third Parties including our employees. For details, please refer to the sections headed “History, Development and Reorganisation” and “Relationship with our Controlling Shareholder” in this document.

On 9 March 2020, Ms. Yang Shufen subscribed for approximately 1.09% of the equity interest in Jicai Trading for a consideration of the HKD equivalent of approximately RMB2.39 million. Immediately upon completion of the [REDACTED] and the [REDACTED] (without

SUMMARY

taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), Ms. Yang Shufen will be interested in approximately [REDACTED]% of the issued share capital of our Company. For further details, please refer to the section headed “History, Development and Reorganisation — Pre-[REDACTED] Investment” in this document.

SELECTED FINANCIAL INFORMATION

The following table is the consolidated statements of profit or loss and other comprehensive income of our Group during the Track Record Period, extracted from the Accountants’ Report in Appendix I to this document.

	Year ended 31 December				
	2019	2020	2021	3Q2021	3Q2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,821,916	1,769,900	1,823,384	1,325,392	1,366,030
Cost of sales	(1,638,473)	(1,580,786)	(1,627,737)	(1,181,605)	(1,217,468)
Gross profit	183,443	189,114	195,647	143,787	148,562
Other income and other gains, net	3,217	6,480	1,456	1,331	482
Administrative expenses	(107,914)	(112,563)	(116,526)	(81,954)	(80,158)
[REDACTED] expenses	(2,399)	(10,722)	(4,513)	(3,975)	(4,464)
Share of result of an associate . .	(423)	—	—	—	—
(Losses on)/reversal of impairment of financial and contract assets, net	(7,409)	(7,473)	(500)	230	(712)
Finance costs	(8,921)	(5,299)	(3,549)	(2,651)	(4,776)
Profit before taxation	59,594	59,537	72,015	56,768	58,934
Income tax expense	(8,734)	(9,938)	(10,112)	(8,977)	(7,768)
Profit and other comprehensive income for the year	<u>50,860</u>	<u>49,599</u>	<u>61,903</u>	<u>47,791</u>	<u>51,166</u>
Profit and other comprehensive income for the year attributable to					
Owners of the Company	49,778	48,533	60,570	47,697	50,832
Non-controlling interests	1,082	1,066	1,333	94	334
	<u>50,860</u>	<u>49,599</u>	<u>61,903</u>	<u>47,791</u>	<u>51,166</u>

SUMMARY

Revenue

Our revenue increment was mainly due to the increase in revenue generated from construction contracts. Revenue generated from construction contracts slightly decreased by RMB54.8 million or 3.0% from approximately RMB1,816.0 million in FY2019 to RMB1,761.2 million in FY2020. The decrement in FY2020 was mainly due to decrement in revenue generated from other specialised contracting works, municipal works construction and foundation works of approximately RMB31.8 million, RMB184.0 million and RMB26.1 million, respectively, and partial set-off by the increment in civil building construction and prefabricated steel structure construction of approximately RMB143.4 million and RMB43.7 million, respectively. Our revenue generated from construction contracts increased by approximately RMB52.9 million or 3.0% from approximately RMB1,761.2 million in FY2020 to approximately RMB1,814.1 million in FY2021. The increment was mainly due to increase in revenue generated from prefabricated steel structure construction works, which grew by approximately RMB263.4 million or 247.7% while partially net-off by the decrement in (i) revenue generated from civil building construction of approximately RMB146.6 million or 14.2%; and (ii) revenue generated from municipal works construction of approximately RMB57.3 million or 11.8%. For 3Q2022, our revenue generated from construction contracts increased by approximately RMB41.4 million or 3.1% from approximately RMB1,318.9 million for 3Q2021 to approximately RMB1,360.2 million for 3Q2022. The increment was mainly due to the increase in revenue generated from municipal works construction works, which grew by approximately RMB199.0 million or 75.9% while partially net-off by the decrement in revenue generated from prefabricated steel structure construction works of approximately RMB102.5 million or 33.6%.

