
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 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 0.4% 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.

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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 Construction Industry Association (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 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 24 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.

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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		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
	(unaudited) (unaudited)														
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	10.1	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	305,023	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	1,318,874	141,354	10.7	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	6,518	2,433	37.3	5,793	2,183	37.7
Total revenue/total gross profit/average gross profit margin	<u>1,821,916</u>	<u>183,443</u>	<u>10.1</u>	<u>1,769,900</u>	<u>189,114</u>	<u>10.7</u>	<u>1,823,384</u>	<u>195,647</u>	<u>10.7</u>	<u>1,325,392</u>	<u>143,787</u>	<u>10.9</u>	<u>1,366,030</u>	<u>148,562</u>	<u>10.9</u>

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

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⁾
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
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	18	438,901
Deduct: construction projects completed ⁽²⁾	70	1,404,183	37	910,356	32	756,345	25	507,199	21	511,290
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>140</u>	<u>8,629,210</u>

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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, the “**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 the 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 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 RMB298.3 million, respectively, accounting for 21.8%, 20.3%, 29.2% and 24.5% 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,

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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.

During the Track Record Period, we engaged subcontractors to provide labour subcontracting services and certain specialised construction services such as curtain wall construction, installation of lifts, waterproofing and fireproofing works. For each of FY2019, FY2020, FY2021 and 3Q2022, the total labour and construction subcontracting fees paid by us to our subcontractors amounted to approximately RMB569.0 million, RMB569.6 million, RMB644.4 million and RMB502.1 million, respectively, accounting for approximately 34.7%, 36.0%, 39.6% and 41.2% of our total cost of sales, respectively.

During the Track Record Period and up to the Latest Practicable Date, we have not been subjected to any material penalties as a result of the delay of work and/or other quality and safety issues caused by our subcontractors. Our Directors have weighed the benefits and costs for insurance coverage as a result of delay of work or quality issues arising from the subcontractors and consider that there is no specific need to arrange insurance policies to cover the risk associated with the engagement of subcontractors given the low historical risk in this area during the Track Record Period. As advised by our PRC Legal Advisers, we maintained insurance policies that are required under PRC laws and regulations. According to F&S, it is also in line with the customary practice in China that construction contractors will not carry out any business interruption insurance policies, including the coverage of the risk associated with the engagement of subcontractors. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our current operations.

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.

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COMPETITIVE STRENGTHS

We have the following competitive strengths which differentiate our Group from our competitors: (i) we have 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 embrace the latest development trend of prefabricated construction method 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 this 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; (iv) capture the opportunities arising from the latest development trend of EPC model and green building including prefabricated construction method in the PRC; and (v) strive to secure more projects from Government-related Entities. For details, please refer to the section headed “Business — Business strategies” in this document.

In light of the growing business scale, to enhance the accountability of the persons-in-charge of the construction projects and in line with the industry practice, we had formally put in place a project management responsibility system for better monitoring of our construction projects with reference to the Predecessor Construction Project Management Code and the Construction Project Management Code since 2017. The Directors considered that the project management responsibility system is mutually beneficial to us and to the persons-in-charge of the projects. Our PRC Legal Advisers is of the view that (i) the signing of the responsibility letter under the project management responsibility system is not regarded as a circumvention of the law against illegal act of qualification affiliation; (ii) the purpose of the project management responsibility system is to enable the person-in-charge to take up additional responsibilities in accordance with the Construction Project Management Code and does not contradict the person-in-charge’s capacity as an employee of our Group; and (iii) the project management responsibility system is in compliance with all the relevant rules and regulations during the Track Record Period and up to the Latest Practicable Date.

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The table below sets forth a comparison of number and contract sum of projects as to whether they were managed under the project management responsibility system as at the dates indicated:

	As at 31 December										As at 30 September					
	2019				2020				2021				2022			
	Number of projects		Contract sum of projects (RMB'000)		Number of projects		Contract sum of projects (RMB'000)		Number of projects		Contract sum of projects (RMB'000)		Number of projects		Contract sum of projects (RMB'000)	
Projects under project management responsibility system	71	52.6	3,179,857	56.1	50	35.5	5,035,840	70.8	44	30.1	4,267,672	56.3	33	23.1	3,774,210	43.4
Projects not under project management responsibility system	64	47.4	2,483,535	43.9	91	64.5	2,073,753	29.2	102	69.9	3,310,732	43.7	110	76.9	4,927,389	56.6
Total	135	100	5,663,392	100	141	100	7,109,593	100	146	100	7,578,404	100	143	100	8,701,599	100
Number of person-in-charge involved in the relevant projects	70				75				76				59			
Total amounts of responsibility deposits (RMB'000)	32,252.7			36,402.5				34,820.0				25,269.7				
Average percentage of responsibility deposits paid as a percentage of contract sum	1.0%			0.7%				0.8%				0.7%				