Gross profit and gross profit margin

Our Group’s gross profit increased from approximately RMB183.4 million in FY2019 to RMB189.1 million in FY2020 and further increased to RMB195.6 million in FY2021. Our Group’s overall gross profit margins increased from 10.1% in FY2019 to 10.7% in FY2020 and remained at 10.7% in FY2021. In 3Q2022, the gross profit margin was 10.9%. The primary reason leading to our growth in gross profit margins was that we were able to undertake construction projects with higher gross margins through careful selection of tenders to submit and our Group’s tighten control on major costs such as labour costs and labour subcontracting costs (which in aggregate accounted for approximately 20% to 35% of the total cost of sales during each of FY2019, FY2020, FY2021 and 3Q2022) by shifting our Group’s own labour costs to labour subcontractors for performing certain labour intensive construction process in order to maximise cost efficiency and flexibility.

SUMMARY

Profit and other comprehensive income

Our Group’s profit and other comprehensive income for the year attributable to owners of the Company decreased slightly from RMB49.8 million for FY2019 to RMB48.5 million for FY2020, which was mainly attributable to the increase in [REDACTED] expenses and administrative expenses for FY2020. Our Group’s profit and other comprehensive income for the year attributable to owners of the Company increased from RMB48.5 million for FY2020 to RMB60.6 million for FY2021, which was mainly attributable to the increase in revenue and the decrease in (i) impairment on financial and contract asset and (ii) finance costs. Our Group’s profit and other comprehensive income for the period attributable to owners of the Company increased from RMB47.7 million for 3Q2021 to RMB50.8 million for 3Q2022, which was mainly attributable to the increase in gross profit and partially net-off by the decrease in other income and other gains.

Our consolidated statements of financial position as at each of the year ended during the Track Record Period set forth below are extracted from the Accountants’ Report set out in Appendix I to this document:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets	35,295	29,281	28,001	25,386
Current assets	1,830,814	1,940,111	1,855,653	1,790,091
Current liabilities	1,685,707	1,737,177	1,589,486	1,466,246
Total assets less current liabilities . . .	180,402	232,215	294,168	349,231
Non-current liabilities	657	28	—	3,855
Net current assets	145,107	202,934	266,167	323,845
Net assets	<u>179,745</u>	<u>232,187</u>	<u>294,168</u>	<u>345,376</u>
Equity attributable to owners of the				
Company	173,261	224,614	285,262	336,136
Non-controlling interests	<u>6,484</u>	<u>7,573</u>	<u>8,906</u>	<u>9,240</u>
TOTAL EQUITY	<u>179,745</u>	<u>232,187</u>	<u>294,168</u>	<u>345,376</u>

SUMMARY

Net current assets

Net current assets increased from approximately RMB145.1 million as at 31 December 2019 to approximately RMB202.9 million as at 31 December 2020 mainly due to the increase in contract assets and trade, bills and other receivables of approximately RMB53.6 million and RMB45.9 million, respectively, which was in line with the net profit of approximately RMB49.6 million generated in FY2020. The increase was partly offset by an increase in accruals and other payables of approximately RMB68.9 million. Our net current assets increased from approximately RMB202.9 million as at 31 December 2020 to RMB266.2 million as at 31 December 2021, primarily due to decrease in trade and bills payables by approximately RMB175.6 million, partially offset by the decrease in trade, bills and other receivables and contract assets by approximately RMB79.9 million and RMB9.7 million, respectively. Our net current assets further increased from approximately RMB266.2 million as at 31 December 2021 to RMB323.8 million as at 30 September 2022 mainly attributable to decrement in trade, bills and other receivables by approximately RMB53.4 million and was in line with the net profits of approximately RMB51.6 million generated in 3Q2022.