Each project is assessed individually in determining whether the project should be managed under the project management responsibility system. During the Track Record Period, our number of projects managed under the project management responsibility system decreased from 71 projects as at 31 December 2019 to 50 projects as at 31 December 2020 and further decreased to 44 projects and 33 projects as at 31 December 2021 and 30 September 2022, respectively. As at 31 December 2019, 2020 and 2021 and 30 September 2022, 52.6%, 35.5%, 30.1% and 23.1% of our projects (in terms of numbers) and 56.1%, 70.8%, 56.3% and 43.4% of our projects (in terms of contract sum), respectively, were managed under the project management responsibility system. The decrement of the percentage of our projects managed under the project management responsibility system, in terms of both numbers and contract sum from 31 December 2019 to 30 September 2022 was mainly due to the number of projects completed was more than the number of new projects under the project management responsibility system for the relevant year during the Track Record Period. In particular, the decrement of the balance of responsibility deposits from RMB34.8 million as at 31 December 2021 to RMB25.3 million as at 30 September 2022 was mainly due to (i) the project assessment process of a new construction contract secured by our

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Group with large contract sums in 2022 has not yet commenced as at 30 September 2022; and (ii) some on-going projects based on project assessment process are not required to be managed under the project management responsibility system.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the average responsibility deposits paid as a percentage of contract sum represented approximately 1.0%, 0.7%, 0.8% and 0.7%, respectively. The decrement of the percentage from 1.0% as at 31 December 2019 to 0.7% as at 31 December 2020 and remained stable as at 31 December 2021 and 30 September 2022 was due to the fact that more sizable projects are managed under the project management responsibility system from FY2020 onwards, which is in-line with our increasing total contract sums of on-going projects.

For further details, please refer to the paragraph headed “Business — Operation process — Project implementation phase — Project management responsibility system” 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 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.

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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.

	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>
				(unaudited)	
Revenue	1,821,916	1,769,900	1,823,384	1,325,392	1,366,030
Gross profit	183,443	189,114	195,647	143,787	148,562
Profit before taxation	59,594	59,537	72,015	56,768	58,934
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	<u>1,082</u>	<u>1,066</u>	<u>1,333</u>	<u>94</u>	<u>334</u>
	<u>50,860</u>	<u>49,599</u>	<u>61,903</u>	<u>47,791</u>	<u>51,166</u>

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, while partially net-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

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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 approximately 10.1% in FY2019 to 10.7% in FY2020 and remained at 10.7% in FY2021. In 3Q2022, our gross profit was approximately RMB148.6 million and gross profit margin was further increased to approximately 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.

Net profit

Our Group’s net profit decreased slightly from RMB50.9 million for FY2019 to RMB49.6 million for FY2020, which was mainly attributable to the increase in [REDACTED] expenses and administrative expenses for FY2020. Our Group’s net profit increased from RMB49.6 million for FY2020 to RMB61.9 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 net profit increased from RMB47.8 million for 3Q2021 to RMB51.2 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.

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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>
Non-controlling interests	<u>6,484</u>	<u>7,573</u>	<u>8,906</u>	<u>9,240</u>

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 further increased from approximately RMB202.9 million as at 31 December 2020 to approximately 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 RMB77.3 million and RMB11.1 million, respectively. Our net current assets continued to increase from approximately RMB266.2 million as at 31 December 2021 to approximately RMB323.8 million as at 30 September 2022 mainly due to increase in cash and cash equivalents by approximately RMB37.9 million.

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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 mainly due to (i) our Group’s profit and total comprehensive income for the year of approximately RMB49.6 million in FY2020 and (ii) increase in other reserve as a result of group reorganisation of approximately RMB2.4 million. Our net assets further increased by approximately RMB62.0 million to approximately RMB294.2 million as at 31 December 2021 and by approximately RMB51.2 million to approximately RMB345.4 million as at 30 September 2022, primarily attributable to our Group’s profit and total comprehensive income for the year/period of approximately RMB61.9 million in FY2021 and RMB51.2 million in 3Q2022, respectively.

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.

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> (unaudited)	<i>RMB'000</i>
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>

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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 as we made faster repayment for trade payables in 3Q2022, partially offset by the increase in accruals and other payables of approximately RMB79.6 million due to increase in net VAT payables and the decrease in trade, bills and other receivables of approximately RMB53.2 million because more effort was put to collect trade receivables from our customers. For 3Q2021, we recorded a profit before taxation of approximately RMB56.8 million and net cash used in operating activities of approximately RMB64.4 million. The cash outflow was principally due to the increase in trade and bills receivables of approximately RMB204.8 million, partially offset by the decrease in contract assets of approximately RMB40.5 million and the increase in accruals and other payables of approximately RMB31.9 million. As generally more trade receivables are settled towards the end of a year, we typically generate net operating cash outflow in the first nine months of a year.

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 decrease 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.

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.

SUMMARY

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%	10.9%
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:

- Gross profit margin = gross profit ÷ revenue × 100%
- Net profit margin = profit for the year/period ÷ revenue × 100%
- Return on assets = profit for the year ÷ total assets × 100%
- Return on equity = profit for the year ÷ total equity attributable to owner of the Company × 100%
- Current ratio = total current assets ÷ total current liabilities
- Quick ratio = (total current assets – inventories) ÷ total current liabilities
- Interest coverage ratio = profit before finance costs and income tax expense ÷ finance costs
- Net debt to equity ratio = (total interest-bearing debt including borrowings and lease liabilities net of cash and cash equivalent) ÷ total equity × 100%
- Gearing ratio = (total interest-bearing debt including borrowings and lease liabilities) ÷ total equity × 100%
- 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.
- Return on assets and return on equity are calculated on a full year basis.

RECENT DEVELOPMENT

The Impact of the COVID-19 outbreak

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 of COVID-19 including the highly transmissible Omicron variant, in various provinces across the PRC (the “Resurgence”) in the first half of 2022 with short term adverse impacts on the delay in construction projects schedule, shortage of construction labour resources and increasing labour costs due to various

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isolation measures imposed by the PRC Government on business and social activities, including lockdowns, stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions.

Due to the outbreak of COVID-19, in 2020, we extended the duration of our Chinese New Year's holiday and our employees resumed work by 24 February 2020.

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. 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, which has been fully recognised in FY2020. In 2021 and 2022, we did not encounter any material suspension of projects and are not subject to any penalties to our customers due to the COVID-19 pandemic and the Resurgence. Despite containment measures, such as city lockdown, were imposed by the PRC Government, the COVID-19 pandemic and the Resurgence has no material impacts on our business operation because (i) so long as the construction workers complied with the movement restriction rule imposed by the PRC Government, operation of construction projects are not restricted by the PRC Government, and all of our customers decided not to suspend their construction projects and (ii) our suppliers and subcontractors were also available to deliver the materials or services to us without material delay during the COVID-19 pandemic and the Resurgence. Save as disclosed above, up to the Latest Practicable Date, we did not encounter suspension of our projects due to COVID-19.

The outbreak of the COVID-19 pandemic and the Resurgence did not have material impacts on the progress of our construction projects, the financial position and viability of our customers and business operation of our suppliers and subcontractors in relation to our projects during the Track Record Period and as at the Latest Practicable Date.

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.

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For further details in relation to the outbreak of COVID-19, please refer to the section 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.

Regulatory Developments on Overseas Listing

On 17 February 2023, the CSRC formally released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies 《境內企業境外發行證券和上市管理試行辦法》 (the “**Trial Overseas Listing Measures**”) and five filing guidelines, which are expected to take effect on 31 March 2023. The Trial Overseas Listing Measures will regulate both direct and indirect overseas offerings and listings of securities by PRC domestic companies by adopting a filing-based regulatory regime. Where an issuer submits an application for initial public offering for overseas offering or listing directly or indirectly, such issuer must file with the CSRC within three business days after such application is submitted.

On 17 February 2023, the CSRC also held a press conference for the release of the Trial Overseas Listing Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that companies which apply for an indirect overseas listing and satisfy all of the following conditions shall be deemed as “existing applicants (存量企業)” and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC: (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authorities or stock exchanges (such as passing the hearing for the listing application in Hong Kong) prior to 31 March 2023, (ii) the company is not required to reapply for offering and listing procedures to the overseas regulatory authorities or securities exchanges (such as a new hearing for the listing application in Hong Kong) after 31 March 2023, and (iii) such overseas securities offering or listing shall be completed on or prior to 30 September 2023. For details, please refer to section headed “Regulatory Overview — Regulations Relating to Overseas Listing” in this document.