Net assets

Net assets increased by RMB52.4 million from approximately RMB179.7 million as at 31 December 2019 to approximately RMB232.2 million as at 31 December 2020, and further increased by approximately RMB62.0 million to approximately RMB294.2 million as at 31 December 2021 and approximately RMB51.2 million to approximately RMB345.4 million as at 30 September 2022, primarily reflecting our profit and other comprehensive income for the same periods.

For further details, please refer to the section headed “Financial Information — Discussion on selected items of consolidated statements of financial position” in this document and the Consolidated Statements of Changes in Equity of the Accountants’ Report set out in Appendix I to this document.

SUMMARY

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	FY2019	FY2020	FY2021	3Q2021	3Q2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit before working capital changes	82,562	72,711	82,591	63,597	67,616
Changes in working capital	22,824	(22,577)	(41,648)	(124,497)	(91,119)
Income tax paid	(9,256)	(7,633)	(9,350)	(3,538)	(2,545)
Net cash (used in)/generated from operating activities	96,130	42,501	31,593	(64,438)	(26,048)
Net cash (used in)/generated from investing activities	66,569	7,110	(5,180)	(5,022)	(171)
Net cash generated from/(used in) financing activities	(150,231)	(53,358)	(14,145)	17,976	64,071
Net increase/(decrease) in cash and cash equivalents	12,468	(3,747)	12,268	(51,484)	37,852
Cash and cash equivalents at the beginning of the year/period	68,117	80,585	76,838	76,838	89,106
Cash and cash equivalents at the end of the year/period	<u>80,585</u>	<u>76,838</u>	<u>89,106</u>	<u>25,354</u>	<u>126,958</u>

Cash flows

For 3Q2022, we recorded a profit before taxation of approximately RMB58.9 million and net cash used in operating activities of approximately RMB26.0 million. The cash outflow was principally due to the decrease in trade and bills payables of approximately RMB298.5 million, partially offset by the increase in accruals and other payables of approximately RMB79.6 million and the decrease in trade, bills and other receivables of approximately RMB53.2 million.

For FY2021, we recorded a profit before taxation of approximately RMB72.0 million and net cash generated from operating activities of approximately RMB31.6 million. The cash inflow was principally due to (i) our net profits of approximately RMB61.9 million generated during FY2021, (ii) the increase in trade, bills and other receivables and increase in accruals and other payables of approximately RMB79.9 million and RMB49.9 million, respectively, partially offset by the decrease in trade and bill payables of approximately RMB175.6 million.

SUMMARY

For FY2020, we recorded a profit before taxation of approximately RMB59.5 million and net cash generated from operating activities of approximately RMB42.5 million. The cash inflow was principally due to our profits of approximately RMB49.6 million generated during FY2020, the increase in trade and bills payable and accruals and other payables of approximately RMB89.8 million, partly offset by increase in trade, bills and other receivables of approximately RMB51.6 million and contract assets of approximately RMB55.8 million.

For FY2019, we recorded a profit before taxation of approximately RMB59.6 million and net cash generated from operating activities of approximately RMB96.1 million. The result was reflected in the increase in trade and bills payables of approximately RMB561.3 million, partially offset by (i) an increase in contract assets of approximately RMB436.8 million in line with the increase in revenue recognised from our construction services during the year; and (ii) an increase in trade, bills and other receivables of approximately RMB188.2 million. In general it takes longer time for Government-related Entities to settle trade receivables.

The table below sets forth our major financial ratios as at the dates indicated:

	Year ended/As at 31 December			Nine months ended/As at 30 September
	2019	2020	2021	2022
	Gross profit margin (<i>Note 1</i>)	10.1%	10.7%	10.7%
Net profit margin (<i>Note 2</i>)	2.8%	2.8%	3.4%	3.7%
Return on assets (<i>Note 3</i>)	2.7%	2.5%	3.3%	N/A (<i>Note 11</i>)
Return on equity (<i>Note 4</i>)	29.4%	22.1%	21.7%	N/A (<i>Note 11</i>)
Current ratio (<i>Note 5</i>)	1.1 times	1.1 times	1.2 times	1.2 times
Quick ratio (<i>Note 6</i>)	1.1 times	1.1 times	1.2 times	1.2 times
Interest coverage ratio (<i>Note 7</i>)	7.7 times	12.2 times	21.3 times	13.3 times
Net debt to equity ratio (<i>Note 8</i>)	N/A (<i>Note 10</i>)	N/A (<i>Note 10</i>)	N/A (<i>Note 10</i>)	4.6%
Gearing ratio (<i>Note 9</i>)	44.0%	28.5%	22.7%	41.4%

Notes:

1. Gross profit margin = gross profit ÷ revenue × 100%
2. Net profit margin = profit for the year/period ÷ revenue × 100%
3. Return on assets = profit for the year ÷ total assets × 100%
4. Return on equity = profit for the year ÷ total equity attributable to owner of the Company × 100%

SUMMARY

5. Current ratio = total current assets ÷ total current liabilities
6. Quick ratio = (total current assets – inventories) ÷ total current liabilities
7. Interest coverage ratio = profit before finance costs and income tax expense ÷ finance costs
8. Net debt to equity ratio = (total interest-bearing debt including borrowings and lease liabilities net of cash and cash equivalent) ÷ total equity × 100%
9. Gearing ratio = (total interest-bearing debt including borrowings and lease liabilities) ÷ total equity × 100%
10. Net debt to equity ratio is not applicable to our Group as at 31 December 2019, 2020 and 2021 as our Group recorded net cash as at 31 December 2019, 2020 and 2021.
11. Return on assets and return on equity are calculated on a full year basis.

RECENT DEVELOPMENT

The Impact of the COVID-19 outbreak

Since early 2020, COVID-19 has been rapidly spreading throughout China and the globe. On 11 March 2020, the World Health Organization declared COVID-19 as a pandemic. During the first half of 2022, there had been large-scale outbreaks of COVID-19, including the highly transmissible Omicron variant, in various provinces across the PRC (the “**Resurgence**”). In response to the Resurgence, local governments in the PRC have imposed various restrictions on business and social activities, including lockdowns, stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions. According to the F&S Report, the construction industry in the PRC was affected by the COVID-19 pandemic in the first quarter of 2020 and the Resurgence in the first half of 2022 with short term adverse impacts such as delay in the restart of construction projects, disruptions of the construction periods, shortage of construction labour resources and increasing labour costs due to various isolation measures implemented by the PRC Government, such as extending the Chinese New Year’s holiday in 2020 and lock-down policies in certain cities in the PRC.

Measures adopted by the PRC Government to promote the resumption of work of enterprises in the PRC

Pursuant to the Notice of the General Office of MOHURD on Strengthening the Prevention and Control of the Epidemic Situation of COVID-19 and Orderly Promoting the Resumption of Work of Enterprises (住房和城鄉建設部辦公廳關於加強新冠肺炎疫情防控有序推動企業開復工工作的通知) (the “**Notice 5**”) promulgated by MOHURD on 26 February 2020 with immediate effect, local departments of housing and urban rural development at all levels shall (i) promote the resumption of work of enterprises and projects, effectively implement the requirements of

SUMMARY

epidemic prevention and control and strengthen the quality and safety management of the construction site; and (ii) devote more efforts to support and resolve practical difficulties of enterprises by consistently implementing relevant national support policies to reduce the financing costs, occupation of funds and other costs of enterprises, guiding enterprises to strengthen management of changes in contract performance, strengthening the supply guarantee of labour and materials and effectively reducing the financial burden on enterprises by way of speeding up the clearance of the arrears of government departments and state-owned enterprise in the accounts of private enterprises and other measures to prevent arrears and avoid new arrears of project funds.