Based on the above and the current expected timetable of the [REDACTED] that the [REDACTED] will take place before the effective date of the Trial Overseas Listing Measures, our PRC Legal Advisers are of the view that we do not need to perform the record-filing procedures for the [REDACTED] and the [REDACTED].

SUMMARY

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 112 tender documents and have been awarded 17 projects, representing a tender success rate of approximately 15.2%.

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.

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 the Latest Practicable Date	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	(Note 2) RMB'000	(Note 2) RMB'000	(Note 2) RMB'000
Civil building construction	2,355,851	136,632	92,423	217,116	2,367,790	1,406,983	641,081	319,726
Municipal works construction	257,372	222,207	158,709	343,601	294,687	258,129	36,558	—
Foundation works	11,561	—	738	4,533	7,766	7,644	122	—
Prefabricated steel structure construction works	103,789	80,062	336	58,948	125,239	125,079	160	—
Other specialised contracting work (Note 1) . .	35,978	—	176	6,522	29,632	27,138	2,494	—
	<u>2,764,551</u>	<u>438,901</u>	<u>252,382</u>	<u>630,720</u>	<u>2,825,114</u>	<u>1,824,973</u>	<u>680,415</u>	<u>319,726</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.

SUMMARY

Taking into account the discussions as set out in the paragraph headed “The Impact of the COVID-19 Outbreak” above, our Directors were of the view that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2022, being the end of the period reported on the Accountants’ Report set out in Appendix I to this document.

The unaudited financial information as of and for the year ended 31 December 2022 have been agreed with the reporting accountants following their work under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants. Our unaudited financial information for FY2022 is set out in Appendix III to this document. Based on the unaudited financial information for FY2022, our net profit increased to RMB65.5 million in FY2022 by approximately RMB3.6 million as compared to FY2021 mainly attributable to the increment in gross profits of approximately RMB10.9 million partially net-off by the increase in [REDACTED] expenses of approximately RMB1.7 million, increase in finance costs of approximately RMB3.9 million and increase in impairment on financial and contract assets of approximately RMB2.0 million. For details, please refer to Appendix III to this document.

[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].

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 (equivalent to HK\$[REDACTED] million); (ii) non-[REDACTED]-related expenses of RMB[REDACTED] million (equivalent to HK\$[REDACTED] million), including (a) fees and expenses of legal advisers and Reporting accountants of approximately RMB[REDACTED] million (equivalent to HK\$[REDACTED] million); and (b) other non-[REDACTED]-related fees and expenses of approximately RMB[REDACTED] million (equivalent to HK\$[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 RMB2.4 million (equivalent to HK\$2.6 million), RMB10.7 million (equivalent to HK\$11.8 million), RMB4.5 million (equivalent to HK\$4.9 million) and

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RMB4.5 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 after 30 September 2022. 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 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]
(i) approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million)	to fund our upfront expenditure of three projects on hand
(ii) approximately [REDACTED]%, or approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million)	to acquire and/or replace our construction machinery and equipment

SUMMARY

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| (iii) 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 (a) recruiting professionals ; (b) purchasing equipment and software; (c) financing the operating costs including purchasing the materials to be used in R&D; and (d) paying the rent and renovation costs of the know-how centre to strengthen our R&D capabilities |
| (iv) 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 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].

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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. 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, amongst others, we have successfully registered trademarks containing “中天” or “Zhongtian” in Hong Kong, and no other companies had registered trademarks containing “中天” or “Zhongtian” in class 37 in Hong Kong as at the Latest Practicable Date; and 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 refers 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

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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 adversely affected; (iv) our working capital, liquidity and financial condition may be adversely affected if we do not maintain comparable level of responsibility deposits from the persons-in-charge of our construction projects; (v) 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; (vi) we have limited control over the quality, availability and costs of our subcontractors and subcontracted workers; (vii) there is uncertainty as to the tender success rate of our Group in the future; (viii) our operating results may be significantly affected by changes in the prices and availability of raw materials; and (ix) 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.

SUMMARY

[REDACTED] STATISTICS

	Based on the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the minimum [REDACTED] of HK\$[REDACTED] per [REDACTED]
	HK\$[REDACTED]	HK\$[REDACTED]
Market capitalisation of our Shares ⁽¹⁾	million	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.