Our prevention and control measures

We extended the duration of our Chinese New Year’s holiday in 2020 and our employees resumed work by 24 February 2020. We also implemented a series of epidemic prevention measures such as (i) requiring all employees to undertake a self-quarantine period of 14 days upon returning from Provinces other than their current workplaces; (ii) establishing working groups consisting of senior management to monitor the implementation of our epidemic prevention measures; and (iii) on-site prevention and control measures including access control, daily thermometry registration of all workers at our construction sites, disinfection and requiring all on-site workers to wear masks.

Our on-going projects

According to the F&S Report, the outbreak of COVID-19 in the PRC has generally delayed the completion of the construction projects by 30 to 50 days in the PRC. During the Track Record Period, all of our construction projects which are on-going immediately before the outbreak of COVID-19 had encountered suspension for around 37.1 days on average due to the outbreak of COVID-19 and had resumed on or before 1 April 2020. As confirmed by our Directors based on the review of the status of all such projects, the average delay in recognition of revenue due to the outbreak of COVID-19 is estimated to be less than two months and the total revenue delayed in recognition of all of our on-going projects amounted to approximately RMB91.7 million in FY2020. Further, our Directors confirm that the revenue delayed in recognition due to the outbreak of COVID-19 has been fully recognised in FY2020. Save as disclosed above, up to the Latest Practicable Date, we did not encounter suspension of our projects due to COVID-19.

Accordingly, our Directors are of the view that the effect of the suspension encountered by our construction projects due to the outbreak of COVID-19 on our Group’s financial position is relatively insignificant as the work suspension arrangements that affected our on-going construction projects were relatively short in terms of duration and the schedule was then caught up such that the revenue delayed in recognition has been fully recognised in FY2020.

SUMMARY

Our customers

The impact of the outbreak of COVID-19 did not have material impacts on the progress of our construction projects and there was no material delay in the schedule of our construction projects. To the best knowledge of the Directors, the financial position and viability of our customers are unlikely to be materially and adversely affected by the COVID-19 pandemic and the Resurgence.

Our suppliers and subcontractors

Our Directors confirmed that (i) so far as we are aware of, the outbreak of COVID-19 did not have material impact on the business operation of our suppliers and subcontractors in relation to our projects during the Track Record Period and as at the Latest Practicable Date, and (ii) all of our suppliers and subcontractors during the Track Record Period had resumed business operation in relation to our on-going projects immediately before the outbreak of COVID-19 when we resumed work in our construction projects on or before 1 April 2020.

Since the beginning of the COVID-19 outbreak and up to the Latest Practicable Date, we did not encounter shortage or disruption in the supply of raw materials, labour and subcontracting services, nor did we experience material increase in construction costs as a result of the COVID-19 pandemic and the Resurgence.

Force majeure

Pursuant to the Notice 5, the delay in construction period caused by epidemic prevention and control shall be deemed as a force majeure situation stipulated in a contract. According to the Civil Code of the PRC (中華人民共和國民法典), promulgated by the NPC on 28 May 2020 and with effect from 1 January 2021, where one of the parties is unable to perform the contract due to force majeure, the said party shall immediately notify the other party in order to reduce the potential losses sustained by the other party, and the said party shall also provide evidence of the force majeure within a reasonable time. Since the beginning of the COVID-19 outbreak and up to the Latest Practicable Date, during the outbreak of COVID-19, we have not received any notice from (i) our customers to terminate our existing projects or to demand penalties for delay in progress of our on-going projects due to the outbreak of COVID-19; (ii) our suppliers or subcontractors to terminate its provision of raw materials or subcontracting services; or (iii) our banks to terminate our bank loans or credit facilities.

SUMMARY

Our financial performance and viability

We will closely monitor the epidemic situation of COVID-19 and promptly implement necessary measures to minimise any adverse effect on our business and results. However, in the event that the COVID-19 situation deteriorates or sustains for a considerable period of time, or any major recurrence in outbreak in the future, our business operation and financial performance may be adversely affected.

For further details in relation to the outbreak of COVID-19, please refer to the paragraph headed “Risk Factors — The outbreak of COVID-19 or any other severe communicable disease could adversely affect our Group’s financial positions and results of operations” in this document.

No material adverse change

Our business model remains unchanged subsequent to the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on construction contracting business, in which we have submitted 56 tender documents and have been awarded five projects, representing a tender success rate of approximately 8.9%.

The following tables sets forth the breakdown of movement in contract value of backlog by project type after the Track Record Period and as at the Latest Practicable Date including the new contract value of construction project contracted and closing backlog of contract value for each year, and estimated revenue expected to be recognised by project type for each year after the Track Record Period, by business segments.

SUMMARY

Movement of contract value of backlog after the Track Record Period and as at the Latest Practicable Date and estimated revenue expected to be recognised by project type after the Track Record Period

	Contract value of backlog as at 30 September 2022	New contract value of construction projects contracted	Add/(less): variation orders	Less: revenue recognised	Ending contract value of backlog as at LPD	Revenue expected to be recognised in FY2022	Revenue expected to be recognised in FY2023	Revenue expected to be recognised in FY2024	Revenue expected to be recognised in FY2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Civil building construction	2,355,851	54,039	—	75,374	2,334,516	200,703	1,619,776	304,127	209,910
Municipal works construction	257,372	85,754	—	57,700	285,426	82,475	186,615	16,336	—
Foundation works	11,561	—	—	12	11,549	11,476	73	—	—
Prefabricated steel structure construction works	103,789	—	—	7,989	95,800	12,533	55,727	27,540	—
Other specialised contracting work	35,978	—	—	2,156	33,822	22,546	9,982	1,294	—
	<u>2,764,551</u>	<u>139,793</u>	<u>—</u>	<u>143,231</u>	<u>2,761,113</u>	<u>329,733</u>	<u>1,872,173</u>	<u>349,297</u>	<u>209,910</u>

Notes:

- Our other specialised contracting works mainly include building renovation and decoration works.
- Such amount is only an estimate and is subject to change due to actual progress and completion date of the relevant projects.

Based on the discussions as set out in the paragraph headed “The Impact of the COVID-19 Outbreak” above, as at the Latest Practicable Date, our Directors were of the view that there has been no material adverse change in our financial or trading position or prospects since 30 September 2022, being the end of the period reported on the Accountants’ Report set out in Appendix I to this document and up to the date of this document. Our forecasted profit for the year ending 31 December 2022 is expected to increase slightly compared to FY2021 mainly due to the expected increase in gross profit.

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses primarily consist of the estimated [REDACTED] commissions for the [REDACTED] and the [REDACTED] in addition to the professional fees paid in relation to the [REDACTED].

SUMMARY

Assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of our indicative price range for the [REDACTED], the total [REDACTED] expenses is estimated to be RMB[REDACTED] million (equivalent to HK\$[REDACTED] million), representing approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. The [REDACTED] expenses comprise (i) [REDACTED]-related expenses of approximately RMB[REDACTED] million; (ii) non-[REDACTED]-related expenses of RMB[REDACTED] million, including (a) fees and expenses of legal advisers and Reporting accountants of approximately RMB[REDACTED] million; and (b) other non-[REDACTED]-related fees and expenses of approximately RMB[REDACTED] million. [REDACTED] expenses of approximately RMB[REDACTED] million (equivalent to HK\$[REDACTED] million) is directly attributable to the issue 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. The remaining expenses of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million) were or are expected to be charged as expenses to our consolidated statements of profit or loss, of which RMB[2.4] million (equivalent to HK\$[2.6] million), RMB[10.7] million (equivalent to HK\$[11.8] million), RMB[4.5] million (equivalent to HK\$[4.9] million) and RMB[4.5] million (equivalent to HK\$[4.9] million) was charged for FY2019, FY2020, FY2021 and 3Q2022, respectively, while the balance of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million) is expected to be charged in the remaining of FY2022 or FY2023. The above total [REDACTED] expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from these estimates.

DIVIDENDS

For FY2019, FY2020, FY2021 and 3Q2022, our Group declared dividends of RMB0.1 million, RMB0.2 million, nil and nil, 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. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

FUTURE PLANS AND PROSPECTS/ USE OF [REDACTED]

Please refer to the section headed “Business — Business strategies” for a detailed description of our future plans.

We estimate that we will receive net [REDACTED] of HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) from the [REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in

SUMMARY

connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range. We intend to use such net [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

Amount of net [REDACTED]	Use of [REDACTED]
(a) approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million)	to fund our upfront expenditure of [three] projects on hand
(b) approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million)	to acquire and/or replace our construction machinery and equipment
(c) approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million)	to fund the establishment and operations of our know-how centre including (i) recruiting professionals ; (ii) purchasing equipment and software; (iii) financing the operating costs including purchasing the materials to be used in R&D; and (iv) paying the rent and renovation costs of the know-how centre to strengthen our R&D capabilities
(d) approximately [REDACTED]%, or HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million)	for working capital and general corporate purposes

PRIOR QUOTATION AND WITHDRAWAL OF QUOTATION ON THE NEEQ

The shares of Zhongtian Construction had been quoted on the NEEQ (stock code: 871407) from 16 May 2017 to 20 January 2019. For details, please refer to section headed “History, Development and Reorganisation — Prior Quotation and Withdrawal of Quotation on the NEEQ” in this document.

As advised by our PRC Legal Advisers based on searches conducted on the official websites of the NEEQ and CSRC and as confirmed by our Company, Zhongtian Construction complied with the relevant rules governing NEEQ in all material respects, and Zhongtian Construction, its subsidiaries and all its then directors or senior management had not been subject to any investigation or disciplinary action by the relevant regulators during the period when its shares were quoted on the NEEQ and up to the withdrawal of the quotation of its shares on the NEEQ. Our Directors confirm that (i) there is no matter that might materially and adversely affect our

SUMMARY

Company’s suitability for the [REDACTED] in relation to the previous quotation of shares of Zhongtian Construction on the NEEQ; and (ii) there has not been any matter that needs to be brought to the attention of the potential investors or regulators in Hong Kong in respect of the previous quotation of shares of Zhongtian Construction on the NEEQ. Based on the views of our PRC Legal Advisers and the due diligence works conducted by the Sole Sponsor, the Sole Sponsor concurs with the above Directors’ view.

Prospective investors should not place reliance on the information published by Zhongtian Construction on NEEQ as the information was prepared based on regulatory requirements, market practices and accounting standards may be different from that applicable to the [REDACTED].

For details, please refer to section headed “Risk Factors — You should not place any reliance on the information published regarding to Zhongtian Construction’s prior quotation on the NEEQ” in this document.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, our Group was involved in certain material on-going litigations, which mainly include contractual disputes regarding construction service fees and procurement of construction materials. For details, please refer to the section headed “Business — Legal and regulatory — Legal proceedings” in this document.

INTELLECTUAL PROPERTY

The Chinese name of our Company and our subsidiaries contain “中天” (Zhongtian). In particular, Zhongtian Construction, our major operating subsidiary, has been using “中天” (Zhongtian) in its name since 2004. Meanwhile, there are many companies whose names contain “中天” (Zhongtian) in the PRC and Hong Kong, including companies in the construction industry. As at the Latest Practicable Date, we had not registered any trademark containing “Zhongtian” or “中天” in the PRC and were the registered owner of six trademarks containing “Zhongtian” or “中天” in Hong Kong.

As advised by Ms. Queenie W.S. Ng, the legal adviser to our Company as to Hong Kong laws, given that (i) it is common for PRC companies to contain “中天” (Zhongtian) in their names and it would be difficult for a PRC company to prove it owns any goodwill or is well known in Hong Kong if it has not carried on any business or registered any trademark in Hong Kong; (ii) Zhongtian Construction has been using “中天” (Zhongtian) in its name since 2004 and had used a stock short name including the words “中天” (Zhongtian) when its shares were quoted on the NEEQ, and there had been no dispute on goodwill and suggestion of confusion; (iii) we have successfully registered trademarks containing “中天” or “Zhongtian” in Hong Kong, and no other

SUMMARY

companies had registered trademarks containing “中天” or “Zhongtian” in class 37 in Hong Kong as at the Latest Practicable Date; and (iv) the names of our Company and Zhongtian Construction also contain “Construction” and “Hunan”, so that the public can distinguish our Company and Zhongtian Construction from other companies whose names contain “中天” (Zhongtian), the chance of our Group to be successfully claimed for infringement of intellectual property rights and/or passing off in Hong Kong by other companies established in the PRC whose names contain “中天” (Zhongtian), bearing same or similar names and trademarks and conducting similar businesses as our Group is remote.

As advised by our PRC Legal Advisers, taking into account that various factors including (i) we do not carry out our business directly under the name of our Company in the PRC and would mainly continue to carry out its business under the name of Zhongtian Construction, whose name was approved by Zhuzhou AMR; (ii) our Group refers our Company as its holding company during business negotiations, which is true and accurate; (iii) Zhuzhou AMR clearly confirmed to our PRC Legal Advisers that if Zhongtian Construction refer to our Company as its holding company during business negotiations and carry out business under its own name, it would not be regarded as engaging in acts of confusion and/or unfair competition under the Anti-Unfair Competition Law of the PRC, our PRC Legal Advisers are of the view that, in the absence of evidence that the other PRC companies whose name contain “中天” (Zhongtian) and engage in the construction industry were influential or that the use of the name of our Company and Zhongtian Construction may cause any confusion and misunderstanding to others that they have any relationship with such other companies, the risk that the use of our registered company names would be regarded as engaging in acts of unfair competition through acts of confusion under the Anti-Unfair Competition Law of the PRC is low.

For details, please refer to the sections headed “Risk Factors — Risks relating to our business — Our Chinese company name may be identical or similar to other companies in the construction industry established in the PRC” and “Business — Intellectual property” in this document.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control.

Our major risks include: (i) our business operations, working capital and cash flow position may be adversely affected if our customers delay in processing payment or fail to settle our bills; (ii) if we are unable to fully recover our contract assets or if retention money is not fully released to us after expiry of the warranty period, our liquidity and financial position may be adversely affected; (iii) if we are unable to perform our contracts with customers and unable to fulfil our obligation in respect of contract liabilities, our financial position and results of operations may be

SUMMARY

adversely affected; (iv) discontinuation of any of the preferential tax treatments we enjoy or imposition of any additional taxes can adversely affect our financial conditions and results of operations; (v) we have limited control over the quality, availability and costs of our subcontractors and subcontracted workers; (vi) there is uncertainty as to the tender success rate of our Group in the future; (vii) our operating results may be significantly affected by changes in the prices and availability of raw materials; and (viii) any material discrepancies between the estimated costs and the actual costs ultimately incurred may adversely affect our financial conditions and result of operations. For details, please refer to the section headed “Risk Factors” in this document.

[REDACTED] STATISTICS

	Based on the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the minimum [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of our Shares ⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

1. The market capitalisation is calculated based on [REDACTED] Shares expected to be in issue immediately following completion of the [REDACTED] and the [REDACTED] and assuming that the [REDACTED] is not exercised.

2. The [REDACTED] per Share is calculated after making the adjustments referred to in Appendix II headed “Unaudited pro forma financial information” to this document and on the basis of a total of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] and assuming that the [REDACTED] is not exercised.